Haier Electronics Group Co., Ltd.
海爾電器集團有限公司*

Stock Code: 01169

Interim Report 2020

*for identification purpose only

CORPORATE PROFILE

Haier Electronics Group Co., Ltd. (Stock code: 01169) (the "Company"), a subsidiary of Haier Group Corporation ("Haier Corp"), is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company and its subsidiaries (the "Group") are principally engaged in: the research, development, manufacture and wholesale of washing machines and water heaters under Haier Corp brands ("Haier", "Casarte" and "Leader"); the distribution of electronics products of Haier Corp in the People's Republic of China ("PRC"). It also invested in logistics services business which provides services under the name of "Gooday" in the PRC for large-format items, including but not limited to home appliances, furniture and fitness equipment.

Founded in 1984, Haier Corp is headquartered in Qingdao, Shandong Province, the PRC and is one of the world's leading white goods home appliance manufacturers engaging in the research, development, production and sale of a wide variety of household appliances (including the white goods) and consumer electronic goods in the PRC today. The products of Haier Corp are now sold in over 100 countries. According to the data published by Euromonitor International, Haier brand has once again ranked first among major appliance brands in the world. This is the eleventh consecutive year that Haier Corp has received the accolade.

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. ZHOU Yun Jie *(Chairman)*
Mr. XIE Ju Zhi *(Chief Executive Officer)*
Mr. LI Hua Gang

Non-executive Directors

Mr. LIANG Hai Shan
Mr. YANG Guang

Independent Non-executive Directors

Mr. YU Hon To, David
Mrs. Eva CHENG LI Kam Fun
Mr. GONG Shao Lin
Dr. John Changzheng MA

PRINCIPAL BOARD COMMITTEES

Audit Committee

Mr. YU Hon To, David *(Committee Chairman)*
Mrs. Eva CHENG LI Kam Fun
Mr. GONG Shao Lin

Remuneration Committee

Mrs. Eva CHENG LI Kam Fun *(Committee Chairman)*
Mr. YU Hon To, David
Mr. ZHOU Yun Jie

Nomination Committee

Mr. YU Hon To, David *(Committee Chairman)*
Mrs. Eva CHENG LI Kam Fun
Mr. ZHOU Yun Jie

Strategic Committee

Mr. ZHOU Yun Jie *(Committee Chairman)*
Mr. YANG Guang
Mr. GONG Shao Lin

COMPANY SECRETARY

Mr. NG Chi Yin

LEGAL ADVISORS

As to Hong Kong Law

DLA Piper Hong Kong
Jeffrey Mak Law Firm

As to Bermuda Law

Conyers Dill & Pearman

PRINCIPAL BANKERS IN HONG KONG

Industrial and Commercial Bank of China (Asia) Limited
China Construction Bank (Asia) Corporation Limited
DBS Bank (Hong Kong) Limited
Mizuho Bank, Ltd.

PRINCIPAL BANKER IN THE PRC

China Construction Bank Corporation

AUDITORS

Ernst & Young

FINANCIAL CALENDAR

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

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 3513
35/F., The Center
99 Queen's Road Central
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PRC

Haier Industrial Park
No. 1, Haier Road
Qingdao, the PRC

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Corporate Services (Bermuda) Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Tengis Limited
Level 54 Hopewell Centre
183 Queen's Road East
Hong Kong

TELEPHONE NUMBER

+852 2169 0000

FAX NUMBER

+852 2169 0880

STOCK CODE

The Stock Exchange of Hong Kong Limited:
01169

WEBSITE

www.haier.hk

INVESTOR RELATIONS CONTACT

Strategic Financial Relations Limited
24/F, Admiralty Centre I
18 Harcourt Road
Hong Kong

Telephone Number	:	(852) 2111 8468
Fax Number	:	(852) 2527 1196
E-mail Address	:	haier@sprg.com.hk

INTERIM RESULTS

The Board of Directors (the "Board") of Haier Electronics Group Co., Ltd. (the "Company") hereby announces the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2020 together with comparative figures for the corresponding period in 2019. This interim condensed consolidated financial information has not been audited, but has been reviewed by the Company's audit committee.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the six months ended 30 June	
	Notes	**2020** **RMB'000** **(Unaudited)**	2019 RMB'000 (Unaudited) (Restated)
CONTINUING OPERATIONS			
REVENUE	3	**35,075,412**	36,954,602
Cost of sales		**(28,209,001)**	(29,334,339)
Gross profit		**6,866,411**	7,620,263
Other income and gains	4	**409,875**	401,859
Selling and distribution expenses		**(4,696,973)**	(4,795,796)
Administrative expenses		**(979,636)**	(1,070,188)
Other expenses and losses		**(1,867)**	(3,964)
Finance costs	5	**(2,394)**	(2,364)
Share of profits and losses of associates		**87,006**	(223)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	6	**1,682,422**	2,149,587
Income tax expense	7	**(284,329)**	(363,191)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**1,398,093**	1,786,396
DISCONTINUED OPERATION			
Profit for the period from a discontinued operation	8	**—**	150,506
PROFIT FOR THE PERIOD		**1,398,093**	1,936,902
Attributable to:			
Owners of the Company		**1,335,388**	1,836,101
Non-controlling interests		**62,705**	100,801
		1,398,093	1,936,902
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
Basic			
— For profit for the period		**RMB0.48**	RMB0.66
— For profit from continuing operations		**RMB0.48**	RMB0.62
Diluted			
— For profit for the period		**RMB0.47**	RMB0.65
— For profit from continuing operations		**RMB0.47**	RMB0.62

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
PROFIT FOR THE PERIOD	**1,398,093**	1,936,902
OTHER COMPREHENSIVE INCOME		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of financial statements of group companies	**31,184**	(65)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	**31,184**	(65)
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	**(135,837)**	(34,860)
Income tax effect	**13,083**	3,327
	(122,754)	(31,533)
Share of other comprehensive loss of an associate	**(8,454)**	—
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	**(131,208)**	(31,533)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	**(100,024)**	(31,598)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1,298,069**	1,905,304
Attributable to:		
Owners of the Company	**1,235,364**	1,804,503
Non-controlling interests	**62,705**	100,801
	1,298,069	1,905,304

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2020 RMB'000 (Unaudited)**	31 December 2019 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	**5,012,249**	4,863,993
Investment properties		**26,023**	26,693
Right-of-use assets		**421,426**	446,912
Goodwill		**534,487**	86,473
Other intangible assets		**156,222**	103,501
Investments in associates		**5,794,836**	5,719,101
Equity investments designated at fair value through other comprehensive income		**1,715,645**	1,847,506
Other non-current financial assets	11	**135,575**	371,604
Long-term prepayments		**192,382**	129,979
Deferred tax assets		**874,875**	929,413
Total non-current assets		**14,863,720**	14,525,175
CURRENT ASSETS			
Inventories		**7,630,904**	10,066,080
Trade and bills receivables	12	**3,726,236**	3,307,516
Prepayments, other receivables and other assets		**2,232,176**	3,661,902
Other financial assets		**2,341,623**	3,252,705
Pledged deposits		**353,879**	409,920
Cash and cash equivalents		**17,044,539**	14,834,594
Total current assets		**33,329,357**	35,532,717
CURRENT LIABILITIES			
Trade and bills payables	13	**4,338,802**	5,446,208
Other payables and accruals		**6,821,712**	7,874,000
Contract liabilities		**3,024,823**	4,081,075
Interest-bearing borrowings		**68,214**	68,232
Lease liabilities		**40,673**	32,170
Tax payable		**622,935**	800,155
Dividend payable		**1,258,574**	—
Provisions	14	**715,704**	710,669
Total current liabilities		**16,891,437**	19,012,509

	Notes	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
NET CURRENT ASSETS		16,437,920	16,520,208
TOTAL ASSETS LESS CURRENT LIABILITIES		31,301,640	31,045,383
NON-CURRENT LIABILITIES			
Interest-bearing borrowings		8,943	12,664
Lease liabilities		23,270	21,002
Deferred income		160,039	147,966
Deferred tax liabilities		839,911	837,271
Put option liabilities	15	55,619	54,598
Provisions	14	344,566	333,963
Total non-current liabilities		1,432,348	1,407,464
Net assets		29,869,292	29,637,919
EQUITY			
Equity attributable to owners of the Company			
Issued equity	16	2,958,339	2,938,051
Shares held for the Restricted Share Award Scheme		(64,058)	(63,150)
Reserves		26,447,808	26,345,288
		29,342,089	29,220,189
Non-controlling interests		527,203	417,730
Total equity		29,869,292	29,637,919

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the owners of the Company															
			Reserves													
	Issued equity RMB'000	Shares held for the Restricted Share Award Scheme RMB'000	Capital reduction reserve RMB'000	Share option reserve RMB'000	Awarded share reserve RMB'000	Put option reserve RMB'000	Reserve funds RMB'000	Retained profits RMB'000	Exchange fluctuation reserve RMB'000	Other comprehensive reserves RMB'000	Other reserves RMB'000	Total reserves RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2020 (Audited)	2,938,051	(63,150)	(1,758,526)	1,446	127,380	(4,444)	1,371,743	28,851,218	331,270	49,980	(2,624,779)	26,345,288	29,220,189	417,730	29,637,919
Profit for the period	–	–	–	–	–	–	–	1,335,388	–	–	–	1,335,388	1,335,388	62,705	1,398,093
Other comprehensive income/(loss) for the period:															
Exchange differences on translation of financial statements of group companies	–	–	–	–	–	–	–	–	31,184	–	–	31,184	31,184	–	31,184
Change in fair value of equity instruments designated at fair value through other comprehensive income, net of tax	–	–	–	–	–	–	–	–	–	(122,754)	–	(122,754)	(122,754)	–	(122,754)
Share of comprehensive loss of an associate	–	–	–	–	–	–	–	–	–	(8,454)	–	(8,454)	(8,454)	–	(8,454)
Total comprehensive income/(loss) for the period	–	–	–	–	–	–	–	1,335,388	31,184	(131,208)	–	1,235,364	1,235,364	62,705	1,298,069
Issue of shares	20,288	(908)	–	(1,446)	–	–	–	–	–	–	–	(1,446)	17,934	–	17,934
Restricted share award scheme arrangements	–	–	–	–	114,941	–	–	–	–	–	–	114,941	114,941	–	114,941
Changes in fair value of put option liabilities	–	–	–	–	–	(177)	–	–	–	–	–	(177)	(177)	177	–
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	–	36,047	36,047
Capital contributions from non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	5,031	5,031	5,031	10,744	15,775
Capital reduction of a non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	–	(200)	(200)
Final 2019 dividend	–	–	–	–	–	–	–	(1,251,193)	–	–	–	(1,251,193)	(1,251,193)	–	(1,251,193)
At 30 June 2020 (Unaudited)	2,958,339	(64,058)	(1,758,526)	–	242,321	(4,621)	1,371,743	28,935,413	362,454	(81,228)	(2,619,748)	26,447,808	29,342,089	527,203	29,869,292

	Attributable to the owners of the Company															
			Reserves													
	Issued equity RMB'000	Shares held for the Restricted Share Award Scheme RMB'000	Capital reduction reserve RMB'000	Capital reserve RMB'000	Share option reserve RMB'000	Awarded share reserve RMB'000	Put option reserve RMB'000	Reserve funds RMB'000	Retained profits RMB'000	Exchange fluctuation reserve RMB'000	Other comprehensive reserve RMB'000	Other reserves RMB'000	Total reserves RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2019 (Audited)	2,922,364	(97,391)	(1,758,526)	780,485	3,177	137,044	(849,758)	1,216,932	21,825,097	291,224	(813)	(468,178)	21,176,684	24,001,657	2,166,065	26,167,722
Profit for the period (restated)	–	–	–	–	–	–	–	–	1,836,101	–	–	–	1,836,101	1,836,101	100,801	1,936,902
Other comprehensive income/(loss) for the period:																
Exchange differences on translation of financial statements of group companies	–	–	–	–	–	–	–	–	–	(65)	–	–	(65)	(65)	–	(65)
Change in fair value of equity instruments designated at fair value through other comprehensive income, net of tax	–	–	–	–	–	–	–	–	–	–	(31,533)	–	(31,533)	(31,533)	–	(31,533)
Total comprehensive income/(loss) for the period (restated)	–	–	–	–	–	–	–	–	1,836,101	(65)	(31,533)	–	1,804,503	1,804,503	100,801	1,905,304
Issue of shares	4,376	–	–	–	(910)	–	–	–	–	–	–	–	(910)	3,466	–	3,466
Shares transferred to participants from the Share Award Scheme Trust	(1,103)	3,371	–	–	–	(2,268)	–	–	–	–	–	–	(2,268)	–	–	–
Shares received for the Restricted Share Award Scheme	–	(786)	–	–	–	–	–	–	–	–	–	–	–	(786)	–	(786)
Restricted share award scheme arrangements	–	–	–	–	–	60,779	–	–	–	–	–	–	60,779	60,779	–	60,779
Share-based payments expense	–	–	–	–	–	1,808	–	–	–	–	–	4,255	6,063	6,063	4,687	10,750
Changes in fair value of put option liabilities	–	–	–	–	–	–	(24,155)	–	–	–	–	–	(24,155)	(24,155)	(10,646)	(34,801)
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	–	–	30,626	30,626
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(4,338)	(4,338)
Capital contributions from non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(9,301)	(9,301)	(9,301)	17,991	8,690
Acquisition from non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(173,589)	(173,589)	(173,589)	(30,142)	(203,731)
Dividends payable/paid to non-controlling shareholders of subsidiaries (restated)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(16,422)	(16,422)
Dividends payable/paid to the then holding company of a subsidiary (restated)	–	–	–	–	–	–	–	–	(13,799)	–	–	–	(13,799)	(13,799)	–	(13,799)
Final 2018 dividend	–	–	–	(780,485)	–	–	–	–	(156,079)	–	–	–	(936,564)	(936,564)	–	(936,564)
At 30 June 2019 (Unaudited) (restated)	2,925,637	(94,806)	(1,758,526)	–	2,267	197,363	(873,913)	1,216,932	23,491,320	291,159	(32,346)	(646,813)	21,887,443	24,718,274	2,258,622	26,976,896

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	For the six months ended 30 June **2020** **RMB'000** **(Unaudited)**	 2019 RMB'000 (Unaudited) (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:			
From continuing operations		**1,682,422**	2,149,587
From a discontinued operation		**—**	197,443
Adjustments for:			
Finance costs		**2,394**	33,009
Share of profits and losses of associates		**(87,006)**	223
Bank interest income		**(151,797)**	(168,693)
Return on investments in other financial assets		**(41,672)**	(84,922)
Dividend income from an equity investment designated at fair value through other comprehensive income	4	**(14,253)**	(18,402)
Loss on disposal of subsidiaries, net		**—**	3,516
Loss/(gain) on disposal of property, plant and equipment, net		**(7,685)**	3,716
Fair value loss/(gain) on other non-current financial assets		**(1,874)**	598
Depreciation of property, plant and equipment		**276,895**	166,597
Depreciation of investment properties	6	**1,066**	1,066
Depreciation of right-of-use assets		**23,198**	254,325
Amortisation of other intangible assets		**10,907**	9,538
Amortisation of long-term prepayments		**1,176**	3,879
Provision for obsolete and slow-moving inventories	6	**289,676**	189,625
Impairment of trade receivables, net		**1,928**	3,642
Impairment of prepayments, other receivables and other assets, net	6	**(61)**	(300)
Share-based payment expense		**—**	3,206
Equity-settled Restricted Share Award Scheme expense	6	**114,941**	60,779
		2,100,255	2,808,432
Decrease in inventories		**2,145,708**	1,494,474
Increase in trade and bills receivables		**(405,250)**	(499,112)
Decrease in prepayments, other receivables and other assets		**1,485,286**	1,275,423
Increase/(decrease) in trade and bills payables		**(1,186,182)**	647,943
Decrease in other payables and accruals		**(1,114,923)**	(607,696)
Decrease in contract liabilities		**(1,076,719)**	(2,402,391)
Increase in provisions		**15,638**	7,760
Decrease in deferred income related to government grants		**(5,365)**	(6,683)
Effect of foreign exchange rate changes, net		**9,232**	1,468

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Cash generated from operations	**1,967,680**	2,719,618
Interest received	**198,473**	112,224
Mainland China corporate income tax paid	**(389,346)**	(552,219)
Net cash flows from operating activities	**1,776,807**	2,279,623
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	**(524,763)**	(708,550)
Receipt of government grants for property, plant and equipment	**16,627**	—
Proceeds from disposal of property, plant and equipment	**10,739**	627
Proceeds from disposal of prepaid land lease payments	**24,302**	190,779
Additions to prepaid land lease payments	**(9,515)**	(159,550)
Additions to intangible assets	**(17,646)**	(200)
Acquisition of subsidiaries	**(338,445)**	(46,027)
Disposal of subsidiaries	**—**	(9,163)
Advance to an associate	**(16,000)**	—
Additional investments in equity investments designated at fair value through other comprehensive income	**(3,721)**	(10,508)
Proceeds from disposals/(purchases) of other financial assets, net	**1,124,676**	(271,721)
Interest received from other financial assets	**55,464**	82,655
Additions to long-term prepayments	**(64,198)**	(735)
Decrease in pledged deposits	**56,041**	17,040
Net cash flows from/(used in) investing activities	**313,561**	(915,353)

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	**17,934**	3,466
Capital contributions from non-controlling shareholders	**10,696**	8,690
Capital reductions of non-controlling shareholders	**(13,340)**	—
New borrowings	**59**	23,211
Repayment of borrowings	**(5,842)**	(41,122)
Borrowings from a non-controlling shareholder of a subsidiary	**98,000**	—
Dividends paid to non-controlling shareholders	**—**	(18,058)
Dividends paid to the then holding company	**—**	(18,998)
Interest paid for borrowings	**(754)**	(2,612)
Principal portion of lease payments	**(13,056)**	(265,950)
Interest element of lease payments	**(1,640)**	(13,032)
Acquisition of non-controlling interests	**—**	(203,731)
Net cash flows from/(used in) financing activities	**92,057**	(528,136)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**2,182,425**	836,134
Cash and cash equivalents at beginning of period	**14,834,594**	15,023,393
Effect of foreign exchange rate changes, net	**27,520**	1,043
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**17,044,539**	15,860,570
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Non-pledged cash and bank balances	**2,671,281**	2,994,377
Time deposits	**14,373,258**	12,831,031
Cash and cash equivalents as stated in the statement of financial position	**17,044,539**	15,825,408
Cash and cash equivalents of a disposal group classified as held for sale	**—**	35,162
Cash and cash equivalents as stated in the statement of cash flows	**17,044,539**	15,860,570

1. CORPORATE AND GROUP INFORMATION

Haier Electronics Group Co., Ltd. is a limited liability company incorporated in Bermuda. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

As at 30 June 2020, the holding company of the Company is Haier Smart Home Co., Ltd. ("Haier Smart Home"), established in the People's Republic of China (the "PRC"), and the ultimate holding company of the Company is Haier Group Corporation ("Haier Corp"), established in the PRC.

The principal activities of the Group are described in note 3 "Operating segment information" to the interim condensed consolidated financial information.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial information for the six months ended 30 June 2020 has been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* promulgated by the International Accounting Standards Board. This financial information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019.

Merger accounting for business combinations under common control

On 30 August 2018, Guanmei (Shanghai) Enterprise Management Co., Ltd. ("Guanmei"), an indirect wholly-owned subsidiary of the Company, and Haier Electric International Co., Ltd. ("Haier International"), an indirect non-wholly-owned subsidiary of Haier Corp, entered into an asset swap agreement, pursuant to which Guanmei agreed to acquire and Haier International agreed to sell a 51% equity interest in Qingdao Haishi Water Equipment Co., Ltd. ("Qingdao Haishi") at a consideration of RMB1,073,524,000 to be satisfied by Guanmei by way of transfer of 55% of the equity interest in Bingji (Shanghai) Enterprise Management Co., Ltd. ("Bingji"), a direct wholly-owned subsidiary of Guanmei, from Guanmei to Haier International at the same consideration (the "Asset Swap"). Qingdao Haishi is principally engaged in the research and development and the sale of household water purifying solutions, while Bingji is an investment holding company and its subsidiaries (collectively referred to as the "Bingji Group") are principally engaged in the provision of logistics services.

Pursuant to the Asset Swap, the Company became an indirect holding company of Qingdao Haishi, and the Bingji Group was classified as a discontinued operation (note 8). Since the Company and Qingdao Haishi were ultimately controlled by Haier Corp both before and after the completion of the Asset Swap, the acquisition of Qingdao Haishi was accounted for using the principles of merger accounting.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

Merger accounting for business combinations under common control *(continued)*

On 9 September 2019, the Group, through its direct wholly-owned subsidiary namely, Qingdao Haier Smart Home Appliances Co., Ltd, acquired a 100% equity interest in Qingdao Gooday Health Industry Development Co., Ltd ("Gooday Health") at a cash consideration of RMB34,000,000 (the "Acquisition"), which has been fully paid in 2019. Gooday Health was an indirect wholly-owned subsidiary of Haier Corp and is currently principally engaged in manufacturing water treatment appliances. Pursuant to the Acquisition, the Company became an indirect holding company of Gooday Health. Since the Company and Gooday Health were ultimately controlled by Haier Corp both before and after the completion of the Acquisition, the Acquisition was accounted for using the principles of merger accounting.

The consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the six-month period ended 30 June 2019 include the results, changes in equity and cash flows of all companies then comprising the Group, Qingdao Haishi and Gooday Health, as if the corporate structure of the Group immediately after the completion of the Asset Swap and the Acquisition had been in existence throughout the six-month period ended 30 June 2019, or since their respective dates of acquisition, incorporation or registration, where this is a shorter period.

Restatement of operating results of the Group

The operating results previously reported by the Group for the six-month period ended 30 June 2019 have been restated as a result of (i) the application of merger accounting to include the operating results of Qingdao Haishi and Gooday Health, and (ii) the classification of the Bingji Group as a discontinued operation (note 8) to exclude the revenue and profit before tax of the Bingji Group, as set out below:

	The Group	Merger accounting			Discontinued operation		
	(as previously reported)	Qingdao Haishi	Gooday Health	Elimination	Bingji Group	Elimination	The Group (Restated)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	41,182,923	555,340	—	(502,391)	(4,907,811)	626,541	36,954,602
Profit before tax from continuing operations	2,281,003	65,870	157	—	(197,443)	—	2,149,587
Profit for the period attributable to owners of the Company	1,805,539	30,413	149	—	—	—	1,836,101

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

Amendments to IFRS 3	*Definition of a Business*
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions* (early adopted)
Amendments to IAS 1 and IAS 8	*Definition of Material*

The nature and impact of the revised IFRSs are described below:

(a) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policies and disclosures (continued)

(c) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.

During the six-month period ended 30 June 2020, certain monthly lease payments for the leases of the Group's office buildings have been reduced or waived by the lessors as a result of the covid-19 pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the covid-19 pandemic during the six-month period ended 30 June 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of RMB3,398,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the six-month period ended 30 June 2020.

(d) Amendment to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable segments for the six-month period ended 30 June 2020 as follows:

(a) the washing machine business segment manufactures and sells washing machines;

(b) the water heater and water purifier business segment manufactures and sells water heaters and water purifiers; and

(c) the channel service business segment sells and distributes home appliances and other products as well as provides after-sales and other value-added consumer services.

Upon the completion of the Asset Swap as detailed in note 2.1 to the interim condensed consolidated financial information, the Bingji Group is regarded as an associate and classified as a discontinued operation for the six-month period ended 30 June 2019. For presentation purpose, the corresponding logistics business is excluded from the operating segment information disclosure. Further details of the discontinued operation are set out in note 8 to the interim condensed consolidated financial information.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax from continuing operations except that treasury and investment income, corporate and other unallocated income and gains, corporate and other unallocated expenses and losses as well as interest on borrowings are excluded from such measurement.

Segment assets exclude equity investments designated at fair value through other comprehensive income, deferred tax assets, wealth management products included in other financial assets, pledged deposits, cash and cash equivalents and corporate and other unallocated assets as these assets are managed on a group basis.

Segment liabilities exclude deferred tax liabilities, tax payable, interest-bearing borrowings and corporate and other unallocated liabilities as these liabilities are managed on a group basis.

Intersegment sales of the washing machine and water heater and water purifier businesses represent the sales of washing machines, water heaters and water purifiers through the Group's channel service business. Intersegment sales of the channel service business represent the after-sales services provided to customers of the washing machine and water heater and water purifier businesses. Such intersegment sales and transfers are transacted in accordance with the terms and conditions mutually agreed by the parties involved.

3. OPERATING SEGMENT INFORMATION (continued)

For the six months ended 30 June	Washing machine business		Water heater and water purifier business		Channel service business		Consolidated	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited) (Restated)	**(Unaudited)**	(Unaudited) (Restated)	**(Unaudited)**	(Unaudited) (Restated)
Segment revenue:								
Sales to external customers								
Sales of goods	**3,209,809**	3,492,558	**772,606**	835,852	**30,906,291**	32,499,315	**34,888,706**	36,827,725
Rendering of services	**—**	—	**—**	—	**186,706**	126,877	**186,706**	126,877
	3,209,809	3,492,558	**772,606**	835,852	**31,092,997**	32,626,192	**35,075,412**	36,954,602
Intersegment sales	**6,423,809**	6,353,586	**3,172,939**	3,130,656	**123,482**	123,555	**9,720,230**	9,607,797
Total	**9,633,618**	9,846,144	**3,945,545**	3,966,508	**31,216,479**	32,749,747	**44,795,642**	46,562,399
Reconciliation:								
Elimination of intersegment sales							**(9,720,230)**	(9,607,797)
Segment revenue							**35,075,412**	36,954,602
Segment other income and gains	**72,661**	108,902	**96,220**	48,898	**31,202**	19,370	**200,083**	177,170
Total segment revenue and other income and gains							**35,275,495**	37,131,772
Segment results	**559,114**	887,050	**375,634**	455,616	**489,439**	573,832	**1,424,187**	1,916,498
Reconciliation:								
Elimination of intersegment results							**105,146**	84,451
Treasury and investment income							**207,722**	224,343
Corporate and other unallocated income and gains							**89,076**	346
Corporate and other unallocated expenses and losses							**(142,955)**	(75,362)
Interest on borrowings							**(754)**	(689)
Profit before tax from continuing operations							**1,682,422**	2,149,587

Information about the Group's performance obligations 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 as services are rendered and payment is generally due within 30 to 90 days from rendering the services. Service contracts are for periods of one year or less, or are billed based on the time incurred.

3. OPERATING SEGMENT INFORMATION (continued)

	Washing machine business		Water heater and water purifier business		Channel service business		Consolidated	
	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)	**30 June 2020 RMB'000 (Unaudited)**	31 December 2019 RMB'000 (Audited)	**30 June 2020 RMB'000 (Unaudited)**	31 December 2019 RMB'000 (Audited)	**30 June 2020 RMB'000 (Unaudited)**	31 December 2019 RMB'000 (Audited)
Segment assets	**8,763,589**	8,284,924	**3,111,736**	2,936,805	**10,016,865**	13,585,498	**21,892,190**	24,807,227
Reconciliation:								
Elimination of intersegment receivables							**(6,874,466)**	(8,114,849)
Equity investments designated at fair value through other comprehensive income							**1,715,645**	1,847,506
Deferred tax assets							**874,875**	929,413
Wealth management products included in other financial assets (note 11)							**2,414,362**	3,547,252
Pledged deposits							**353,879**	409,920
Cash and cash equivalents							**17,044,539**	14,834,594
Corporate and other unallocated assets							**10,772,053**	11,796,829
Total assets							**48,193,077**	50,057,892
Segment liabilities	**3,729,807**	4,932,348	**2,764,242**	2,810,354	**13,155,433**	15,731,870	**19,649,482**	23,474,572
Reconciliation:								
Elimination of intersegment payables							**(6,874,466)**	(8,114,849)
Deferred tax liabilities							**839,911**	837,271
Tax payable							**622,935**	800,155
Interest-bearing borrowings							**77,157**	80,896
Corporate and other unallocated liabilities							**4,008,766**	3,341,928
Total liabilities							**18,323,785**	20,419,973

Geographical information — Revenue from external customers

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited) (Restated)
Mainland China	**33,242,119**	35,610,837
Other countries/regions	**1,833,293**	1,343,765
	35,075,412	36,954,602

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

4. OTHER INCOME AND GAINS

An analysis of other income and gains from continuing operations is as follows:

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Treasury and investment income:		
Bank interest income	**151,797**	160,737
Return on investments in other financial assets#	**41,672**	45,204
Dividend income from an equity investment designated at fair value through other comprehensive income	**14,253**	18,402
	207,722	224,343
Government grants*	**171,627**	70,132
Compensation received from suppliers	**12,055**	99,518
Gross rental income from investment property operating leases	**1,204**	1,354
Gain on disposal of property, plant and equipment, net	**7,685**	—
Fair value gain on other non-current financial assets	**1,874**	—
Others	**7,708**	6,512
	409,875	401,859

\# The amount represents investment income in other financial assets of RMB38,863,000 (six months ended 30 June 2019: RMB34,758,000 (restated)) and their fair value gains of RMB2,809,000 (six months ended 30 June 2019: RMB10,446,000 (restated)).

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

5. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on borrowings	**754**	689
Interest on lease liabilities	**1,640**	1,675
	2,394	2,364

6. PROFIT BEFORE TAX

The Group's profit before tax from continuing operations is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Depreciation of property, plant and equipment	**276,895**	116,767
Depreciation of investment properties	**1,066**	1,066
Depreciation of right-of-use assets	**23,198**	27,949
Amortisation of other intangible assets	**10,907**	8,232
Amortisation of long-term prepayments	**1,176**	1,204
Provision for obsolete and slow-moving inventories	**289,676**	189,625
Impairment of trade receivables, net	**1,928**	(4,531)
Impairment of prepayments, other receivables and other assets, net	**(61)**	(300)
Loss on disposal of property, plant and equipment, net	**—**	3,366
Fair value losses on other non-current financial assets	**—**	598
Equity-settled Restricted Share Award Scheme expense, net	**114,941**	60,779

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Tax on profits assessable in Mainland China has been calculated at the applicable PRC corporate income tax ("CIT") rate. Certain subsidiaries of the Group are entitled to a preferential tax treatment of reduction in the CIT rate to 15%.

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Current		
Charge for the period	**210,987**	336,732
Under provision in prior periods	**—**	206
Deferred	**73,342**	26,253
Total tax charge for the period from continuing operations	**284,329**	363,191
Total tax charge for the period from a discontinued operation	**—**	46,937
	284,329	410,128

8. DISCONTINUED OPERATION

On 26 July 2019, the Group completed the Asset Swap as further detailed in notes 2.1 and 3 to the interim condensed consolidated financial information. As a result, the Bingji Group has become an associate to the Group and its business is classified as a discontinued operation.

The result of the Bingji Group for the six-month period ended 30 June 2019 is presented below:

	For the six months ended 30 June 2019 RMB'000 (Unaudited)
Revenue	4,907,811
Cost of services	(4,710,368)
Profit before tax from the discontinued operation	197,443
Income tax	(46,937)
Profit from the discontinued operation	150,506
Attributable to:	
Owners of the Company	88,927
Non-controlling interests	61,579
	150,506

The net cash flows incurred by the Bingji Group for the six-month period ended 30 June 2019 is as follows:

	For the six months ended 30 June 2019 RMB'000 (Unaudited)
Operating activities	(160,500)
Investing activities	19,568
Financing activities	(283,463)
Net cash outflow	(424,395)
Earnings per share:	
Basic, from the discontinued operation	RMB0.04
Diluted, from the discontinued operation	RMB0.03

8. DISCONTINUED OPERATION (continued)

The calculations of basic and diluted earnings per share from the discontinued operation are based on:

	For the six months ended 30 June 2019 (Unaudited)
Profit attributable to ordinary equity holders of the Company from the discontinued operation	RMB88,927,000
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation (note 9)	2,795,823,754
Weighted average number of ordinary shares used in the diluted earnings per share calculation (note 9)	2,813,133,267

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 of 2,801,042,530 (six months ended 30 June 2019: 2,795,823,754) in issue during the period, as adjusted to exclude the shares issued or repurchased under the Restricted Share Award Scheme.

The calculation of the diluted earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

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

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Earnings		
Profit attributable to ordinary equity holders of the Company used in the basic earnings per share calculation:		
From continuing operations	**1,335,388**	1,747,174
From a discontinued operation	**—**	88,927
	1,335,388	1,836,101

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

	Number of shares For the six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**2,801,042,530**	2,795,823,754
Effect of dilution — weighted average number of ordinary shares:		
Share options	**384,664**	1,033,955
Restricted share award	**16,342,031**	16,275,558
	16,726,695	17,309,513
Total	**2,817,769,225**	2,813,133,267

10. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred construction costs for production plants and purchased items of property, plant and equipment at a total cost of RMB375,688,000 (six months ended 30 June 2019: RMB978,398,000 (restated)) and disposed of items of property, plant and equipment with a total net carrying amount of RMB3,054,000 (six months ended 30 June 2019: RMB18,305,000 (restated)).

11. OTHER FINANCIAL ASSETS

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Derivative financial instruments	**62,836**	77,057
Wealth management products	**2,414,362**	3,547,252
	2,477,198	3,624,309
Portion classified as non-current	**(135,575)**	(371,604)
Current portion	**2,341,623**	3,252,705

As at the end of the reporting period, included in the Group's wealth management products were products with floating returns amounting to RMB2,414,362,000 (31 December 2019: RMB493,161,000) which were measured at fair value through profit or loss; and there were no products with fixed returns which were stated at amortised cost (31 December 2019: RMB3,054,091,000). All wealth management products are principal protected. The expected credit losses for the assets measured at amortised cost are immaterial to the Group.

12. TRADE AND BILLS RECEIVABLES

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Trade receivables	**1,880,519**	2,013,429
Impairment	**(7,848)**	(6,085)
Trade receivables, net	**1,872,671**	2,007,344
Bills receivable	**1,853,565**	1,300,172
	3,726,236	3,307,516

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.

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Within 1 month	**1,218,831**	1,512,946
1 to 2 months	**531,806**	409,477
2 to 3 months	**35,123**	8,512
Over 3 months	**86,911**	76,409
	1,872,671	2,007,344

13. TRADE AND BILLS PAYABLES

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Within 1 month	**3,696,125**	4,421,564
1 to 2 months	**147,769**	229,848
2 to 3 months	**37,662**	29,893
Over 3 months	**198,384**	379,340
	4,079,940	5,060,645
Bills payable	**258,862**	385,563
	4,338,802	5,446,208

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

14. PROVISIONS

The Group provides installation services and warranties of three to eight years to its customers for washing machines, water heaters and water purifiers, under which faulty products are repaired or replaced. The amount of the provision for the warranties is estimated based on sales volume and past experience of the level of installation services rendered, repairs and returns. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

15. PUT OPTION LIABILITIES

The put option liabilities arose from the put option granted to a non-controlling shareholder of the Group's subsidiary namely, GREENoneTEC Solarindustrie GmbH ("GoT"), to sell their respective interests in GoT to the Group at price to be determined based on agreed formulae. It is carried at fair value amounting to RMB55,619,000 (31 December 2019: RMB54,598,000) and categorised in Level 3 of the fair value measurement.

16. ISSUED EQUITY

	Issued equity RMB'000
At 1 January 2020 (Audited)	**2,938,051**
Exercise of share options (note i)	**19,380**
Shares issued to the Share Award Scheme Trust (note ii)	**908**
At 30 June 2020 (Unaudited)	**2,958,339**
At 1 January 2019 (Audited)	2,922,364
Exercise of share options (note i)	4,376
Shares transferred to participants from the Share Award Scheme Trust (note iii)	(1,103)
At 30 June 2019 (Unaudited)	2,925,637

Notes:

(i) The subscription rights attaching to 1,548,200 (six months ended 30 June 2019: 312,455) share options were exercised during the period, resulting in the issue of 1,548,200 (six months ended 30 June 2019: 312,455) shares of HK$0.1 each for a total cash consideration of HK$19,879,000 (equivalent to RMB17,934,000) (six months ended 30 June 2019: HK$4,012,000 (equivalent to RMB3,466,000)). An amount of RMB1,446,000 (six months ended 30 June 2019: RMB910,000) was transferred from the share option reserve to the share premium account upon the exercise of the share options.

(ii) During the period, the Company issued 9,960,000 shares of HK$0.1 each to the Share Award Scheme Trust under the Restricted Share Award Scheme. The shares will be transferred to the participants upon their satisfaction of the relevant vesting conditions (including but not limited to the performance targets) under Restricted Share Award Scheme.

(iii) During the six months ended 30 June 2019, the Company transferred 210,338 shares which were held by the Share Award Scheme Trust to participants with no cash consideration under the Restricted Share Award Scheme. An amount of RMB2,268,000 was transferred from the awarded share reserve to the share premium account, and an amount of RMB3,371,000 was credited to shares held for the Restricted Share Award Scheme from share premium account.

17. BUSINESS COMBINATIONS

On 23 January 2020, the Group acquired an additional 75.96% equity interest in Qingdao Gooday Lejia IOT Technology Co., Ltd ("Lejia IOT"), which is principally engaged in the household appliance service business, at a cash consideration of RMB562,420,000. Prior to the acquisition, the Group held 3.87% equity interest in Lejia IOT amounting to RMB16,095,000 which was included in other non-current financial assets in the Group's consolidated statement of financial position. The acquisition was made as part of the Group's strategy to further develop its channel service business.

The Group has elected to measure the non-controlling interests in Lejia IOT at the non-controlling interests' proportionate share of Lejia IOT's identifiable net assets.

The fair values of the identifiable assets and liabilities of Lejia IOT as at the date of acquisition were as follows:

	Fair value recognised on acquisition RMB'000 (Unaudited)
Property, plant and equipment	50,639
Other intangible assets	45,965
Trade and bills receivables	15,398
Inventories	208
Prepayments, other receivables and other assets	8,428
Cash and cash equivalents	223,975
Trade and bills payables	(78,776)
Other payables and accruals	(75,095)
Contract liabilities	(20,467)
Interest-bearing borrowings	(800)
Tax payable	(875)
Deferred income	(2,052)
Total identifiable net assets at fair value	166,548
Non-controlling interests	(36,047)
	130,501
Goodwill on acquisition	448,014
	578,515
Satisfied by:	
Cash	562,420
Other non-current financial assets	16,095
	578,515

17. BUSINESS COMBINATIONS (continued)

The fair values and gross contractual amounts of the trade and bills receivables and prepayments, other receivables and other assets as at the date of acquisition were RMB15,398,000 and RMB8,428,000, respectively.

The Group incurred transaction costs of RMB210,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss.

An analysis of the cash flows in respect of the acquisition is as follows:

	RMB'000 (Unaudited)
Cash consideration	(562,420)
Cash and cash equivalents acquired	223,975
Net outflow of cash and cash equivalents included in cash flows from investing activities	(338,445)
Transaction costs of the acquisition included in cash flows used in operating activities	(210)
	(338,655)

Since the acquisition, Lejia IOT contributed RMB110,604,000 to the Group's revenue and RMB7,377,000 to the consolidated profit for the six-month period ended 30 June 2020.

18. RELATED PARTY TRANSACTIONS

(a) During the period, in addition to the transactions detailed elsewhere in this interim condensed consolidated financial information, the Group had the following material transactions with Haier Corp and its subsidiaries and/or associates (collectively referred to as "Haier Affiliates") and the Group's associates and non-controlling shareholders (and their affiliates):

Related party transactions included in continuing operations

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Haier Affiliates:		
Export sale of products	**1,762,211**	1,245,354
Export sale expenses	**(24,404)**	(18,680)
Export sale of products after sale expenses	**1,737,807**	1,226,674
Domestic sale of products	**139,720**	91,100
Purchase of finished goods	**16,240,643**	18,290,797
Purchase of raw materials	**8,178,395**	7,855,278
Purchase of equipment	**116,456**	54,048
Mould charges	**79,968**	44,713
Utility service fee expenses	**46,422**	45,477
Research and development service fees	**90,520**	95,324
Other service fee expenses	**216,799**	242,595
Interest income	**41,869**	9,994
Other financial service fees	**1,198**	19,428
After-sales service income	**89,840**	101,003
Associates:		
Logistics service fees	**726,141**	—
Non-controlling shareholders and their affiliates:		
Logistics service fees	**—**	100,396
General service fees	**—**	182,818

Related party transactions included in the discontinued operation

Haier Affiliates:		
Logistics service income	**—**	1,568,889
Other service fee expenses	**—**	48,011
Utility service fee expenses	**—**	2,829
After-sales service income	**—**	5,458
Purchase of equipment	**—**	1,646
Interest income	**—**	141
Non-controlling shareholders and their affiliates:		
Logistics service income	**—**	981,593

18. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

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

As a result of the application of merger accounting, the above related party transactions for the six-month period ended 30 June 2019 included in continuing operations have also included the transactions between Haier Affiliates and Qingdao Haishi prior to the completion of the Asset Swap. Other than the aforementioned impact, the Group's transactions with Haier Affiliates, associates and non-controlling shareholders (and their affiliates) also constitute continuing connected transactions, which excluded the transactions between Haier Affiliates and Qingdao Haishi prior to the completion of the Asset Swap, as defined in Chapter 14A of the Listing Rules.

(b) Other transactions with related parties:

(i) The Group leases its investment properties to Haier Affiliates under operating lease arrangements, and the rental income was RMB1,008,000 during the period (six months ended 30 June 2019: RMB1,008,000).

(ii) During the period, a subsidiary of the Company and an associate of the Group entered into a loan agreement pursuant to which RMB16,000,000 was advanced from the subsidiary of the Company to the associate of the Group. The loan advance was unsecured, interest-bearing at 5% per annum and repayable on 31 December 2020.

(iii) During the period, Haier Corp made a capital contribution to Hefei Haier Washing Machine Co., Ltd ("Hefei Washing Machine"), a subsidiary of the Company, in the form of a parcel of land located in Hefei amounting to RMB5,078,000, as determined with reference to the amount in a valuation report, to obtain 0.05% equity interest of Hefei Washing Machine.

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

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Short term employee benefits	**4,652**	4,627
Post-employment benefits	**151**	175
Equity-settled Restricted Share Award Scheme expenses	**22,644**	19,695
Total compensation paid to key management personnel	**27,447**	24,497

18. RELATED PARTY TRANSACTIONS (continued)

(d) The Group had the following material outstanding balances with Haier Affiliates and the Group's associates at the end of the reporting period:

	Notes	**30 June 2020 RMB'000 (Unaudited)**	31 December 2019 RMB'000 (Audited)
Haier Affiliates:			
Cash and cash equivalents	(i)	**3,609,681**	3,546,644
Trade and bills receivables	(ii)	**2,282,312**	1,986,321
Trade and bills payables	(ii)	**3,520,258**	4,578,048
Prepayments, other receivables and other assets	(iii)	**576,013**	1,408,087
Long-term prepayments	(iii)	**46,133**	76,355
Other payables and accruals	(iii)	**380,040**	567,763
Associates:			
Trade and bills receivables	(ii)	**2,724**	2,111
Prepayments, other receivables and other assets	(iii)	**69,229**	58,542
Other payables and accruals	(iii)	**250,145**	407,950

Notes:

(i) The balances represent deposits placed with Haier Group Finance Co., Ltd., a subsidiary of Haier Corp and a financial institution approved by the People's Bank of China.

(ii) The Group's trade balances with related parties are on similar credit terms to those offered to/by the similar unrelated customers/suppliers of the Group.

(iii) The balances are unsecured, interest-free and repayable on demand.

19. CONTINGENT LIABILITIES

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

20. COMMITMENTS

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Contracted, but not provided for:		
Property, plant and equipment	**675,011**	662,957

Included in the Group's commitments are amounts attributable to Haier Affiliates of RMB46,607,000 (31 December 2019: RMB65,117,000).

21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		**Fair values**	
	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)	**30 June 2020 RMB'000 (Unaudited)**	31 December 2019 RMB'000 (Audited)
Financial assets				
Equity investments designated at fair value through other comprehensive income	**1,715,645**	1,847,506	**1,715,645**	1,847,506
Other non-current financial assets	**135,575**	371,604	**135,575**	371,604
Bills receivable	**1,853,565**	1,300,172	**1,853,565**	1,300,172
Other financial assets	**2,341,623**	198,614	**2,341,623**	198,614
	6,046,408	3,717,896	**6,046,408**	3,717,896
Financial liabilities				
Put option liabilities	**55,619**	54,598	**55,619**	54,598
Interest-bearing borrowings	**77,157**	80,896	**77,303**	80,580
	132,776	135,494	**132,922**	135,178

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

Fair value hierarchy

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

Assets measured at fair values:

As at 30 June 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000 (Unaudited)	**Significant observable inputs (Level 2) RMB'000 (Unaudited)**	**Significant unobservable inputs (Level 3) RMB'000 (Unaudited)**	**Total RMB'000 (Unaudited)**
Equity investments designated at fair value through other comprehensive income	**—**	**596,610**	**1,119,035**	**1,715,645**
Other non-current financial assets	**—**	**135,575**	**—**	**135,575**
Bills receivable	**—**	**1,853,565**	**—**	**1,853,565**
Other financial assets	**—**	**2,341,623**	**—**	**2,341,623**
	—	**4,927,373**	**1,119,035**	**6,046,408**

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000 (Audited)	Significant observable inputs (Level 2) RMB'000 (Audited)	Significant unobservable inputs (Level 3) RMB'000 (Audited)	Total RMB'000 (Audited)
Equity investments designated at fair value through other comprehensive income	—	596,610	1,250,896	1,847,506
Other non-current financial assets	—	357,383	14,221	371,604
Bills receivable	—	1,300,172	—	1,300,172
Other financial assets	—	198,614	—	198,614
	—	2,452,779	1,265,117	3,717,896

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

Fair value hierarchy (continued)

Liabilities measured at fair values:

As at 30 June 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000 (Unaudited)	**Significant observable inputs (Level 2) RMB'000 (Unaudited)**	**Significant unobservable inputs (Level 3) RMB'000 (Unaudited)**	**Total RMB'000 (Unaudited)**
Put option liabilities	**—**	**—**	**55,619**	**55,619**

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000 (Audited)	Significant observable inputs (Level 2) RMB'000 (Audited)	Significant unobservable inputs (Level 3) RMB'000 (Audited)	Total RMB'000 (Audited)
Put option liabilities	—	—	54,598	54,598

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

Fair value hierarchy (continued)

Liabilities for which fair values are disclosed:

As at 30 June 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000 (Unaudited)	**Significant observable inputs (Level 2) RMB'000 (Unaudited)**	**Significant unobservable inputs (Level 3) RMB'000 (Unaudited)**	**Total RMB'000 (Unaudited)**
Interest-bearing borrowings	**—**	**77,303**	**—**	**77,303**

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000 (Audited)	Significant observable inputs (Level 2) RMB'000 (Audited)	Significant unobservable inputs (Level 3) RMB'000 (Audited)	Total RMB'000 (Audited)
Interest-bearing borrowings	—	80,580	—	80,580

22. EVENTS AFTER THE REPORTING PERIOD

(a) Subsequent to the end of the reporting period, the Company transferred 6,291,694 shares which were held by the Share Award Scheme Trust to participants for nil consideration under the Restricted Share Award Scheme.

(b) As at 30 July 2020, Haier Smart Home, the immediate holding company of the Company, has formally requested the board of the Company to, subject to the satisfaction of certain pre-conditions, put forward a proposal to the registered holders who hold the shares of the Company in issue other than those held by Haier Smart Home (the "Scheme Shareholders") for the privatisation of the Company (the "Privatisation") by way of a scheme of arrangement under Section 99 of the Bermuda Companies Act 1981. Subject to the satisfaction of the pre-conditions, Haier Smart Home proposes to make the Privatisation proposal. Upon the fulfilment of certain pre-conditions and the scheme of arrangement under section 99 of the Bermuda Companies Act 1981 becoming effective, all Scheme Shares will be cancelled and the Scheme Shareholders will be entitled to receive 1.60 new Haier Smart Home H Shares and HK$1.95 cash payment from the Company for every cancelled Scheme Shares.

23. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The interim condensed consolidated financial information was approved and authorised for issue by the Board on 20 August 2020.

MANAGEMENT
DISCUSSION AND ANALYSIS

INDUSTRY ANALYSIS

Impacted by the Covid-19 pandemic and a complex and volatile international environment, the Chinese economy faced severe challenges on multiple fronts in the first half of 2020. In the first quarter, the outbreak of the pandemic created strong impacts to the economy and enterprises. The drop in residents' average income led to more cautious consumer behavior, which resulted in pressure in the home appliance industry. According to the "2020 First-Half China's Home Appliance Market Report", the scale of the home appliance market in the first quarter recorded a year-on-year decline of 35.8%. However, as the pandemic situation in the Mainland China was brought under control, work and production of industries were orderly resumed, and consumer demand also gradually restored. Since the second quarter, the home appliance market has continued to recover. Quarterly growth rebounded from negative to positive territory, achieving a year-on-year growth of 2.6% in retail sales. The overall home appliance market has gradually restored from the shock of the pandemic in the first half of the year, achieving a total market scale of RMB369 billion, representing a decrease of 14.1% year-on-year, which surpassed the performance in the first quarter. Specific segments even showed distinguished results.

The pandemic as a "black swan" event did not only bring impacts to various sectors of the economy, it also further reshaped people's attitudes towards consumption. As people spent more time at home, they became more dependent on home appliances. For example, the need to stock up on food has led to stronger demand for large-capacity refrigerators, and the increased frequency of home cleaning has led to greater interest in large-capacity washing machines and water heaters. At the same time, consumers' pursuit for higher standards of quality living has driven the upgrading of product features. Quality and eco-friendly home appliances with disinfection and sterilization features has become hot selling product segments. Home appliances such as air conditioners with fresh air intake, self-cleaning and comfortable airblow features, washing machines equipped with high-temperature sterilizing function, refrigerators that could maintain food freshness with odor control and anti-bacterial features, along with disinfection cabinets, water purifiers and air purifiers, have all achieved significant growth. According to media, Suning Home Appliance Big Data shows that the sales of various home appliances in the health-boosting and anti-bacterial categories have surged by more than 200% on its platform during the outbreak. In particular, sales volume of disinfection cabinets rose 205% year-on-year; search frequency for dishwashers increased 283% year-on-year; and the sales of wall-mounted fresh air intake air conditioners and fresh air systems skyrocketed 304% year-on-year.

The upgrading of home appliances' features also further promoted the development of smart homes. With the characteristics of contactless dialogue systems, multi-product interactive linkages and self-learning capabilities, driven by technologies such as the Internet of Things, cloud computing and big data, smart homes have brought great convenience to home living and led to a surge in market demand. The proliferation of intelligence in single products also fueled the rise of whole-house intelligence. The development trend of the future home appliance industry has transformed from the purchase of a single product to the customization of product sets, and from individual network devices to the application of smart scenarios, where industry giants were all laying out strategies for smart homes development.

During the outbreak, most offline brick and mortar businesses closed their stores in order to follow the national policy of prevention and control, consumptions were therefore restrained, and online channels became the main conduit for meeting consumer demands. According to AVC market sales data for the first half of the year, online market share of retail volumes for air conditioners, refrigerators and washing machines have increased despite a fall in overall consumption, accounting for 54%, 63.6% and 64.3% respectively. Through leveraging platform resources and technological advantages, live-streaming e-commerce broke the spatial and temporal boundaries of consumer behavior by building on its mobile, fragmented and scenario-driven characteristics, improved the efficiency in dissemination and accelerated traffic conversions, and hence has become one of the current mainstream modes of sales. According to statistics, Taobao Live recorded a breakthrough turnover of RMB5.1 billion on the 1st of June, the very first day of the 618 Festival. Compared with 2019, the large-format home appliance category came first in terms of turnover growth, and ranked second in terms of market penetration across all categories. Merchants such as Suning, Huawei, Haier and Gree each achieved total sales of over 100 million through live-streaming. Haier Group's crowd-streaming activities were promoted through the Smart Home App, which resulted in an interaction volume of 11.45 million visits and a transaction value of RMB168 million on the 330 Crowd-Streaming Day, and attracted participation of many resource partners in the ecosystem from around the world to jointly create immersive, interactive and complete-scenario experiences of smart homes.

Under the influence of government regulatory policies and the impact of the Covid-19 pandemic, the real estate market was under great pressure. Lead time for completion and renovation in the first quarter of the year was significantly prolonged. Growth of pre-installed home appliances such as water heaters, air conditioners and kitchen appliances also slowed down. In the second quarter, as the pandemic gradually subsided, production and work were resumed in Mainland China and the real estate sector showed a clear rebound. Real estate investment recorded a year-on-year increase. New construction projects were back on track, and the sales and delivery rates also improved accordingly. The continued rebound of the Real Estate Climate Index is providing positive impetus to the recovery of home appliance markets such as water heaters, air conditioners and kitchen appliances. Through cooperation with large-scale property developers such as Evergrande, Country Garden and Poly, Haier Group's water heater business generated a 24% year-on-year increase in revenue from these developers' construction projects.

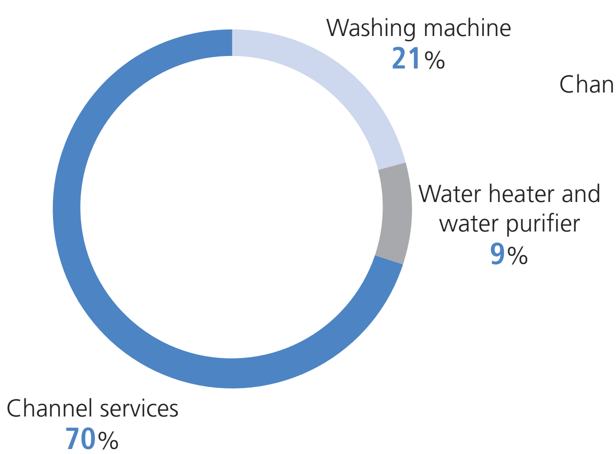
With emerging consumer groups becoming more sophisticated and the concepts of healthy and quality living more ingrained, small home appliances with the advantages of low unit price, small size, installation-free and minimal service requirements have become the new market hotspot. Despite a downward trend in the entire home appliance industry during the outbreak of Covid-19, small home appliances achieved growth due to their online sales model that was more in line with live-streaming e-commerce. According to data from AVC, online sales of categories such as high-speed blenders, mixers and frying machines grew at a rate of over 40% year-on-year in the first half of 2020. Against the backdrop of a slowdown in growth of conventional large-format appliances, small home appliances that offer both functionalities and enjoyment are capable of tapping into the market upside and provide opportunities for development of new categories.

OVERALL BUSINESS PERFORMANCE

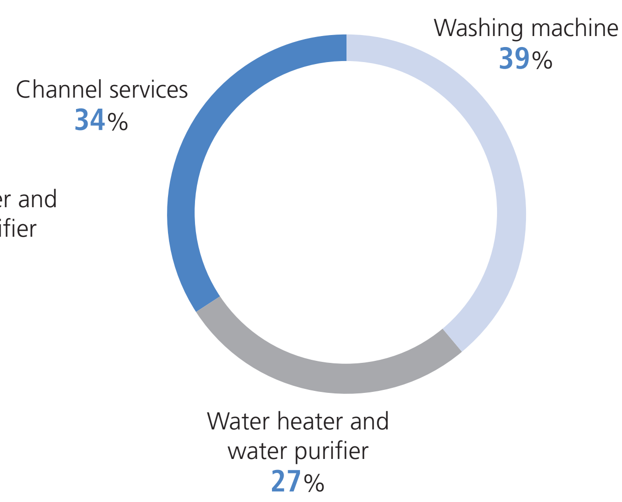
Impacted by the Covid-19 pandemic, the Group recorded a revenue of RMB35.08 billion in the first half of 2020, representing a decrease of 5.1%. Net profit attributable to shareholders was RMB1.34 billion, representing a year-on-year decrease of 27.3%. The Company's first quarter performance was significantly dragged down by the Covid-19, with revenue decreased 22.4% year-on-year. As the pandemic situation in Mainland China was brought under effective control, the Group has responded to the market demand for health-boosting products by capitalizing on our rich product mix and innovative smart home models. Hence, we experienced quick recovery in the second quarter with revenue increased 12.7% year-on-year. All of our business segments achieved double-digit growth and continued to be industry leaders in terms of market shares. Riding the trend of health-boosting and smart home appliances, the washing machine business and the water heater and water purification business continued to push forward the upgrading and iterations of product features, and were visionary in strategizing for the Internet of Clothing and Water-related Ecosystem. The two businesses relentlessly leveraged complete scenario-based product set solutions to achieve substantial and sustainable growth in market shares. In terms of channel services, the Group on one hand captured the development opportunities from e-commerce to promote omnichannel integration; on the other hand, the Group focused on the penetration of the smart home model, and enhanced our supply chain capabilities through unifying our warehousing and distribution systems, thereby achieving growth in market shares across all categories despite the impacts of the pandemic, and outperformed the overall industry.

The breakdown of segment revenue and business performance for the first half of 2020 is set out below:

Proportion of segment revenue to revenue before consolidated eliminations



Proportion of segment profit to profit before consolidated eliminations



The above pie charts are prepared based on the amounts of segment revenue and the entire business performance, without taking into account any inter-segment eliminations of revenue and business performance. Inter-segment eliminations refer to the revenue generated from sales of washing machines and water heaters and water purifiers to the Group's internal distribution channels, and service fee revenue generated from after-sales installation and repair services for washing machines and water heaters and water purifiers of the channel services segment. In the first half of 2020, the inter-segment eliminations of washing machine, water heater and water purification, and channel services businesses are as follows:

Unit: RMB (billion)

<table>
<tr><th></th><th colspan="4">Product or service receiver</th></tr>
<tr><th></th><th>Business segments</th><th>Washing machine</th><th>Water heater and water purifier</th><th>Channel services</th></tr>
<tr><td rowspan="3">Product or service provider</td><td>Washing machine</td><td colspan="2">N/A</td><td>6.42</td></tr>
<tr><td>Water heater and water purifier</td><td colspan="2">N/A</td><td>3.17</td></tr>
<tr><td>Channel service</td><td colspan="2">0.12</td><td>N/A</td></tr>
</table>

Washing Machine Business

In the first half of 2020, the situation was grim for the industry due to the Covid-19 pandemic. According to offline data published by CMM, retail value of the washing machine industry in the Chinese market dropped 28.5%. Against the backdrop of overall lackluster performance of the industry, Haier's washing machine business leveraged its advantage in brand portfolio to grasp the opportunity of consumers' preference for products equipped with disinfection, sterilization and steaming features. It seized market opportunities with the innovative Internet of Clothing ecosystem and the complete scenario-based smart solutions, and achieved a revenue of RMB9.63 billion, representing a year-on-year decrease of 2.2%, which outperformed the overall industry and our rivals by a wide margin. In particular, washing machines of the Casarte brand continued to maintain leading position in the industry; our Leader washers also created popular products and achieved strong double-digit growth through seizing e-commerce opportunities. The market share of the Group's washing machine business has been further strengthened and increased, reaching 39.3% and 39.2% respectively in terms of online and offline retail value, representing increases of 4.9 and 3.6 percentage points.

Due to impacts of the pandemic, consumer demand in the washing machine market in 2020 displayed diversified characteristics. As consumers, being more health conscious, spent more time at home, products with large-capacity, equipped with disinfection and sterilization functions, washer-dryer combos as well as smart products continued to gain popularity. Besides, with the further penetrations of online channels, there is an ever growing variety of cost-effective top-selling products.

As a trailblazer in China's laundry industry, Haier washing machines relentlessly focused on product innovation and technological iterations in order to provide outstanding laundry experience to users. While we maintained our number one position in the global market in terms of market share for the 11th year, we were able to achieve continuing growth in market share by around 4 percentage points in the China's domestic market amid our leading market position. Since the launch of Air Wash in 2017, Casarte's Air Wash has pioneered a third way of clothes caring. The product has undergone several iterations, upgrading from an initial variable-temperature steam Air Wash to a deluxe care procedure that could be precisely customized for different fabrics and needs, in order to achieve the functions such as fiber-care, clothes refreshing, dust mites removal, sterilization and disinfection hence enabling the care of high-end fabrics such as silk, wool, down jackets, mink and leather items to be performed in a home setting.

During this period, our washing machine business created an unprecedented ink-cartridge-styled smart front-load washing machine, which could intelligently prescribe and automatically apply laundry detergent, washing aid and color care liquid, thus improving washing effects while greatly protecting the color and fiber of clothes. The ecological integration of washing machine and laundry detergent also further transcended users' laundry experience, and enhanced the enjoyment and convenience of clothes washing and caring. In the first half of 2020, Haier's front-load products continued to maintain a market share of over 75% in the entire industry's front-load models above the RMB10,000 price segment.

For top-load washing machines, we developed the pioneering self-initiative sterilization and disinfection technology. During the washing process, the self-initiative top-load washer products would generate induced electromotive force through modular-cut magnetic induction wire, which would then drive the UVC-LED lamps to emit deep ultraviolet light and achieve automatic sterilization. This technology could automatically sterilize clothes during the laundry process without additional electricity consumption, hence greatly satisfied users' needs for sterilization and disinfection in the process of clothes washing and caring. Our share in the top-load product market priced over RMB5,000 reached 66.2%.

In line with the Group's SMARTHOME Cloud strategy, our washing machine business capitalized on its edge in product intelligence, and joined hands with apparel manufacturers, laundry detergent brands, home cabinet and interior decoration suppliers, to establish a laundry care platform in the Internet of Clothing ecosystem, and continue to provide customers with scenario-based solutions. In 2019, the Internet of Clothing successfully launched a balcony scenario, which could transform residential balconies through interconnections between washers, dryers, drying racks and curtains. We also developed a total of five scenario-based solutions such as the fitness balcony scenario and the green balcony scenario. The cumulative total sales of the balcony scenario amounted to 110,000 units of product sets in 2019. In the first half of 2020, sales have already reached 194,000 units. The balcony laundry scenario solution also facilitated the development of scenarios for other spaces, which led to the successive development of scenarios depending on the space where the washer was placed, such as the walk-in closet scenario and the children's room scenario. As the washing machine business continued to fulfil users' increasingly diversified needs for family spaces at homes, it also effectively drove up product and ecosystem revenues.

In addressing the sudden emergence of the Covid-19 pandemic, we strived to fulfill users' needs for healthy laundry. By focusing on temperature and temporal factors, our R&D professionals developed a high-temperature disinfection laundry cloud program in 3 days from idea to launch. The program has transformed 3 million washing machines of 116 washer models into clothes sterilizers in three days' time, and offered seven iteration upgrades within two weeks. This high-temperature disinfection cloud program greatly fulfills users' anti-epidemic needs for healthy sterilization of clothes, which has enhanced the reputation of our laundry products to a great extent, and boosted the sales of our network devices and ecosystem products. At the same time, in response to the anti-epidemic needs for contactless services, our engineers recorded self-help installation videos and provided instructions remotely through live-streaming classes, thereby realizing contactless installations. With regards to after-sales troubleshooting, the washing machine business also started live-streaming services for remote diagnosis, which quickly provided product troubleshooting without on-site services, and significantly improved our reputation among users.

In terms of exports, sales revenues in many regions have slowed down in the first half of 2020 as they were hit by the pandemic situation. At the same time, some regions experienced supply shortages due to restrained supply chains and closures of local factories. Benefited from the ongoing development of e-commerce channels in overseas markets, and a surge in consumer demand for large-capacity, sterilizing and health-boosting products, coupled with supply shortages from local factories in some regions, the Group's export revenue for washing machines achieved a growth of 41.25% against the downward trend.

In terms of production and manufacturing, the Group continued to push forward the initiative of mega-factories, constantly improved production costs and enhanced staff efficiency. At the same time, with the implementation of the interconnected factories project, the automated and intelligent production capacities of our factories have been strengthened. The interconnected factories could respond to different user customization requirements and achieve flexible production. Through the collection and modeling of big data from users, the factories could enhance our production decision-making capability and efficiency, as well as realizing whole-process visualization experience.

Water Heater and Water Purification Business

This business segment mainly comprises our comprehensive range of water heater and water purification products, which are designed to provide users with safe, smart and comfortable whole-house water usage solutions. During the first half of 2020, the water heater market was hit by the Covid-19 pandemic. According to CMM's statistics, during this period, the overall sales value and sales volume of the water heater industry decreased 16.7% and 4.4% respectively year-on-year. Online and offline average selling prices also declined 15.7% and 2.4% respectively. At the same time, the water purification industry was impacted by the macro environment. According to AVC data summary, year-on-year sales value and sales volume of the market dropped 33.8% and 15.1% respectively during the period. Against this backdrop, although our water heater and water purification business segment made great efforts in capturing the trend of health-boosting and smart home appliances, ceaselessly pursuing continual upgrades and iterations of product functions, the business was still inevitably affected by the overall market environment. We recorded revenue of RMB3.95 billion in the first half, marking a slight decrease of 0.5% year-on-year.

Changes in consumer channels and product mix caused by the pandemic have hit the gross margin of this business segment to a certain extent. Due to epidemic lockdown measures, offline consumption was suppressed. Although the Group actively expanded our online channels through scenarios such as live-streaming, impacts on the offline market remained present. The increasingly cautious consumer behaviors have led to shrinking demand in the high-end market. As consumers shifted their choice of products to the mid-range and low-end, shares of the mid-range and low-end markets significantly increased, which created further pressure on the gross margins of our products. During this period, the gross profit margin of the water heater and water purification business segment was 36.0%, down 1.4 percentage points year-on-year.

Facing an unfavorable market environment, our water heater and water purification business unit relentlessly optimized its product mix, innovated product features, and enriched product categories in order to achieve rapid breakthroughs in market share. According to CMM's data, the Haier Series of water heaters achieved online and offline market shares of 23.5% and 25.8% respectively in terms of sales value in the first half of the year and ranked first and second in the industry respectively. Haier, Casarte and Leader were all growing faster than the industry and to their competing products. Casarte in particular has achieved a scale breakthrough, with its offline market share in terms of sales value exceeding 7%. Although revenue of Haier's water purification business declined 11.3% year-on-year due to impacts of the pandemic, we secured steady growth in both online and offline market shares through ongoing product upgrades and innovative marketing models. According to data from CMM, Haier water purification's offline and online market shares in terms of sales value reached 10.0% and 13.6% respectively, representing increases of 3.5 and 1 percentage points year-on-year.

Electric water heaters are key products of the Group's water heater segment, and we have sustained leading position in the industry. According to CMM's data, online retail sales of the Haier Series of electric water heaters grew 15.6% year-on-year in the first-half, surpassing the industry by 4.4 percentage points. With heightening levels of health consciousness due to impacts from the pandemic, consumers gradually increased their quality standard requirement for bathing water. In response to this trend, the Group developed the fourth-generation water purifying technology and the black technology of variable-frequency instantaneous heating. We also formulated a seven-star bathing standard, launching new products equipped with living water, zero-cleansing and anti-bacterial features to satisfy users' demand for healthy, clean and instant hot water usage. In particular, Casarte's Tianmu SPA series integrated the features of 70L massive volume inner tank, double-drive quad-core instantaneous heating technology, and 85℃ hot water temperature technology, in order to truly offer customers the enjoyment of hot water bathing without limits. At the same time, backed by Haier's AI artificial intelligence technology and the U+ big data platform, Haier water heaters are capable of self-learning and smart interconnection, which enable them to become smart IoT appliances that can truly connect with the entire house. Haier's outstanding product innovation capabilities and stylish designs also received international recognitions, with Casarte's electric heater Tianquan SPA winning the AWE Outstanding Product Award.

As professional installation is required for gas water heaters, this line of product was more heavily impacted by the pandemic. However, as the outbreak was gradually brought under control, sales improved in the second quarter. In particular, ecosystem brands recorded significant growths in the first half of the year, with Casarte's online sales of gas water heaters skyrocketed 318.2% year-on-year, and Leader's online sales jumped 9.1%. During the period, the Group continued to enhance functionalities of products, ensuring product safety and stability by applying the NOCO safety technology and the four-segment precision controlled micro-fire combustion technology, while providing comfortable experience to users through expanding the zero-cold-water and massive volume waterfall washing technologies. In terms of smart scenarios, we deployed network products in a comprehensive manner to upgrade our smart, voice-controlled bathroom scenario solution, which enabled consumers to enjoy the intelligence and convenience of technologies while taking a comfortable hot bath. Casarte's series of gas water heater products achieved an exceptional revenue growth of over 70% in the second quarter, making them a leader in the industry.

For new energy products, the Group is committed to technological innovation and product breakthroughs, and has developed a series of solar- and air-powered water heaters that combined multiple energy sources such as air energy, electricity and solar energy. These product series enable 24-hour heating under all types of weather and are well-received by customers. During the period, our solar- and air-powered series of water heaters achieved an impressive year-on-year growth of around 70%, and have won the State Science and Technology Progress Award and the AWE Design Award, which testified Haier's leading position in the solar thermal industry.

The water heater segment continued to enhance its capability in manufacturing and production intelligence. Through interconnected factories and mega-factories, we achieved full-machine cost optimization and product model optimization, which resulted in a year-on-year increase of over 20% in productivity. At the same time, the Group strengthened strategic collaborations with property developers. In the first half of the year, driven by the realization of strategic real estate projects, we achieved a growth of above 20% as compared to the downward trend of the construction market. Ongoing increase in the number of strategic real estate projects is expected in the second half as propelled by the real estate industry.

For water purifiers, in response to consumers' demand for more rigorous water quality standards, our water purification unit has put in place the product strategy of "boosting health, upgrading experience, and enhancing intelligence". By upgrading water purifying tanks with UV anti-bacterial and point-of-use sterilization functions, we realized whole-process sterilizing and anti-bacterial effects from water processing to water dispensing. Our zero-stale-water and mineralized water technologies transformed the provision of "safe water" into the provision of "health-boosting water". We also performed smart upgrades to our entire product line. By adopting a front-pulling product design, we facilitated self-service of filter cartridge replacement by users, which solved the pain points of on-site service during the pandemic. During the February outbreak and the 618 Festival period, Haier water purifiers ranked first in terms of market sales across the online sales network, our DSR user satisfaction rating was 4.95 which was 55% ahead of the industry average.

Haier water purification continued to break new ground in production innovation. The construction progress of the residential whole-house water purification factory has slowed down due to delay in resumption of work. The installation and commissioning of the final assembly line is currently underway and the factory is expected to commence production in April next year. At the same time, we have built our own Haishihui laboratory to provide verification testing on new water purification materials, technologies and processes, and product interconnectivity, for our development and advanced technologies, so as to enhance Haier's planning and R&D capabilities of water purification products, and to ensure the improvement of product quality. Haier water purification's technological innovation has also been recognized by the State. On the 10th of March, Haier water purification won the first prize of the Science and Technology Progress Award from the China Light Industry Council, and was the only award-winning brand in the water purification industry.

Our water heater and water purification businesses were further integrated during this period, actively establishing the Water-related Ecosystem, expanding product awareness and exploring cross-sectoral alliances. In terms of ecosystem development, we expanded the original four water usage solution categories of residential hot water, drinking water, softened water and heating, to become sub-scenario solutions of washing, personal care, cleaning, storage and usage in the bathroom space. Through cross-sectoral collaborations with more than 300 resource partners from 11 industries including building materials, sanitary wares and laundry, we jointly established an Internet of Things ecosystem alliance and launched more than 30 new products to the market which led to multiplied ecosystem revenue. In terms of operations, we appointed a Regional Director of Water Industries to perform centralized planning for the development of the water heater and water purification market, and to enhance operational efficiency. In terms of marketing, we launched the "Journey to the Washer (洗遊記)" Intellectual Property and promoted through crowd-streaming activities. We produced the 428 Bathroom Decor Special, the 520 Casarte Love Confessions, and the 521 Leader Yellow Duckling IP Launch crowd-streaming sessions which unleashed creativity in live-streaming. In particular, our 520 special episode of crowd-streaming enabled 33.96 millions of interactions across the network, and generated sales of RMB6.36 million. In terms of scenario upgrades, the Water-related Ecosystem focused on scenario solutions for the bathroom space, and promoted rapid installations that only took 1-day for an upgrade, and 7-day for a complete renovation. It provided personalized and smart spatial design solutions for different user groups such as women, infants and children, and the elderly. The Ecosystem also facilitated the accumulation of ecosystem resources in the periphery, hence creating win-win situations for all partners.

Going forward, the Group will further push ahead with our Water-related Ecosystem strategy, integrating technologies such as AI and IoT, and attracting ecosystem resources from around the globe to jointly develop a network system of scenario experience stores. By doing so, we will continue to provide users with scenario-based and customized whole-house water usage solutions, as well as professional and convenient 1+N service experience, thereby realizing the upgrade from the Water-related services to scenario solutions and eventually adding values to the water-related Ecosystem.

Channel Business

In the first half of 2020, the channel business achieved a sales revenue of RMB31.22 billion, representing a drop of 4.7% year-on-year. Facing challenges from the pandemic, the Group on one hand grasped the e-commerce opportunities and deepened our omni-channel integration through the Smart Home App; on the other hand, we stayed committed to the scenario ecosystem and provided users with customized solutions focusing on the complete scenarios of clothing, food, living and entertainment. Despite slight contraction in revenue due to the impact of the pandemic, the Group achieved growth in market share across all major product categories against the adverse trend. According to CMM data about offline market, our market share of refrigerator, washing machine, air conditioner and water heater experienced increases of 2.3, 3.6, 2.3 and 4.3 percentage points respectively.

During the period affected by the pandemic, the Group responded to online consumer demand by proactively expanding our portfolio of products and brands on e-commerce channels. Meanwhile, by intensifying our efforts in content marketing, and fully utilizing digital tools and our e-commerce channels to efficiently interact with consumers, we effectively improved user loyalty and conversions. During the period, e-commerce revenue achieved a growth of nearly 30% against the downward trend. According to the monitoring data of CMM, Haier's online growth during the 618 Festival period even soared to over 70%; the Company's refrigerator, freezer, washing machine, air conditioner, water heater and kitchen appliance categories also achieved online growths that surpassed industry levels with ever-increasing market shares. The proportion of high-end products in the online market was on the rise, while users' satisfaction was improving year-on-year and remained ahead of the industry.

In terms of our franchise store channel, sales revenue slipped in the first-half as the pandemic hit the overall consumer market. However, major product categories such as refrigeration appliances, washing machines and water heaters all recorded growth that outpaced the industry. During the period, the Group continued to drive forward the implementation of the smart home strategy, promoted the integration of online and offline channels through the development of the Smart Home App, and enhanced our capabilities of precise management with the help of digital platforms.

First of all, we created complete scenario-based solutions of clothing, food, living and entertainment, providing service capabilities for 1+N customizations.

Haier Group redefined consumption scenarios by focusing on the needs of "home", and pressed forward the development of 1+N complete scenario-based solutions that integrated design, renovation and services covering clothing, food, living and entertainment. The Group developed ecosystems around the scenarios of clothing, food, living and entertainment, resulting in the Internet of Clothing, the Food-related Ecosystem, the Water-related Ecosystem and the Entertainment-related Ecosystem, which attracted a substantial number of brand resource partners to collaborate on the constructions of scenario solutions. Meanwhile, through leveraging our extensive service network resources, the Group drove the establishment of the 1+N service system. Such system enabled users to collaborate with numerous resource partners, including home appliance service personnel, set products service providers, distributors and home furnishing companies, through a single service steward and a project manager, hence providing one-stop solutions to the service needs of home appliances, home furnishings, HVAC and whole-house intelligence. During the period, sales volume of smart home appliances climbed 20% year-on-year, while sales volume of product sets skyrocketed 55.3%.

The Group's offline channels actively promoted smart home complete scenario-based solutions and 1+N service systems through Haier's Smart Home Experience Centers. Since its opening on 6 September 2019, our Shanghai 001 Experience Center has attracted a lot of attention from consumers by capitalizing on complete scenario-based solutions and 1+N customization capabilities. It also established the experiential model that integrated online and offline consumptions. In the second half of the year, the Group will continue to push ahead with the opening of more Smart Home Experience Centers to create city landmarks, and through these landmarks, expanding our coverage to 180 key cities nationwide.

Secondly, we developed the Smart Home App to create an experience cloud platform for the Internet of Things era.

By cooperating with parent company Haier Smart Home, the Group actively promoted the Haier Smart Home App, our online e-commerce platform, and strived to establish an experience cloud platform through the App. The Smart Home App offered a rich collection of content that could attract users to watch live-streaming of comprehensive scenarios of clothing, food, living and entertainment, enabling them to identify ideal solutions of home furnishing and living scenarios. The App could also arouse users' interests in purchasing Haier appliances and peripheral products through in-depth marketing content. At the same time, users could share their purchasing tips and experience, manage their smart home appliances through the remote system and access after-sales services. The number of daily active users on the Smart Home App has leapfrogged by 463% year-on-year.

During the period, Smart Home App has launched five crowd live-streaming activities, constantly upgrading scenario applications, and attracting external resource partners to join the Smart Home Platform. In particular, the Smart Home App launched the Wonderful Life Festival on May 30 with the theme of "Falling in love with Smart Home, From Clothing and Food to Living and Entertainment", and unveiled nearly 40 upgraded scenario options, amongst which, the scenarios of mother-baby, air conditioning at 56°C, smart air wash and comfortable bathing have greatly ignited the enthusiasm among consumers. During the period, Haier Smart Home App also announced the "Experience Cloud" platform strategy, which attracted enterprises from different industries to participate in crowd-streaming, such as product brands of ultrasonic cleaning machines and hanging ironing machines which were related to the Internet of Clothing; product suppliers of smart mattresses and smart pillows which were related to the Air-related Ecosystem; as well as manufacturers for shower systems, toilets and bathtubs which were related to the Water-related Ecosystem.

Lastly, we fully integrated our information system to improve operational efficiency and capacities of our franchise stores.

The Group pressed forward the application of information technology throughout the entire process of our systems. At present, the Jushanghui platform has complete coverage of all Haier specialty stores, and has realized real-time transparent management of customers' purchases, sales and inventories. At the same time, the Yilihuo platform has also achieved 100% coverage of township stores, thus realizing full execution of store policy, product delivery, incentives and training directly at township levels. The increasing transparency in township management greatly enhanced the efficiency in our use of resources for marketing and incentives. With the strengthening of digital management capability and the extensive coverage of unified warehousing and distributions at township stores, the proportion of customer-to-manufacturer orders from township users increased significantly. Customer-to-manufacturer orders not only enable optimization of the number of SKUs as our channels deepened, but also accelerate inventory turnover, thus making key contributions to the enhancements in productivity and sales efficiency.

Potential Risks

Under the current economic and social environment, the Group is still facing a number of risks.

In the first half of the year, the Covid-19 pandemic created unprecedented impacts on the society and the economy. Limited logistics and production capacities, stagnant offline market and shrinking consumer demand brought tremendous pressure to the domestic home appliance industry. At the same time, the outbreak and spreading of the pandemic overseas, especially in Europe and the United States which accounted for a high proportion of home appliance exports, also led to the delay and cancellation of some orders in March and April, resulting in pressure on our export business. In the face of sluggish domestic sales and disrupted export sales, the Group seeks to ride the current trend of health-boosting home appliances and has proactively developed new products equipped with sterilization and disinfection functions to create consumer demand; on the other hand, we are accelerating our international transformation strategy to build a global brand of smart home product sets, thereby meeting the challenges brought by the pandemic.

In recent years, the international situation has been turbulent with political and trade frictions among countries. Although China and the U.S. have reached agreement for the first phase of the Economic and Trade Agreement, home appliances including air conditioners, refrigerators, clothes dryers and some kitchen appliances are still subject to increased tariffs. Meanwhile, India has also raised tariff barriers for home appliances. Hence there are still many uncertainties in the export market of home appliances. The Group's export revenue to the U.S. accounted for less than 2% of total revenue in the first half of the year. Although the proportion was relatively small, in order to minimize the impacts from the external trading environment, we will on one hand continue to expand our overseas markets in order to diversify the risks from a single country. On the other hand, we will improve our R&D and innovation capabilities to enhance our resilience in view of various risks.

The tough external macro environment and the more restrictive consumer behavior caused by the pandemic will continue to intensify competitions among industry players. At present, mid-range and low-end products are highly homogenized in the home appliance market. Occurrences of price wars are also frequent. This does not only compress the profit margins of enterprises, but also leads to disorder and chaos in the industry. In this regard, our Group focuses on technological R&D and innovation, proactively integrating our global high-end R&D teams and resources in an open and inclusive manner, so as to create an autonomous and original technological innovation ecosystem, as well as to establish differentiated competitive advantages through smart and high-end product sets. By doing so, we can maintain our proactive approach in the face of the competitions in the home appliance business, and ensure the healthy and steady development of our Group.

Raw material is an important cost component of home appliances. During the period, raw materials like steel, copper, ABS and plastic particles experienced price decline during the pandemic, and has recovered to different levels when the pandemic got controled. Fluctuations in the price of raw materials will have significant impacts on our costs and gross margins. In this regard, the Group is making use of our global procurement platforms to conduct comprehensive comparisons of resources sourced from various regions, and come up with the best material procurement solutions for each business, thereby diversifying the procurement risks from a single region and ensuring stable gross margins.

SIGNIFICANT MATTERS AFFECTING THE GROUP — PRIVATISATION PROPOSAL

On 31 July 2020, Haier Smart Home Co., Ltd. ("HSH") and the Company issued a joint announcement (the "Joint Announcement"), in which it was disclosed that HSH had formally requested the Board to, subject to the satisfaction of the certain Pre-Conditions, put forward a pre-conditional proposal for privatisation of the Company by way of a scheme of arrangement (the "Privatisation Proposal") and the proposed withdrawal of listing of the Company's shares upon the scheme of arrangement becoming effective. Unless otherwise defined, terms used in this section shall have the same meanings as defined in the Joint Announcement.

The Privatisation Proposal involves: upon the fulfilment of the Conditions and the Scheme becoming effective, all Scheme Shares will be cancelled and the Scheme Shareholders will be entitled to receive 1.60 new HSH H Shares from HSH and Cash Payment of HK$1.95 from the Company for every cancelled Scheme Share. The implementation of the Privatisation Proposal is subject to the satisfaction or waiver (as applicable) of certain conditions, such as independent shareholders' approval, compliance with Bermuda legal requirements, the obtaining of third-party consents and other governmental or regulatory approvals, and other relevant conditions.

As disclosed in the Joint Announcement by HSH, the Privatisation Proposal has the potential to bring many financial benefits to the Scheme Shareholders, including an attractive premium, a considerable EPS accretion, as well as greater financial returns to shareholders, etc. In addition, following completion of the Privatisation Proposal, the HSH Group could realise synergies from the in-depth integration of the different product categories and the end-to-end operations, and accelerate the implementation of "Experiential Cloud" strategy. It will drive the global operation synergy to strengthen overseas platform, and improve operational efficiency to optimize cost structure for the purpose of enhancing shareholders' return and capital allocation efficiency. It will also improve its corporate governance with the incentive programme designed for global employees. Please refer to the Joint Announcement for further details.

Shareholders and potential investors of the Company and HSH should be aware that the making of the Privatisation Proposal is subject to the satisfaction of the Pre-Conditions. Even if the Privatisation Proposal is made, the implementation of the Privatisation Proposal (including the effectiveness of the Scheme), is subject to the satisfaction or waiver (as applicable) of the Conditions, and therefore the Privatisation Proposal may or may not be implemented and the Scheme may or may not become effective. Shareholders and potential investors of the Company and HSH are therefore advised to exercise caution when dealing in the securities of the Company and HSH. Persons who are in doubt as to the actions they should take should consult their Stockbrokers, bank managers, solicitors or other professional advisers.

FINANCIAL REVIEW

In the first half of 2020, the Group's revenue amounted to RMB35,075,412,000, representing a decrease of 5.1% from RMB36,954,602,000 (restated) in the first half of 2019. The profit attributable to owners of the Company was RMB1,335,388,000, representing a decrease of 27.3% from RMB1,836,101,000 (restated) in the first half of 2019. The basic earnings per share attributable to ordinary equity holders of the Company were RMB0.48, representing a decrease of 27.3% from RMB0.66 (restated) in the first half of 2019.

1. Analysis of Revenue and Profit

Items	For the six months ended 30 June		
	2020	2019	Change
	RMB'000	RMB'000	%
	(Unaudited)	(Unaudited)	
		(Restated)	
Revenue			
Washing machine business	**9,633,618**	9,846,144	−2.2%
Water heater and water purifier business	**3,945,545**	3,966,508	−0.5%
Channel services business	**31,216,479**	32,749,747	−4.7%
Inter-segment elimination	**(9,720,230)**	(9,607,797)	1.2%
Consolidated revenue	**35,075,412**	36,954,602	−5.1%
Adjusted operating profit*	**1,216,587**	1,858,297	−34.5%
Profit attributable to owners of the Company	**1,335,388**	1,836,101	−27.3%
Earnings per share attributable to ordinary equity holders of the Company			
Basic			
— For profit for the period	**RMB0.48**	RMB0.66	−27.3%
— For profit from continuing operations	**RMB0.48**	RMB0.62	−22.6%
Diluted			
— For profit for the period	**RMB0.47**	RMB0.65	−27.7%
— For profit from continuing operations	**RMB0.47**	RMB0.62	−24.2%

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

The revenue of the Group for the first half of 2020 was RMB35,075,412,000, representing a decrease of 5.1% as compared to RMB36,954,602,000 (restated) in the first half of 2019. Impacted by the Covid-19 pandemic, revenue in the first quarter declined 22.4% year-on-year. Since the outbreak of Covid-19 ("pandemic") in mainland China has been brought under effective control in second quarter, the Group has fully leveraged our rich brand matrix and innovative products and services to capture the market demand for products with health-boosting features, and to actively expand our e-commerce channels. Hence, revenue in the second quarter marked a strong growth with an increase of 12.7% year-on-year and revenue growth in each of our business segments achieved industry-leading performances with year-on-year double-digit surges.

The revenue from washing machine business decreased to RMB9,633,618,000 in the first half of 2020 from RMB9,846,144,000 in the first half of 2019, representing a decrease of 2.2%. In the face of the external pressure brought about by the pandemic, the Group utilized the Smart Home App living platform and the Internet of Clothing ecosystem that the Haier Group have planned in advance, capitalized on its core strengths in complete-scenario smart product set solutions, and captured market opportunities through featuring healthcare and hygiene products that were equipped with disinfection, sterilization and steaming functions. Although our overall revenue experienced a slight dip year-on-year, both our online and offline market shares rose significantly which further expanded our leading edge in the industry. Not only did Casarte washing machines maintain its position as the industry leader, washers under the Leader brand also aroused enthusiasm via online channels and achieved double-digit growth.

The revenue from water heater and water purifier business decreased to RMB3,945,545,000 in the first half of 2020 from RMB3,966,508,000 (restated) in the first half of 2019, representing a slight decrease of 0.5%. Through leveraging the Haier's U+ big data platform and the artificial intelligence technology during the pandemic, the Group focused on researching users' pain points amid the outbreak, and committed to iterations and upgrades towards green, energy-efficient, health- and comfort-boosting products. Products equipped with water purification features accounted for more than 70% of our electric water heaters. The revenue growth of Casarte water heaters even increased by more than 60% year-on-year. In addition, our whole-house smart water-using system solutions were catered to market needs and received widespread recognition from customers, which fuelled year-on-year double-digit revenue growth in the second quarter.

The revenue from channel services business decreased to RMB31,216,479,000 in the first half of 2020 from RMB32,749,747,000 in the first half of 2019, representing a decrease of 4.7%. In view of the challenges brought about by the outbreak, the Group on one hand has deepened the development of our channels by utilizing the Smart Home App to promote online and offline channels integration, and to grasp the opportunities in developing our e-commerce channels, resulting in a year-on-year rise of nearly 30% in online revenue. On the other hand, the Group remained committed to the scenario ecosystem, offering full-scenario and customized solutions to customers which enhanced user experience and earned market reputation.

Profit Attributable to Owners of the Company

In the first half of 2020, the profit attributable to owners of the Company was RMB1,335,388,000, representing a decrease of 27.3% from RMB1,836,101,000 (restated) in the first half of 2019. The basic earnings per share attributable to ordinary equity holders of the Company was RMB0.48, representing a decrease of 27.3% from RMB0.66 (restated) in the first half of 2019.

Adjusted Operating Profit

Adjusted operating profit was defined as profit before tax, net of interest income and expenses, investment gains and losses (including dividend income from equity instruments at fair value through other comprehensive income, investment income from other financial assets, gains/(losses) on disposal of subsidiaries), the gains or losses on the fair value changes of other non-current financial assets, government grants and share of profits and losses of associates. By excluding these items, management and investors could better compare the Group's financial results over multiple periods and analyze trends of the operations.

Adjusted operating profit is used to evaluate the Group's results of operations, which is a non-IFRS measure. This measure provides investors with valuable information of the Group's ongoing operation performance because it can reflect the 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 the first half of 2020, the adjusted operating profit of the Group amounted to RMB1,216,587,000, representing a decrease of 34.5% as compared to RMB1,858,297,000 (restated) in the first half of 2019. The decrease in the adjusted operating profit was mainly due to a drop in profit from the Group's washing machine and water heater businesses.

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

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Profit before tax adjustment:	**1,682,422**	2,149,587
Bank interest income	**(151,797)**	(160,737)
Government grants	**(171,627)**	(70,132)
Return on investments in other financial assets	**(41,672)**	(45,204)
Dividend income from an equity investment designated at fair value through other comprehensive income	**(14,253)**	(18,402)
Finance costs	**2,394**	2,364
Share of profits and losses of associates*	**(87,006)**	223
Fair value losses/(gains) on other non-current financial assets	**(1,874)**	598
Adjusted operating profit	**1,216,587**	1,858,297

* Share of profits and losses of associates mainly represents share of the current profits of Bingji Group based on its shareholding ratio since the completion of the asset swap transaction on 26 July 2019, further details of which are set out in note 2.1 to the interim condensed consolidated financial information. The Bingji Group is principally engaged in the provision of logistics services and is accounted for using the equity method.

Gross Profit Margins

In the first half of 2020, the overall gross profit margin of the Group was 19.6%, representing a decrease of 1.0 percentage point from 20.6% (restated) in the first half of 2019. It was mainly caused by a decrease in proportion of sales of high-end products, which have high profit margin, as there was less consumer traffic in offline stores due to the outbreak.

The gross profit margin of washing machine business was 25.0%, representing a decrease of 2.6 percentage points from 27.6% in the first half of 2019. On one hand, offline channels were more severely impacted by the outbreak, which has led to a lower-than-expected growth of high-end products, and a product mix that tilted towards mid-range and low-end. On the other hand, low utilization of factories' production capacities during the outbreak has lowered our manufacturing cost efficiency, and reduced the overall gross margin of the washing machine business.

The gross profit margin of water heater and water purifier business was 36.0%, representing a decrease of 1.4 percentage points from 37.4% (restated) in the first half of 2019. The decrease in gross profit margin was mainly affected by the change in product mix. In response to the impact of the outbreak, the Group expanded our online channels through tactics such as live streaming of scenarios, which resulted in a significant increase in market share of mid-range and low-end products, while maintaining a stable market share in the high-end segment. Meanwhile, resumption of work and production at the Wuhan water heater factory was slower than that of the other factories, this to a certain extent lowered our manufacturing cost efficiency.

The gross profit margin of channel services business was 9.8%, representing a decrease of 0.8 percentage point from 10.6% in the first half of 2019. Since the terminal consumer demand during the outbreak was concentrated on online channels, the Group has proactively captured online market shares through top-selling set products and precise marketing strategies, but the change in product mix reduced our gross profit margins.

Selling and Distribution Expenses

The ratio of combined selling and distribution expenses of washing machine business and water heater and water purifier business to its segments revenue increased by 0.9 percentage point from 16.8% (restated) in the first half of 2019 to 17.7% in the first half of 2020. It was mainly due to an increase in warehousing and transportation expenses and relatively stable fixed costs such as labour cost.

The ratio of selling and distribution expenses of channel services business to its segment revenue decreased by 0.3 percentage point from 8.0% in the first half of 2019 to 7.7% in the first half of 2020. This was mainly attributable to the Group's effort in reducing marketing and promotional expenses and improving operational efficiency in response to the outbreak.

Administrative Expenses

The ratio of administrative expenses of washing machine business and water heater and water purifier business decreased by 0.2 percentage point from 5.0% (restated) in the first half of 2019 to 4.8% in the first half of 2020. The ratio of administrative expenses of channel services business decreased by 0.3 percentage point from 0.9% in the first half of 2019 to 0.6% in the first half of 2020. It is mainly because the Group reduced expenses and strengthened IT-based management, thereby enhancing the company's operational efficiency.

2. Financial Position

Items	**30 June 2020 RMB'000 (Unaudited)**	31 December 2019 RMB'000 (Audited)
Non-current assets	**14,863,720**	14,525,175
Current assets	**33,329,357**	35,532,717
Current liabilities	**16,891,437**	19,012,509
Non-current liabilities	**1,432,348**	1,407,464
Net assets	**29,869,292**	29,637,919

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

As at 30 June 2020, the Group's total balance of cash and cash equivalents and wealth management products from other financial assets increased by 5.9% from RMB18,381,846,000 (restated) as at 31 December 2019 to RMB19,458,901,000 as at 30 June 2020. The increase was mainly attributable to the profit contribution for the period.

Items	**30 June 2020 RMB'000 (Unaudited)**	31 December 2019 RMB'000 (Audited)
Cash and cash equivalents	**17,044,539**	14,834,594
Wealth management products from other financial assets		
— Current portion	**2,341,623**	3,252,705
— Non-current portion	**72,739**	294,547
Total	**19,458,901**	18,381,846

Net Assets

The Group's net assets increased by 0.8% from RMB29,637,919,000 as at 31 December 2019 to RMB29,869,292,000 as at 30 June 2020. Net assets increased slightly from the beginning of the period, which was mainly due to the combined effect of profit contribution and the dividend declaration during the period.

Working Capital

Trade and Bills Receivables Turnover Days

The bills receivable turnover days of the Group's washing machine business and water heater and water purifier business were 21 days in the first half of 2020, representing an increase of 6 days as compared to the end of 2019, which was mainly due to an increase in proportion of use of bills by customers.

The trade receivables turnover days of the Group's washing machine business and water heater and water purifier business remained at 19 days in the first half of 2020, the same as that of the end of 2019.

In the Group's channel services business, the majority of customers are small scale customers or end customers, and the sales are generally settled with payment in advance of delivery. The trade receivables turnover days in the first half of 2020 were 2 days, which remained the same as that of the end of 2019.

Inventory Turnover Days

In the first half of 2020, inventory turnover days of washing machine business and water heater and water purifier business were 37 days, representing an increase of 9 days as compared to the end of 2019. This was mainly due to the production and stockpiling of washing machines in the second quarter in advance for peak season sales in the second half of the year.

In the first half of 2020, inventory turnover days of channel services business were 42 days, representing a decrease of 17 days as compared to the end of 2019, which was mainly attributable to the realized sales of inventories stocked up for the Chinese New Year at the end of last year.

Trade Payables Turnover Days

In the first half of 2020, trade payables turnover days of washing machine business and water heater and water purifier business were 47 days, representing a decrease of 11 days as compared to the end of 2019. This was mainly due to the significant increase in raw material procurement at the end of 2019 for stockpiling for the Chinese New Year, and a decrease in raw material procurement as a result of relatively balanced factory stock up inventory in the second quarter of 2020.

In the first half of 2020, trade payables turnover days of the channel services business were 10 days, representing an increase of 1 day as compared to the end of 2019.

3. Cash Flow Changes Analysis

Items	Note	For the six months ended 30 June **2020** **RMB'000** **(Unaudited)**	 2019 RMB'000 (Unaudited) (Restated)
Cash and cash equivalents as stated in the statement of cash flows at the beginning of the period		**14,834,594**	15,023,393
Net cash flow from operating activities	(a)	**1,776,807**	2,279,623
Net cash flow from investing activities	(b)	**313,561**	(915,353)
Net cash flow from financing activities	(c)	**92,057**	(528,136)
Effect of foreign exchange rate changes, net		**27,520**	1,043
Cash and cash equivalents as stated in the statement of cash flows at the end of the period		**17,044,539**	15,860,570
Less: Cash and cash equivalents of a disposal group classified as held for sale		**—**	35,162
Cash and cash equivalents as stated in the statement of financial position at the end of the period		**17,044,539**	15,825,408

(a) Net cash inflow from operating activities for the period amounted to RMB1,776,807,000, representing a decrease of 22.1%, as compared to the corresponding period of last year, which was mainly due to a decrease of profit for the period.

(b) Net cash inflow from investing activities for the period amounted to RMB313,561,000, as compared to the net cash outflow of RMB915,353,000 for the corresponding period of last year, with the details as follows:

Items	For the six months ended 30 June **2020** **RMB'000** **(Unaudited)**	 2019 RMB'000 (Unaudited) (Restated)
Capital expenditure	**(616,122)**	(869,035)
Redemption/(purchase) of wealth management products	**1,124,676**	(271,721)
Acquisition of subsidiaries	**(338,445)**	(46,027)
Cash from disposal of fixed assets and leasehold land	**35,041**	191,406
Purchase of an equity investment	**(3,721)**	(10,508)
Interest received from wealth management products	**55,464**	82,655
Net cash inflow from other investing activities	**56,668**	7,877
Net cash flow from investing activities	**313,561**	(915,353)

(c) Net cash inflow from financing activities for the period amounted to RMB92,057,000, as compared to the net cash outflow of RMB528,136,000 for the corresponding period of last year, with the details as follows:

Items	For the six months ended 30 June **2020** **RMB'000** **(Unaudited)**	 2019 RMB'000 (Unaudited) (Restated)
Capital contributions from minority shareholders of subsidiaries	**10,696**	8,690
Dividend distribution to non-controlling shareholders	**—**	(18,058)
Net additional/(repayment of) borrowings	**91,463**	(20,523)
Dividends paid to the then holding company of a subsidiary	**—**	(18,998)
Cash paid for acquisition of equity from minority shareholders of subsidiaries	**—**	(203,731)
Lease payment	**(14,696)**	(278,982)
Net cash inflow from other financing activities	**4,594**	3,466
Net cash flow from financing activities	**92,057**	(528,136)

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 30 June 2020, the Group had a current ratio of 197.3%, representing an increase of 10.4 percentage points as compared to 186.9% as at 31 December 2019.

Items	**30 June 2020 RMB'000 (Unaudited)**	31 December 2019 RMB'000 (Audited)
Cash and cash equivalents	**17,044,539**	14,834,594
Wealth management products from other financial assets	**2,414,362**	3,547,252
	19,458,901	18,381,846
Less:		
Interest-bearing borrowings	**77,157**	80,896
Net balance of cash and cash equivalents and wealth management products from other financial assets	**19,381,744**	18,300,950

As at 30 June 2020, wealth management products from other financial assets amounted to RMB2,414,362,000 (31 December 2019: RMB3,547,252,000).

As at 30 June 2020, the Group's net balance of cash and cash equivalent and wealth management products from other financial assets amounted to RMB19,381,744,000 (31 December 2019: RMB18,300,950,000), representing an increase of 5.9% as compared to 2019.

The financial return of cash and cash equivalents and other financial assets in the first half of 2020 was RMB193,469,000, representing a decrease of 6.1% from RMB205,941,000 (restated) in the first half of 2019.

The Group will continue to maintain stable liquidity in its operations in 2020 to ensure meeting its working capital requirements for next year, to construct intelligent factories, as well as to maintain financial flexibility for future strategic investment opportunities.

CAPITAL EXPENDITURE

The Company assesses its capital expenditure and investments in washing machine business and water heater and water purifier business from time to time. The capital expenditure during the period was RMB616,122,000 (30 June 2019: RMB869,035,000 (restated)), which was mainly used in factory construction and equipments upgrading for washing machine business and water heater and water purifier business.

GEARING RATIO

As at 30 June 2020, the Group's gearing ratio (defined as total borrowings, including interest-bearing borrowings, over net assets) was 0.3% (31 December 2019: 0.3%).

TREASURY POLICIES

The Group adopts a prudent approach in its cash management and risk control. Most of the Group's revenues and expenses are denominated in Renminbi. Cash is generally placed in deposits denominated in Renminbi, Hong Kong dollars or United States Dollars. Foreign currency risk is largely, though not fully, mitigated, as liabilities in Renminbi will be substantially offset by the Group's revenue, of which mostly are derived from domestic sales in China and denominated in Renminbi, and only approximately 5% of the Group's revenue is derived from export sales and is denominated in other currencies. The Group does not have any significant interest rate risk as it has an overall net cash balance. The Group does not have any financial instrument for hedging purposes.

CAPITAL COMMITMENT

The Group's capital commitments contracted but not yet provided for amounted to RMB675,011,000 as at 30 June 2020 (31 December 2019: RMB662,957,000), which were mainly related to the construction of intelligent factories.

CHARGE OF ASSETS

As at 30 June 2020, certain of the Group's buildings and leasehold land with a net carrying value of RMB46,149,000 (31 December 2019: RMB45,383,000), freehold land with a net carrying value of RMB9,525,000 (31 December 2019: RMB9,367,000) and trade receivables with a net carrying value of RMB24,881,000 (31 December 2019: RMB10,880,000) were pledged to secure certain of the Group's bank loans.

In addition, as at 30 June 2020, certain of the Group's bills payable were secured by the pledge of the Group's bank deposits amounting to RMB343,530,000 (31 December 2019: RMB402,692,000) and the Group's bills receivable amounting to RMB1,700,000 (31 December 2019: RMB10,218,000).

CONTINGENT LIABILITIES

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

RELATIONSHIP WITH EMPLOYEES AND REMUNERATION POLICY

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

The total number of employees of the Group decreased slightly by approximately 0.1% to 16,731 as at 30 June 2020 from 16,755 as at 31 December 2019.

MATERIAL ACQUISITIONS AND DISPOSALS

On 23 January 2020, the Group acquired a 75.96% equity interest in Lejia IOT, which is mainly engaged in the household appliance service business, at a cash consideration of RMB562,420,000. The acquisition was made as part of the Group's strategy to further develop its channel service business.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2020.

DIVIDENDS

The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

CORPORATE GOVERNANCE PRACTICES

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES OF THE LISTING RULES

The Company has complied with the code provisions of the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the period from 1 January 2020 to 30 June 2020, except for the following deviations:

Under Code provision A.4.1, non-executive directors should be appointed for specific terms, subject to re-election. Currently, all the non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Bye-laws and the Listing Rules, and their appointment will be reviewed by the nomination committee and the Board when they are due for re-election.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a Model Code for Securities Transactions by Directors (the "Haier Electronics Model Code") on no less exacting terms than the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. Upon specific enquiry by the Company, all directors of the Company had confirmed that they had complied with the required standard as set out in the Haier Electronics Model Code throughout the period for the six months ended 30 June 2020.

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

Below are the changes of directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules up to the date of this report:

Mrs. Eva Cheng Li Kam Fun has retired as an independent non-executive director of Trinity Limited, a company listed on the Stock Exchange (Stock code: 891), in May 2020.

AUDIT COMMITTEE

The Company has established an audit committee comprising three independent non-executive directors of the Company. The audit committee had reviewed, with no disagreement, with the management the accounting principles and practices adopted by the Group, and discussed financial reporting matters including the review of the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2020, and discussed with internal audit department on internal audit and controls, and risk management.

APPRECIATION

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

By Order of the Board of
Haier Electronics Group Co., Ltd.
Zhou Yun Jie
Chairman

Hong Kong, 20 August 2020

DISCLOSURE OF INTERESTS

(I) DIRECTORS AND CHIEF EXECUTIVE OF THE COMPANY

Save as disclosed below, as at 30 June 2020, none of the directors and the chief executive of the Company and their respective associates had any interest and short position in the shares, debentures or underlying shares ("Share(s)") of the Company and its associated corporation (within the meaning of Part XV of the Securities and Future Ordinance ("SFO")), which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or as recorded in the register required to be kept under section 352 of the SFO or as otherwise required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code for Securities Transactions by Directors adopted by the Company:

(a) Long position in shares of the Company

Name	Number of Shares directly (personal) beneficially owned	Approximate % of issued Shares*
Mr. Zhou Yun Jie	9,277,840	0.33
Mr. Xie Ju Zhi	443,867	0.02
Mr. Li Hua Gang	230,000	0.01
Mr. Yu Hon To, David	510,000	0.02
Mrs. Eva Cheng Li Kam Fun	240,000	0.01

Apart from above, the following Directors and chief executive are also the grantees of the restricted shares of the Company in accordance with the Company's Restricted Share Award Scheme under its Directors' Trust comprising shares purchased from the stock market.

Name	Outstanding awarded Shares	Approximate % of issued Shares*
Mr. Zhou Yun Jie	1,109,360	0.04
Mr. Xie Ju Zhi	375,213	0.01
Mr. Li Hua Gang	486,800	0.02
Mr. Yu Hon To, David	27,500	0.001
Mrs. Eva Cheng Li Kam Fun	22,000	0.001
Mr. Gong Shao Lin	31,500	0.001
Dr. John Changzheng Ma	16,500	0.001

* The percentage is calculated on the basis of 2,816,995,978 shares in issue of the Company as at 30 June 2020.

(I) DIRECTORS AND CHIEF EXECUTIVE OF THE COMPANY (continued)

(b) Long position in shares of Haier Smart Home Co., Ltd., the Company's shareholder

Name	Number of shares held	Approximate% of total registered share capital	Capacity and interest
Mr. Liang Hai Shan	14,483,466	0.23	Directly (personal) beneficially owned
Mr. Zhou Yun Jie	196,596	0.003	Directly (personal) beneficially owned
Mr. Li Hua Gang	653,306	0.01	Directly (personal) beneficially owned

(II) SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at 30 June 2020, the directors and the chief executive of the Company were not aware of any other shareholders interested in 5% or more of the interests and short positions in shares and underlying shares of the Company or any person (other than a Director or chief executive of the Company) which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or as otherwise recorded in the register required to be kept by the Company under section 336 of the SFO:

Long positions in Shares:

Name of shareholders	Notes	Number of Shares interested	Approximate percentage of the Company's issued shares*
Haier Corp	1	1,623,420,592	57.63
Haier Smart Home Co., Ltd. ("Haier Smart Home")	2	1,623,420,592	57.63
Haier Shareholdings (Hong Kong) Limited ("Hong Kong Haier")	2	894,143,110	31.74
Haier (HK) Investment Co., Limited ("Haier (HK) Investment")	3	336,600,000	11.95
HCH (HK) Investment Management Co., Limited ("HCH (HK)")	3	336,600,000	11.95

(II) SUBSTANTIAL SHAREHOLDERS (continued)

Short positions in Shares:

Name of shareholders	Notes	Number of shares interested	Approximate percentage of the Company's issued share capital*
Haier Corp	1, 4	250,852,619	8.90
Haier Smart Home	2, 4	250,852,619	8.90
Hong Kong Haier	2, 4	250,852,619	8.90

Notes:

1. As Haier Smart Home is a non wholly-owned subsidiary of Haier Corp, Haier Corp was deemed to be interested in 1,286,820,592 shares of the Company held by Haier Smart Home pursuant to the SFO, and deemed to have a short position in the shares of the Company as detailed in note 4.

   Haier Corp was also deemed to be interested in 336,600,000 shares of the Company held by its subsidiary, HCH (HK).

   Mr. Zhou Yun Jie, an executive director of the Company, and Mr. Liang Hai Shan, a non-executive director of the Company, are also the members of the management committee of Haier Corp.

2. Haier Smart Home held 392,677,482 shares of the Company as beneficial owner. Moreover, Haier Smart Home was deemed to be interested in 894,143,110 shares of the Company held by its wholly-owned subsidiary, Hong Kong Haier, pursuant to the SFO, and was deemed to have a short position in the shares of the Company as detailed in note 4.

   Furthermore, HCH (HK) has appointed Haier Smart Home to exercise the voting rights in the 336,600,000 shares of the Company held by it.

3. HCH (HK) is a wholly controlled by Haier (HK) Investment, and Haier (HK) Investment was deemed to be interested in 336,600,000 shares of the Company held by HCH (HK) pursuant to the SFO.

4. Exchangeable bonds exchangeable into fully paid ordinary shares of the Company were issued by a subsidiary of Haier Smart Home on 21 November 2017. The underlying shares of the above exchangeable bonds are 250,852,619 shares of the Company currently owned by Hong Kong Haier.

* The percentage is calculated on the basis of 2,816,995,978 shares in issue of the Company as at 30 June 2020.

SHARE INCENTIVE SCHEMES

(I) SHARE OPTION SCHEME

The Company operates a share option scheme (the "Share Option Scheme") for the purpose of providing incentives and reward to eligible participants who contribute to the success of the Group's operations. The Company's current Share Option Scheme became effective on 8 June 2011 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

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

	Number of share options								
Name or category of participants	**At 1 January 2020**	**Granted during the period**	**Exercised during the period (note 3)**	**Cancelled during the period**	**Lapsed during the period**	**At 30 June 2020**	**Date of grant of share options (note 1)**	**Exercise period of share options**	**Exercise price of share options per share (note 2)** HK$
Executive director									
Mr. Li Hua Gang	108,000	—	—	—	108,000	—	11/09/2015	10/05/2016–10/05/2020	12.84
Other employees									
In aggregate	1,763,400	—	1,548,200	—	215,200	—	11/09/2015	10/05/2016–10/05/2020	12.84
	1,871,400	—	1,548,200	—	323,200	—			

Notes:

1. For share options granted on 11 September 2015, 40% and 60% of the total share options granted were vested on vesting dates of 10 May 2016 and 10 May 2017, respectively. The vesting period of the share options is from the date of grant until the respective vesting dates.

2. The exercise price of the share options is subject to adjustment(s) in the case of rights or bonus share issues, or other similar changes in the share capital of the Company.

3. The weighted average closing price of the Company's shares immediately before the exercise dates of the share options was HK$21.61 per share.

4. The total share options that could be granted under the then available scheme mandate limit as at 30 June 2020 were in respect of 153,890,890 shares which represented 5.5% of the issued shares of the Company as at 30 June 2020.

As at 30 June 2020, the Company did not have any share options outstanding under the Share Option Scheme.

(II) RESTRICTED SHARE AWARD SCHEME

The Group operates a Restricted Share Award Scheme, which aims at providing incentives to employees and optimising the remuneration structure of the Group. According to the Restricted Share Award Scheme, the Company may instruct the trustee to purchase the scheme shares in the open market and such purchased shares may be held on trust by the Share Award Scheme Trust for the relevant selected employees until such shares are vested, or issue and allot new scheme shares to the trustee. The Board has discretion to decide whether the awarded shares are to be purchased or subscribed by the trustee.

The following table discloses movements in the Company's restricted shares under the Restricted Share Award Scheme during the period:

Name of participants	Number of awarded shares						Date of grant of awarded shares	Vesting period of awarded shares	Exercise price of awarded shares per share
	At 1 January 2020	Granted during the period	Vested during the period	Cancelled during the period	Lapsed during the period	At 30 June 2020			HK$
Executive directors									
Mr. Zhou Yun Jie	363,000	—	—	—	—	363,000	05/07/2018	05/07/2018–01/07/2020	—
	74,760	—	—	—	—	74,760	17/09/2018	17/09/2018–01/07/2020	—
	671,600	—	—	—	—	671,600	24/12/2019	24/12/2019–01/07/2021	—
	1,109,360	—	—	—	—	1,109,360			
Mr. Xie Ju Zhi	8,229	—	—	—	—	8,229	03/03/2017	03/03/2017–01/07/2020	—
	147,684	—	—	—	—	147,684	17/09/2018	17/09/2018–01/07/2020	—
	219,300	—	—	—	—	219,300	24/12/2019	24/12/2019–01/07/2021	—
	375,213	—	—	—	—	375,213			
Mr. Li Hua Gang	44,000	—	—	—	—	44,000	08/07/2016	08/07/2016–07/07/2020	6.42
	172,800	—	—	—	—	172,800	05/07/2018	05/07/2018–01/07/2020	—
	135,800	—	—	—	—	135,800	12/07/2018	12/07/2018–01/07/2020	—
	63,500	—	—	—	—	63,500	17/09/2018	17/09/2018–01/07/2020	—
	70,700	—	—	—	—	70,700	24/12/2019	24/12/2019–01/07/2021	—
	486,800	—	—	—	—	486,800			
	1,971,373	—	—	—	—	1,971,373			
Independent Non-executive directors									
Mr. Yu Hon To, David	27,500	—	—	—	—	27,500	24/12/2019	24/12/2019–01/07/2021	—
Mrs. Eva Cheng Li Kam Fun	22,000	—	—	—	—	22,000	24/12/2019	24/12/2019–01/07/2021	—
Mr. Gong Shao Lin	31,500	—	—	—	—	31,500	24/12/2019	24/12/2019–01/07/2021	—
Dr. John Changzheng Ma	16,500	—	—	—	—	16,500	24/12/2019	24/12/2019–01/07/2021	—
	97,500	—	—	—	—	97,500			
Other employees									
In aggregate	104,400	—	—	—	—	104,400	08/07/2016	08/07/2016–07/07/2020	6.42
In aggregate	138,920	—	—	—	—	138,920	08/07/2016	08/07/2016–01/07/2020	—
In aggregate	1,433,171	—	—	—	—	1,433,171	03/03/2017	03/03/2017–01/07/2020	—
In aggregate	91,278	—	—	—	—	91,278	05/07/2018	05/07/2018–01/07/2020	—
In aggregate	5,516,640	—	—	—	—	5,516,640	17/09/2018	17/09/2018–01/07/2020	—
In aggregate	10,450,000	—	—	—	—	10,450,000	09/10/2019	09/10/2019–01/07/2021	—
	17,734,409	—	—	—	—	17,734,409			
	19,803,282	—	—	—	—	19,803,282			

(II) RESTRICTED SHARE AWARD SCHEME (continued)

At 30 June 2020, the Company had 19,803,282 awarded shares outstanding under the Restricted Share Award Scheme, which represented approximately 0.70% of the Company's shares in issue as at that date.

As at 30 June 2020, the number of ordinary shares held for the Restricted Share Awarded Scheme was 15,313,091 (31 December 2019: 5,353,091) with an aggregate carrying amount of RMB64,058,000 (31 December 2019: RMB63,150,000).

The particulars regarding dilution effect of the awarded shares under the Restricted Share Award Scheme are set out in Note 9 of Notes to Interim Condensed Consolidated Financial Information.