海爾智家股份有限公司

Haier Smart Home Co., Ltd.

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

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

2021 INTERIM REPORT

This interim report is printed on environmental friendly paper

CORPORATE PROFILE

We are a leader in the global major home appliance industry. According to the data from Euromonitor, we ranked first in the major home appliance industry in the world in terms of retail volume of major home appliances for 12 consecutive years. We have a global portfolio of home appliance brands consisting of Haier, Casarte, Leader, GE Appliances, Candy, Fisher & Paykel and AQUA. Our Haier brand refrigeration appliances and laundry appliances also ranked first among major home appliance brands in the world in terms of retail volume for 13 and 12 consecutive years respectively. Currently, our business covered more than 160 countries and regions around the world including China, North America, Europe, South Asia and Southeast Asia, Australia and New Zealand, Japan, Middle East and Africa.

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

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. LIANG Haishan *(Chairman)*
Mr. LI Huagang *(Chief Executive Officer)*
Mr. XIE Juzhi *(Vice Chairman)*
(appointed with effect from 5 March 2021)

Non-executive Directors

Ms. TAN Lixia *(Vice Chairwoman)*
(retired with effect from 30 March 2021)
Mr. WU Changqi
Mr. LIN Sui
Mr. YU Hon To, David
(appointed with effect from 5 March 2021)
Ms. Eva LI Kam Fun
(appointed with effect from 5 March 2021)

Independent Non-executive Directors

Mr. DAI Deming
(retired with effect from 25 June 2021)
Mr. CHIEN Da-chun
Mr. WONG Hak Kun
Mr. LI Shipeng
(appointed with effect from 5 March 2021)
Mr. WU Qi
(appointed with effect from 25 June 2021)

SUPERVISORS

Mr. WANG Peihua
(retired with effect from 25 June 2021)
Mr. MING Guoqing
(retired with effect from 25 June 2021)
Mr. YU Miao
Mr. LIU Dalin
(appointed with effect from 25 June 2021)
Ms. MA Yingjie
(appointed with effect from 25 June 2021)

BOARD SECRETARY

Ms. MING Guozhen

PRINCIPAL BOARD COMMITTEES

Audit Committee

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

Remuneration and Assessment Committee

Mr. CHIEN Da-chun *(Committee Chairman)*
Mr. LIANG Haishan
Mr. WU Changqi
Mr. LI Shipeng
Mr. WU Qi

Nomination Committee

Mr. WU Qi *(Committee Chairman)*
Mr. LIANG Haishan
Mr. CHIEN Da-chun
Mr. YU Hon To, David
Mr. LI Shipeng
Mr. WONG Hak Kun

Strategic Committee

Mr. LIANG Haishan *(Committee Chairman)*
Mr. XIE Juzhi
Mr. LI Huagang
Mr. LIN Sui
Mr. LI Shipeng
Mr. WU Qi

Environmental, Social and Governance Committee (established on 5 March 2021)

Ms. Eva LI Kam Fun *(Committee Chairwoman)*
Mr. LI Huagang
Mr. LIN Sui
Mr. CHIEN Da-chun

COMPANY SECRETARY

Mr. NG Chi Yin

LEGAL ADVISORS

As to PRC Law

King & Wood Mallesons

As to Hong Kong Law

Clifford Chance

COMPLIANCE ADVISOR

Anglo Chinese Corporate Finance, Limited

PRINCIPAL BANKER

China Construction Bank Corporation

AUDITORS

Hexin Certified Public Accountants LLP
HLB Hodgson Impey Cheng Limited

FINANCIAL CALENDAR

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

REGISTERED OFFICE AND HEADQUARTERS

Haier Industrial Park
Laoshan District, Qingdao
Shandong Province, the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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STOCK CODE

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

WEBSITE

http://smart-home.haier.com

INVESTOR RELATIONS CONTACT

Strategic Financial Relations Limited
24/F, Admiralty Centre I
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REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Haier Smart Home Co., Ltd. (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 5 to 39, which comprise the condensed consolidated statement of financial position as of 30 June 2021 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("**IAS 34**") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Tien Sun Kit, Jack
Practising Certificate Number: P07364

Hong Kong, 30 August 2021

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

For the six months ended 30 June 2021

	Notes	For the six months ended 30 June 2021 RMB'M (Unaudited)	2020 RMB'M (Unaudited)
REVENUE	4	**111,613**	95,723
Cost of sales		**(78,679)**	(69,496)
Gross profit		**32,934**	26,227
Other gains or losses	5	**1,007**	688
Selling and distribution expenses		**(16,731)**	(14,527)
Administrative expenses		**(9,330)**	(8,085)
Finance costs	7	**(362)**	(709)
Share of profits and losses of associates		**943**	679
PROFIT BEFORE TAX	6	**8,461**	4,273
Income tax expenses	8	**(1,523)**	(661)
PROFIT FOR THE PERIOD		**6,938**	3,612
OTHER COMPREHENSIVE (LOSS)/INCOME			
Items that may be reclassified to profit or loss in subsequently periods:			
Share of other comprehensive income of associates		**56**	24
Effective portion of changes in fair value of hedging instrument for cashflow hedges, net of tax		**113**	(84)
Exchange differences on translating foreign operations		**(503)**	(78)
		(334)	(138)
Items that will not be reclassified to profit or loss in subsequent periods:			
Change arising from re-measurement of defined benefit plans		**(1)**	—
Change in fair value of equity investments designated at fair value through other comprehensive income ("**FVTOCI**"), net of tax		**39**	(123)
		38	(123)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX		**(296)**	(261)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**6,642**	3,351

For the six months ended 30 June 2021

	Notes	For the six months ended 30 June 2021 RMB'M (Unaudited)	 2020 RMB'M (Unaudited)
Profit for the period attributable to			
— Owners of the Company		**6,852**	2,781
— Non-controlling interests		**86**	831
		6,938	3,612
Total comprehensive income attributable to:			
— Owners of the Company		**6,558**	2,561
— Non-controlling interests		**84**	790
		6,642	3,351
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
— Basic (RMB per share)	10	**0.74**	0.42
— Diluted (RMB per share)	10	**0.73**	0.42

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Notes	30 June 2021 RMB'M (Unaudited)	31 December 2020 RMB'M (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	12	26,050	24,815
Investment properties		27	28
Right-of-use assets		3,883	3,901
Goodwill		22,217	22,518
Other intangible assets		8,793	8,957
Interests in associates		22,587	21,569
Equity investments designated at FVTOCI		2,829	2,659
Financial assets measured at amortised cost		310	331
Derivative financial instruments		47	47
Long-term prepayments		1,075	1,404
Deferred tax assets		1,686	2,208
Other non-current assets		599	759
Total non-current assets		90,103	89,196
CURRENT ASSETS			
Inventories	13	33,508	29,447
Trade and bills receivables	14	32,108	30,066
Contract assets		242	263
Prepayments, deposits and other receivables		5,649	5,212
Financial assets measured at FVTPL		2,249	2,165
Financial assets measured at amortised cost		409	554
Derivative financial instruments		122	78
Pledged deposits		723	822
Other deposit with limited use		12	4
Cash and cash equivalents		41,109	45,635
		116,131	114,246
Assets and disposal group held for sale		13	17
Total current assets		116,144	114,263
CURRENT LIABILITIES			
Trade and bills payables	15	63,298	57,539
Other payables and accruals		25,194	22,519
Contract liabilities		7,467	7,049
Interest-bearing borrowings	16	13,565	12,643
Lease liabilities		677	671
Tax payable		1,293	1,371
Bonds		—	5,535
Provisions		1,887	1,881
Derivative financial instruments		92	239
Financial liabilities measured at FVTPL		3	27
Total current liabilities		113,476	109,474

As at 30 June 2021

	Notes	**30 June 2021 RMB'M (Unaudited)**	31 December 2020 RMB'M (Audited)
NET CURRENT ASSETS		**2,668**	4,789
TOTAL ASSETS LESS CURRENT LIABILITIES		**92,771**	93,985
NON-CURRENT LIABILITIES			
Interest-bearing borrowings	16	**9,627**	11,858
Lease liabilities		**2,012**	2,073
Convertible bonds		**426**	6,714
Deferred income		**533**	551
Deferred tax liabilities		**1,963**	1,900
Provisions for pensions and similar obligations		**1,333**	1,246
Provisions		**1,586**	1,443
Other non-current liabilities		**91**	89
Total non-current liabilities		**17,571**	25,874
Net assets		**75,200**	68,111
EQUITY			
Share capital	17	**9,393**	9,028
Reserves		**64,453**	57,788
Equity attributable to owners of the Company		**73,846**	66,816
Non-controlling interests		**1,354**	1,295
Total equity		**75,200**	68,111

The condensed consolidated financial statements were approved and authorised for issue by the board of directors on 30 August 2021 and signed on its behalf by:

Mr. Liang Haishan	**Mr. Li Huagang**
Chairman	*Executive Director*

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to owners of the Company														Non-controlling interests RMB'M	Total equity RMB'M
		Reserves														
	Issued equity RMB'M	Capital reserve RMB'M	Remeasurement of defined benefit plans reserve RMB'M	Cash flow hedges reserve RMB'M	FVTOCI reserve RMB'M	Equity method investments reserve RMB'M	Reserve funds RMB'M	Convertible and exchangeable bonds reserves RMB'M	Retained profits RMB'M	Exchange differences on translation of financial statements reserve RMB'M	Other reserves RMB'M	Treasury shares RMB'M	Total reserves RMB'M	Total RMB'M		
At 1 January 2020 (Audited)	6,580	3,637	60	4	(29)	18	2,654	431	32,469	1,265	798	—	41,307	47,887	17,103	64,990
Profit for the period	—	—	—	—	—	—	—	—	2,781	—	—	—	2,781	2,781	831	3,612
Other comprehensive income/(loss) for the period																
— Share of other comprehensive income/(loss) of associates	—	—	—	—	—	29	—	—	—	—	—	—	29	29	(5)	24
— Effective portion of changes in fair value of hedging instrument for cashflow hedges, net of tax	—	—	—	(84)	—	—	—	—	—	—	—	—	(84)	(84)	—	(84)
— Exchange differences on translating foreign operations	—	—	—	—	—	—	—	—	—	(108)	—	—	(108)	(108)	30	(78)
— Change in fair value of equity investments designated at FVTOCI	—	—	—	—	(57)	—	—	—	—	—	—	—	(57)	(57)	(66)	(123)
Total comprehensive income/(loss) for the period	—	—	—	(84)	(57)	29	—	—	2,781	(108)	—	—	2,561	2,561	790	3,351
Dividend payable to owners of the Company	—	—	—	—	—	—	—	—	(2,467)	—	—	—	(2,467)	(2,467)	—	(2,467)
Capital injection of non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	—	—	—	804	804
Dividend payable to non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(680)	(680)
Changes in ownership interests in subsidiaries that do not result in a loss of control	—	352	—	—	—	—	—	—	—	8	—	—	360	360	155	515
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—	—	—	5	5
Other changes	—	—	—	—	—	—	—	—	(10)	—	—	—	(10)	(10)	—	(10)
At 30 June 2020 (Unaudited)	6,580	3,989	60	(80)	(86)	47	2,654	431	32,773	1,165	798	—	41,751	48,331	18,177	66,508

For the six months ended 30 June 2021

	Attributable to owners of the Company															
		Reserves														
	Issued equity RMB'M	Capital reserve RMB'M	Remeasurement of defined benefit plans reserve RMB'M	Cash flow hedges reserve RMB'M	FVTOCI reserve RMB'M	Equity method investments reserve RMB'M	Reserve funds RMB'M	Convertible and exchangeable bonds reserves RMB'M	Retained profits RMB'M	Exchange differences on translation of financial statements reserve RMB'M	Other reserves RMB'M	Treasury shares RMB'M	Total reserves RMB'M	Total RMB'M	Non-controlling interests RMB'M	Total equity RMB'M
At 1 January 2021 (Audited)	9,028	14,237	37	(100)	(159)	(292)	3,044	2,365	38,447	(535)	773	(29)	57,788	66,816	1,295	68,111
Profit for the period	—	—	—	—	—	—	—	—	6,852	—	—	—	6,852	6,852	86	6,938
Other comprehensive income/(loss) for the period																
— Change arising from re-measurement of defined benefit plan	—	—	(1)	—	—	—	—	—	—	—	—	—	(1)	(1)	—	(1)
— Share of other comprehensive income of associates	—	—	—	—	—	56	—	—	—	—	—	—	56	56	—	56
— Effective portion of changes in fair value of hedging instrument for cashflow hedges, net of tax	—	—	—	113	—	—	—	—	—	—	—	—	113	113	—	113
— Exchange differences on translating foreign operations	—	—	—	—	—	—	—	—	—	(501)	—	—	(501)	(501)	(2)	(503)
— Change in fair value of equity investments designated at FVTOCI	—	—	—	—	39	—	—	—	—	—	—	—	39	39	—	39
Total comprehensive income/(loss) for the period	—	—	(1)	113	39	56	—	—	6,852	(501)	—	—	6,558	6,558	84	6,642
Purchase of treasury shares	—	—	—	—	—	—	—	—	—	—	—	(2,594)	(2,594)	(2,594)	—	(2,594)
Cancellation of treasury shares	(32)	(794)	—	—	—	—	—	—	—	—	—	826	32	—	—	—
Dividend payable	—	—	—	—	—	—	—	—	(3,421)	—	—	—	(3,421)	(3,421)	—	(3,421)
Converted convertible bond to share	397	8,096	—	—	—	—	—	(2,216)	—	—	—	—	5,880	6,277	—	6,277
Other changes	—	—	—	—	—	39	—	—	171	—	—	—	210	210	(25)	185
At 30 June 2021 (Unaudited)	9,393	21,539	36	13	(120)	(197)	3,044	149	42,049	(1,036)	773	(1,797)	64,453	73,846	1,354	75,200

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the six months ended 30 June 2021

	Notes	For the six months ended 30 June 2021 RMB'M (Unaudited)	2020 RMB'M (Unaudited)
Cash flows from operating activities			
Profit before tax		**8,461**	4,273
Adjustments for:			
Finance costs	7	**362**	709
Interest income	5	**(292)**	(268)
Share of profits and losses of associates		**(943)**	(679)
Dividends income from equity investment designated at FVTOCI	5	**—**	(15)
Gain on disposal of financial assets/liabilities measured at FVTPL, net	5	**(165)**	(15)
(Gain)/loss on disposal of non-current assets, net	5	**(135)**	11
Fair value (gain)/loss on financial assets/liabilities at FVTPL, net	5	**(64)**	31
Depreciation of property, plant and equipment	6	**1,867**	1,680
Depreciation of investment properties	6	**1**	1
Depreciation of right-of-use assets	6	**353**	365
Amortisation of other non-current assets	6	**14**	10
Amortisation of other intangible assets	6	**450**	466
Provision for obsolete and slow-moving inventories, net	6	**403**	412
Impairment of trade and bills receivables, net	6	**33**	101
Impairment of prepayments, deposits and other receivables and long term prepayments, net	6	**240**	205
Impairment of property, plant and equipment	6	**22**	—
Share-based payment, net		**—**	179
Operating cash inflow before movements in working capital		**10,607**	7,466
(Increase)/decrease in inventories		**(3,765)**	2,543
Decrease in trade and bills receivables, prepayments, deposits and other receivables and contract assets		**(2,216)**	(5,911)
Decrease/(increase) in trade and bills payables, other payables and accruals and contract liabilities		**4,604**	(4,296)
Change in other working capital		**(17)**	75
Cash generated from/(used in) operations		**9,213**	(123)
Interest received		**272**	291
Income tax paid		**(1,061)**	(712)
Net cash generated from/(used in) operating activities		**8,424**	(544)

For the six months ended 30 June 2021

	Notes	For the six months ended 30 June 2021 RMB'M (Unaudited)	2020 RMB'M (Unaudited)
Cash flows from investing activities			
Payment for purchases of non-current assets		**(3,154)**	(3,119)
Proceeds from disposal of non-current assets		**19**	50
Payment for acquisition of subsidiaries, net of cash acquired		**—**	(346)
Dividends received from associates		**272**	146
Proceeds from disposal of financial assets measured at amortised cost and financial assets at FVTPL		**2,869**	1,909
Purchase of financial assets measured at amortised cost and financial assets at FVTPL		**(3,070)**	(781)
Interest received from financial assets measured at amortised cost and financial assets at FVTPL		**31**	76
Other investing cash flow		**(203)**	2
Net cash flows used in investing activities		**(3,236)**	(2,063)
Cash flows from financing activities			
Repurchase of shares		**(2,594)**	—
Proceeds from borrowings		**4,920**	15,878
Repayment of borrowings		**(5,618)**	(5,449)
Repayment of bonds		**(5,500)**	—
Lease payments		**(314)**	(384)
Interest paid		**(287)**	(565)
Changes in ownership interests in subsidiaries		**8**	1,102
Other financing cash flow		**(223)**	—
Net cash flows (used in)/generated from financing activities		**(9,608)**	10,582

	Notes	For the six months ended 30 June 2021 RMB'M (Unaudited)	2020 RMB'M (Unaudited)
Net (decrease)/increase in cash and cash equivalents		**(4,420)**	7,975
Cash and cash equivalents at beginning of the period		**45,635**	34,963
Effect of foreign exchange rate changes, net		**(106)**	84
Cash and cash equivalents at end of the period		**41,109**	43,022
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Non-pledged cash and bank balances		**23,665**	24,678
Time deposits		**17,444**	18,344
Cash and cash equivalents as stated in the statement of financial position		**41,109**	43,022

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

1 GENERAL INFORMATION OF THE GROUP

The predecessor of Haier Smart Home Co., Ltd (hereinafter referred to as the "**Company**") was Qingdao Refrigerator Factory, which was established in 1984. As permitted to offering by People's Bank of China, Qingdao Branch on 16 December 1989, with the document of Qing TiGai 1989 No.3 issued on 24 March 1989, based on the reconstruction of the original Qingdao Refrigerator Factory, a limited company was set up by directional fund raising of RMB150 million. In March and September 1993, as approved by the document of Qing Gu Ling Zi 1993 No. 2 and No. 9 issued by the pilot leading team of Qingdao joint stock company, the Company was converted from a directional offering company to a public subscription company and issued additional 50 million shares to the public and listed with trading on Shanghai Stock Exchange in November 1993.

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

The H shares of the Company are listed on The Stock Exchange of Hong Kong Limited in December 2020. The registered office of the Company is located at the Haier Industrial Park, Laoshan District, Qingdao, Shandong Province, the People's Republic of China.

In the opinion of the directors of the Company, the ultimate controlling parent company of the Company is Haier Group Corporation ("**Haier Group**") incorporated in the People's Republic of China.

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

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

The principal activities of the Company and its subsidiaries (collectively referred to as the "**Group**") are described in note 3 "Operating segment information" to the interim condensed consolidated financial statements.

2.1 BASIS OF PREPARATION

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

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

Other than additional accounting policies resulting from application of amendments to International Financial Reporting Standards ("**IFRSs**") and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2020.

Application of amendments to IFRSs

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

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

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

3. OPERATING SEGMENT INFORMATION

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

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

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

(a) Smart Home Business in China

(i) Household Food Solutions

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

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

3. OPERATING SEGMENT INFORMATION (continued)

(a) Smart Home Business in China (continued)

(ii) Household Air Solutions

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

(iii) Household Clothing Solutions

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

(iv) Household Water Solutions

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

(b) Smart Home Business in Overseas

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

(c) Other Business

- the others comprise business that is below the quantitative threshold for determining a reportable segment ("**Other Business**"). Such Other Business includes, among other things, parts and components, small home appliances and distribution services. The parts and components business primarily involves procurement, manufacturing and sales of ancillary parts and components for home appliances. Small home appliances business primarily involves design, outsourced manufacturing and sales of various small home appliances of our brands, to supplement our smart home solutions business. Distribution services business primarily involves distribution of televisions, consumer electronic products and others for Haier Group and other third parties, leveraging the Group's extensive sales network.

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

All liabilities are allocated to operating segments other than unallocated corporate liabilities (mainly comprising of interests-bearing borrowings, bonds, convertible bonds).

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

3. OPERATING SEGMENT INFORMATION (continued)

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

For the six months ended 30 June 2021

	Smart Home Business in China							
	Household Food Solutions		Household Air Solutions	Household Clothing Solutions	Household Water Solutions			
	Refrigerators/ Freezers RMB'M (Unaudited)	Kitchen Appliances RMB'M (Unaudited)	Air-conditioners RMB'M (Unaudited)	Laundry Appliances RMB'M (Unaudited)	Water Appliances RMB'M (Unaudited)	Smart Home Business Overseas RMB'M (Unaudited)	Other Business RMB'M (Unaudited)	Total RMB'M (Unaudited)
Segment revenue								
Segment revenue from external customers	16,898	1,495	15,095	10,901	5,806	56,669	4,749	111,613
Inter-segment revenue	2,290	290	2,549	2,057	79	247	38,423	45,935
Total	19,188	1,785	17,644	12,958	5,885	56,916	43,172	157,548
Reconciliation:								
Inter-segment eliminations								(45,935)
Total								111,613
Segments results	2,029	38	228	847	727	3,217	(87)	6,999
Reconciliation:								
Elimination of inter-segment results								97
								7,096
Corporate and other unallocated income and gains or losses								913
Corporate and other unallocated expenses								(129)
Finance costs								(362)
Share of profits and losses of associates								943
Profit before tax								8,461

3. OPERATING SEGMENT INFORMATION (continued)

For the six months ended 30 June 2020

	Smart Home Business in China							
	Household Food Solutions		Household Air Solutions	Household Clothing Solutions	Household Water Solutions			
	Refrigerators/ Freezers RMB'M (Unaudited)	Kitchen Appliances RMB'M (Unaudited)	Air-conditioners RMB'M (Unaudited)	Laundry Appliances RMB'M (Unaudited)	Water Appliances RMB'M (Unaudited)	Smart Home Business Overseas RMB'M (Unaudited)	Other Business RMB'M (Unaudited)	Total RMB'M (Unaudited)
Segment revenue								
Segment revenue from external customers	13,240	1,137	10,819	8,958	4,405	45,890	11,274	95,723
Inter-segment revenue	1,443	130	2,574	1,455	76	223	30,494	36,395
Total	14,683	1,267	13,393	10,413	4,481	46,113	41,768	132,118
Reconciliation:								
Inter-segment eliminations								(36,395)
Total								95,723
Segments results	1,455	10	—	583	530	1,507	(233)	3,852
Reconciliation:								
Elimination of inter-segment results								2
								3,854
Corporate and other unallocated income and gains or losses								557
Corporate and other unallocated expenses								(108)
Finance costs								(709)
Share of profits and losses of associates								679
Profit before taxation								4,273

3. OPERATING SEGMENT INFORMATION (continued)

As at 30 June 2021

	Smart Home Business in China							
	Household Food Solutions		Household Air Solutions	Household Clothing Solutions	Household Water Solutions			
	Refrigerators/ Freezers RMB'M (Unaudited)	Kitchen Appliances RMB'M (Unaudited)	Air-conditioners RMB'M (Unaudited)	Laundry Appliances RMB'M (Unaudited)	Water Appliances RMB'M (Unaudited)	Smart Home Business Overseas RMB'M (Unaudited)	Other Business RMB'M (Unaudited)	Total RMB'M (Unaudited)
Segment assets	14,263	2,214	17,291	10,804	3,686	58,821	48,651	155,730
Reconciliation:								
Elimination of segment assets								(46,251)
Goodwill								22,217
Interests in associates								22,587
Equity investments designated at FVTOCI								2,829
Deferred tax assets								1,686
Financial assets measured at FVTPL								2,249
Financial assets measured at amortised cost								409
Derivative financial instruments								122
Pledged deposits								723
Other deposits with limited use								12
Cash and cash equivalents								41,109
Other receivables								2,515
Other non-current financial assets								310
Total assets								206,247
Segment liabilities	33,912	1,731	11,269	5,306	2,627	35,164	55,279	145,288
Reconciliation:								
Elimination of segment liabilities								(46,106)
Tax payable								1,293
Other payable								4,805
Derivative financial instruments								92
Financial liabilities at FVTPL								3
Interest-bearing borrowings								23,192
Deferred tax liabilities								1,963
Convertible bonds								426
Other non-current liabilities								91
Total liabilities								131,047

3. OPERATING SEGMENT INFORMATION (continued)

As at 31 December 2020

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

3. OPERATING SEGMENT INFORMATION (continued)

For the six months ended 30 June 2021

	Smart Home Business in China							
	Household Food Solutions		Household Air Solutions	Household Clothing Solutions	Household Water Solutions			
	Refrigerators/ Freezers RMB'M (Unaudited)	Kitchen Appliances RMB'M (Unaudited)	Air-conditioners RMB'M (Unaudited)	Laundry Appliances RMB'M (Unaudited)	Water Appliances RMB'M (Unaudited)	Smart Home Business Overseas RMB'M (Unaudited)	Other Business RMB'M (Unaudited)	Total RMB'M (Unaudited)
Other segment information:								
Product warranty provisions	676	63	454	591	370	650	127	2,931
Provision for obsolete and slow-moving inventories, net	61	9	55	53	34	181	10	403
(Reversal of)/allowance for expected credit losses in respect of trade and bills receivable, net	(1)	—	5	6	2	28	(7)	33
Impairment of prepayments, deposits and other receivables and other assets, net	138	8	13	40	32	22	9	262
(Gain)/loss on disposal of non-current assets, net	(141)	—	(1)	(2)	—	8	1	(135)
Depreciation and amortisation	261	57	216	237	92	1,726	96	2,685

For the six months ended 30 June 2020

	Smart Home Business in China							
	Household Food Solutions		Household Air Solutions	Household Clothing Solutions	Household Water Solutions			
	Refrigerators/ Freezers RMB'M (Unaudited)	Kitchen Appliances RMB'M (Unaudited)	Air-conditioners RMB'M (Unaudited)	Laundry Appliances RMB'M (Unaudited)	Water Appliances RMB'M (Unaudited)	Smart Home Business Overseas RMB'M (Unaudited)	Other Business RMB'M (Unaudited)	Total RMB'M (Unaudited)
Other segment information:								
Product warranty provisions	521	37	349	341	281	446	—	1,975
Provision for obsolete and slow-moving inventories, net	33	—	5	76	18	81	199	412
Allowance for expected credit losses in respect of trade and bills receivable, net	4	—	23	—	2	65	7	101
Impairment of prepayments, deposits and other receivables and other assets, net	132	8	18	40	—	2	5	205
Loss/(gain) on disposal of non-current assets, net	2	—	2	—	(4)	22	(11)	11
Depreciation and amortisation	205	43	154	176	59	1,655	230	2,522

3. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	For the six months ended 30 June	
	2021	2020
	RMB'M	RMB'M
	(Unaudited)	(Unaudited)
Mainland China	**53,585**	48,725
North America	**35,324**	29,494
Europe	**9,094**	6,742
South Asia	**3,926**	2,710
Australia and New Zealand	**3,459**	2,495
Southeast Asia	**2,611**	2,108
Japan	**1,778**	1,798
Middle East and Africa	**910**	726
Other country/regions	**926**	925
	111,613	95,723

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

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

(b) Non-current assets

	30 June	31 December
	2021	2020
	RMB'M	RMB'M
	(Unaudited)	(Audited)
Mainland China	**15,571**	15,029
Other country/regions	**25,213**	25,213
	40,784	40,242
Interests in associates	**22,587**	21,569
Goodwill	**22,217**	22,518
Equity investments designated at FVTOCI	**2,829**	2,659
Deferred tax assets	**1,686**	2,208
	90,103	89,196

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

3. OPERATING SEGMENT INFORMATION (continued)

Information about major customers

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

4. REVENUE

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

	For the six months ended 30 June	
	2021	2020
	RMB'M	RMB'M
	(Unaudited)	(Unaudited)
Sale of goods	**111,385**	95,536
Rendering of services	**228**	187
	111,613	95,723

	For the six months ended 30 June	
	2021	2020
	RMB'M	RMB'M
	(Unaudited)	(Unaudited)
Sale of goods		
— Point in time	**111,385**	95,536
Rendering of service		
— Point in time	**128**	58
— Over time	**100**	129
	111,613	95,723

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

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

Sale of goods

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

4. REVENUE (continued)

Rendering of services

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

5. OTHER GAINS OR LOSSES

An analysis of other gains or losses is as follows:

	For the six months ended 30 June	
	2021	2020
	RMB'M	RMB'M
	(Unaudited)	(Unaudited)
Treasury and investment income:		
Interest income from		
Bank	**252**	212
Wealth management products	**28**	48
Other	**12**	8
Cash discount income	**83**	66
Dividend income from equity investment designated at FVTOCI	**—**	15
	375	349
Compensation received from Suppliers	**19**	18
Gain/(loss) on disposal of		
Non-current assets, net	**135**	(11)
Financial assets/liabilities measured at FVTPL, net	**165**	15
Government grants (Note)	**377**	525
Rental income from investment properties	**6**	2
Net fair value gain/(loss) on financial assets/liabilities at FVTPL	**64**	(31)
Net foreign exchange losses	**(212)**	(217)
Sundry income	**78**	38
	1,007	688

Notes: 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.

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2021	2020
	RMB'M	RMB'M
	(Unaudited)	(Unaudited)
Cost of inventories sold	**78,189**	68,982
Provision for obsolete and slow-moving inventories, net (Note(a))	**403**	412
Cost of services	**87**	102
	78,679	69,496
Depreciation of property, plant and equipment	**1,867**	1,680
Depreciation of investment properties	**1**	1
Depreciation of right-of-use assets	**353**	365
Amortisation of other intangible assets	**450**	466
Amortisation of other non-current assets	**14**	10
	2,685	2,522
Impairment of trade and bills receivables, net (Note (b))	**33**	101
Impairment of prepayments, deposits and other receivables and long term prepayments, net (Note (b))	**240**	205
Impairment of property, plant and equipment (Note (b))	**22**	—
	295	306
Research and development costs	**3,739**	2,940
Product warranty provisions	**2,931**	1,975
Net foreign exchange losses	**212**	217
(Gain)/loss on disposal/write-off of non-current assets, net	**(135)**	11

Notes:

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

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

7. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2021	2020
	RMB'M	RMB'M
	(Unaudited)	(Unaudited)
Interests on borrowings	**176**	461
Interest on bond	**7**	—
Interest on convertible and exchangeable bonds	**44**	89
Interest on lease liabilities	**51**	62
Other finance costs	**84**	97
	362	709

8. INCOME TAX EXPENSES

	For the six months ended 30 June	
	2021	2020
	RMB'M	RMB'M
	(Unaudited)	(Unaudited)
Current tax		
Charge for the period	**983**	433
Deferred tax	**540**	228
Total tax charge for the period	**1,523**	661

Under the Law of the Mainland China on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the Mainland China subsidiaries is 25% for during the periods ended 30 June 2021 and 2020.

Taxation, arising in other jurisdictions in calculated at the rates prevailing in the relevant jurisdictions.

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

9. DIVIDENDS

	For the six months ended 30 June	
	2021	2020
	RMB'M	RMB'M
	(Unaudited)	(Unaudited)
Dividends on ordinary shares approved but not paid	**3,421**	2,467
Dividends on ordinary shares paid	**—**	—

The distribution of dividends for the year ended 31 December 2020 on ordinary shares was approved in the annual general meeting of the Company on 25 June 2021. The Company declared and distributed cash dividend of RMB0.366 per share and represented RMB3.66 for every 10 shares to all shareholders in total of cash dividend of RMB3,421 million on August 2021.

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

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

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

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

	For the six months ended 30 June	
	2021	2020
	RMB'M	RMB'M
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the Company used in the basic earnings per share calculation	**6,852**	2,781
Effect of dilutive potential ordinary shares:		
Interest on convertible and exchangeable bonds, net of tax	**44**	89
Profit for the period attributable to convertible and exchangeable bonds holders	**—**	(116)
Earnings for the purpose of diluted earnings per share	**6,896**	2,754

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

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

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**9,239,342,890**	6,579,566,627
Effect of dilutive potential ordinary shares:		
Convertible bond	**194,958,288**	—
Weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation	**9,434,301,178**	6,579,566,627

Note:

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

11. RELATED PARTY TRANSACTIONS

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

		For the six months ended 30 June	
		2021	2020
Relationship	**Nature of transactions**	**RMB'M**	RMB'M
		(Unaudited)	**(Unaudited)**
Associates	Sale of goods and services	**292**	426
	Purchase of goods and services	**9,391**	7,155
	Interest income	**133**	71
	Interest expenses	**6**	52
Haier Affiliates (Note)	Sale of goods and services	**1,134**	1,003
	Purchase of goods and services	**9,255**	8,944
	Other service fee expenses	**76**	89

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

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

11. RELATED PARTY TRANSACTIONS (continued)

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

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Short term employee benefits	**8,160**	3,156
Post-employment benefits	**692**	120
Share-based payment	**13,505**	—
Total compensation paid to key management personnel	**22,357**	3,276

12. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group disposed of certain property, plant and machinery with an aggregate carrying amount of RMB162 million (six months ended 30 June 2020: RMB100 million), resulting in a loss on disposal of RMB9 million (six months ended 30 June 2020: RMB13 million).

In addition, during the current interim period, the Group acquired RMB3,633 million (six months ended 30 June 2020: RMB2,575 million) of property, plant and equipment.

13. INVENTORIES

	30 June 2021	31 December 2020
	RMB'M	RMB'M
	(Unaudited)	(Audited)
Raw material	**3,443**	2,670
Work in progress	**507**	337
Finished goods	**29,558**	26,440
	33,508	29,447

14. TRADE AND BILLS RECEIVABLES

	30 June 2021 RMB'M (Unaudited)	31 December 2020 RMB'M (Audited)
Trade receivables	20,657	16,371
Less: Allowance for expected credit losses ("**ECL**")	(456)	(442)
Trade receivables, net	20,201	15,929
Bills receivables	11,918	14,148
Less: Allowance for ECL	(11)	(11)
Bills receivables, net	11,907	14,137
Total	32,108	30,066

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

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

	30 June 2021 RMB'M (Unaudited)	31 December 2020 RMB'M (Audited)
1 to 3 months	17,875	14,097
3 months to 1 year	1,917	1,450
1 to 2 years	308	211
2 to 3 years	59	63
Over 3 years	42	108
	20,201	15,929

14. TRADE AND BILLS RECEIVABLES (continued)

Included in the Group's trade and bills receivables are amounts due from Haier Affiliates approximately RMB873 million and RMB1,092 million and amounts due from associates approximately RMB512 million and RMB471 million as at 30 June 2021 and 31 December 2020 respectively.

As at 30 June 2021, certain of the Group's bills receivable of approximately RMB10,605 million (31 December 2020: RMB12,562 million) were pledged to secure certain of the Group's bills payable.

As at 30 June 2021, certain of the Group's trade receivables with limited use were approximately RMB1,768 million (31 December 2020: RMB1,834 million).

15. TRADE AND BILLS PAYABLES

	30 June 2021 RMB'M (Unaudited)	31 December 2020 RMB'M (Audited)
Trade payables	**39,008**	36,303
Bills payables	**24,290**	21,236
	63,298	57,539

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 2021 RMB'M (Unaudited)	31 December 2020 RMB'M (Audited)
Within 1 year	**62,852**	57,065
1 to 2 years	**109**	96
2 to 3 years	**64**	96
Over 3 years	**273**	282
	63,298	57,539

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

Included in the Group's trade and bills payables are amounts due to Haier Affiliates of approximately RMB4,216 million and RMB5,248 million and amounts due from an associate of approximately RMB636 million and RMB316 million as at 30 June 2021 and 31 December 2020 respectively.

15. TRADE AND BILLS PAYABLES (continued)

As at 30 June 2021, certain of the Group's bills payable are secured by the pledge of the Group's bank deposits amounting to approximately RMB690 million (31 December 2020: approximately RMB720 million) and the Group's bills receivable amounting to approximately RMB10,605 million (31 December 2020: approximately RMB12,562 million).

16. INTEREST-BEARING BORROWINGS

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

	30 June 2021 RMB'M (Unaudited)	31 December 2020 RMB'M (Audited)
Current		
Bank loans — unsecured	**13,072**	12,171
Bank loans — secured	**493**	472
	13,565	12,643
Non-current		
Bank loans — unsecured	**9,627**	11,858
	23,192	24,501
Unsecured	**22,699**	24,029
Secured	**493**	472
	23,192	24,501
Analysed into:		
Loans repayable:		
Within one year or on demand	**13,565**	12,643
In the second year	**9,590**	6,814
In the third to fifth years, inclusive	**37**	5,044
	23,192	24,501

16. INTEREST-BEARING BORROWINGS (continued)

Included in the Group's interest-bearing borrowings of approximately RMB482 million and RMB454 million and were borrowed from Haier Finance Company Limited as at 30 June 2021 and 31 December 2020 respectively, which is a fellow subsidiary of the Group and is a financial institution approved by the People's Bank of China. The interest rate on these loans ranges from 1.6% to 2.5% and 1.6% to 3.5% per annum for the period/years ended 30 June 2021 and 31 December 2020 respectively.

Certain of the Group's loans are secured by pledge of the Group's trade and bills receivables totalling approximately RMB521 million as at 30 June 2021 (31 December 2020: approximately RMB552 million).

17. SHARE CAPITAL

The movements of the Company's issued share capital during the period/year ended 30 June 2021 and 31 December 2020 are as follows:

	Number of shares 'M	Share capital RMB'M
As at 1 January 2020 (Audited)	6,580	6,580
Issue of shares (Note a)	2,448	2,448
As at 31 December 2020 and 1 January 2021 (Audited)	9,028	9,028
Share repurchased and cancelled (Note b)	(32)	(32)
Issue of shares (Note c)	397	397
As at 30 June 2021 (Unaudited)	**9,393**	**9,393**

Notes:

(a) The Company has applied to and approved by the Stock Exchange for the listing of, and permission to deal in, 2,448,279,814 H Shares on the Stock Exchange on 22 December 2020.

(b) During the period ended 30 June 2020, the Company repurchased a total of 32,352,800 H Shares which were subsequently cancelled. The Shares were repurchased at total price of approximately HKD1,000 million.

(c) Upon conversion of convertible bonds, a total of 397,676,840 H Shares were converted.

(d) All shares issued are at par value at RMB1.

18. FINANCIAL INSTRUMENTS BY CATEGORY

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

Financial assets

As at 30 June 2021

	Financial assets at FVTPL RMB'M (Unaudited)	Financial assets at FVTOCI RMB'M (Unaudited)	Derivative designated as hedges RMB'M (Unaudited)	Financial assets measured at amortised cost RMB'M (Unaudited)	Total RMB'M (Unaudited)
Equity investments designated at FVTOCI	—	2,829	—	—	2,829
Trade and bills receivables	—	11,907	—	20,201	32,108
Financial assets included in deposit and other receivables	—	—	—	4,326	4,326
Financial assets at FVTPL	2,249	—	—	—	2,249
Financial assets measured at amortised cost	—	—	—	719	719
Derivative financial instruments	47	—	122	—	169
Pledged deposits	—	—	—	723	723
Other deposits with limited use	—	—	—	12	12
Cash and cash equivalents	—	—	—	41,109	41,109
	2,296	14,736	122	67,090	84,244

As at 31 December 2020

	Financial assets at FVTPL RMB'M (Audited)	Financial assets at FVTOCI RMB'M (Audited)	Derivative designated as hedges RMB'M (Audited)	Financial assets measured at amortised cost RMB'M (Audited)	Total RMB'M (Audited)
Equity investments designated at FVTOCI	—	2,659	—	—	2,659
Trade and bills receivables	—	14,137	—	15,929	30,066
Financial assets included in deposit and other receivables	—	—	—	3,911	3,911
Financial assets at FVTPL	2,165	—	—	—	2,165
Financial assets measured at amortised cost	—	—	—	885	885
Derivative financial instruments	47	—	78	—	125
Pledged deposits	—	—	—	822	822
Other deposits with limited use	—	—	—	4	4
Cash and cash equivalents	—	—	—	45,635	45,635
	2,212	16,796	78	67,186	86,272

18. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial liabilities

As at 30 June 2021

	Financial liabilities measured at FVTPL RMB'M (Unaudited)	Derivative designated as hedges RMB'M (Unaudited)	Financial liabilities measured at amortised cost RMB'M (Unaudited)	Total RMB'M (Unaudited)
Trade and bills payables	—	—	63,298	63,298
Financial liabilities included other payables and accruals	—	—	23,056	23,056
Financial liabilities at FVTPL	3	—	—	3
Derivative financial instruments	—	92	—	92
Interest-bearing borrowings	—	—	23,192	23,192
Convertible bonds	—	—	426	426
Other non-current liabilities	—	—	91	91
Lease liabilities	—	—	2,689	2,689
	3	92	112,752	112,847

As at 31 December 2020

	Financial liabilities measured at FVTPL RMB'M (Audited)	Derivative designated as hedges RMB'M (Audited)	Financial liabilities measured at amortised cost RMB'M (Audited)	Total RMB'M (Audited)
Trade and bills payables	—	—	57,539	57,539
Financial liabilities included other payables and accruals	—	—	20,384	20,384
Financial liabilities at FVTPL	27	—	—	27
Derivative financial instruments	—	239	—	239
Interest-bearing borrowings	—	—	24,501	24,501
Convertible bonds	—	—	6,714	6,714
Other non-current liabilities	—	—	89	89
Bonds	—	—	5,535	5,535
Lease liabilities	—	—	2,744	2,744
	27	239	117,506	117,772

19. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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

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

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

Assets measured at fair value

As at 30 June 2021

	Level 1 RMB'M (Unaudited)	Level 2 RMB'M (Unaudited)	Level 3 RMB'M (Unaudited)	Total RMB'M (Unaudited)
Equity investments designated at FVTOCI	20	—	2,809	2,829
Bills receivables	—	11,907	—	11,907
Financial assets at FVTPL	144	2,021	84	2,249
Derivative financial instruments	—	169	—	169
	164	14,097	2,893	17,154

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

Assets measured at fair value (continued)

As at 31 December 2020

	Level 1 RMB'M (Audited)	Level 2 RMB'M (Audited)	Level 3 RMB'M (Audited)	Total RMB'M (Audited)
Equity investments designated at FVTOCI	19	—	2,640	2,659
Bills receivables	—	14,137	—	14,137
Financial assets at FVTPL	114	1,967	84	2,165
Derivative financial instruments	—	125	—	125
	133	16,229	2,724	19,086

Liabilities measured at fair value

As at 30 June 2021

	Level 1 RMB'M (Unaudited)	**Level 2 RMB'M (Unaudited)**	**Level 3 RMB'M (Unaudited)**	**Total RMB'M (Unaudited)**
Financial liabilities at FVTPL	**—**	**3**	**—**	**3**
Derivative financial instruments	**—**	**92**	**—**	**92**
	—	**95**	**—**	**95**

As at 31 December 2020

	Level 1 RMB'M (Audited)	Level 2 RMB'M (Audited)	Level 3 RMB'M (Audited)	Total RMB'M (Audited)
Financial liabilities at FVTPL	—	27	—	27
Derivative financial instruments	—	239	—	239
	—	266	—	266

During the period/year ended 30 June 2021 and 31 December 2020, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

20. COMMITMENTS

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

	30 June 2021 RMB'M (Unaudited)	31 December 2020 RMB'M (Audited)
Contracted, but not provided for:		
Property, plant and equipment	**3,259**	3,009

21. EVENT AFTER THE REPORTING PERIOD

(a) Pursuant to the Proposal of Haier Smart Home Co., Ltd. on the Repurchase of Part of the Public Shares Scheme (海爾智家股份有限公司關於回購部分社會公眾股份方案的議案) deliberated and approved at the 16th meeting of the tenth session of the Board of the Company, the Company repurchased 8,762,400 A Shares through centralized bidding trading in July 2021, and the amount paid was approximately RMB227 million.

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

Pursuant to the arrangement of the A Share Core Employee Stock Ownership Plan (2021–2025), 25,440,807 Shares (amounting to approximately RMB707 million, excluding related fees and tax expenses) held in the designated securities repurchase account of Haier Smart Home Co., Ltd. were transferred to the designated account of "Haier Smart Home Co., Ltd. — A Share Core Employee Stock Ownership Plan (2021–2025)" through non-trading transfer on 22 July 2021.

Pursuant to the arrangement of the H Share Core Employee Stock Ownership Plan (2021–2025), subsequent to the Reporting Period, the Company entrusted an asset management company to purchase a total of 3,757,000 H Shares of the Company in the secondary market through the Hong Kong Stock Connect, with a transaction amount of approximately HK$106 million.

Pursuant to the arrangement of the H Share Restricted Share Unit Scheme (2021–2025), the Company entrusted an independent trust agency to purchase a total of 4,538,400 H Shares of the Company in the secondary market, with a transaction amount of approximately HK$124 million.

The Company has no other significant event after the reporting period that needs to be disclosed.

BUSINESS REVIEW

Company Profile

Since its birth in 1984, Haier Smart Home aspires to being an enterprise of the times. With thirty years of unyielding commitment to provide our users with innovation and iteration, the Company has established itself as the global leader in home appliance industry and a proud pioneer in smart home solutions:

- Euromonitor ranked the Company as the first by volume in the global major home appliance market for 12 consecutive years, recognizing our strengths as a global portfolio of brands including Haier, Casarte, Leader, GE Appliances, Candy, Fisher&Paykel and AQUA. Haier brand refrigerators and washing machines also ranked first by volume for 13 and 12 consecutive years from 2009 to 2020.

- Euromonitor also recognizes the Company as one of the first in the industry to launch smart home solutions. Leveraging on our smart home appliance products, Smart Home APP, Smart Home Experiential Cloud Platform, store network and online presence, we are able to provide scenario-based comprehensive smart home solutions to our users in their pursuit of a better life.

The Company has built its global presence pillared on smart home business in China, smart home business overseas and other businesses.

Smart Home Business in China

Leveraging on Haier Smart Home APP and experience stores network, the Company provides both comprehensive appliance products and value-added solutions, consists of Household Food Solutions (Internet of Food), Household Clothing Solutions (Internet of Clothing), Household Air Solutions (Internet of Air), and Household Water Solutions (Internet of Water).

- The Company manufactures, distributes and exports refrigerators, freezers and kitchen appliances, leveraging on connectivity amongst our smart products, we are able to provide smart dietary solutions that combines hardware with software in order to meet users' demand for convenience, wellbeing and taste.

- The Company manufactures, distributes and exports washing machines and tumble dryers, leveraging on connectivity amongst our smart products, we are able to provide smart laundry solutions that combines hardware with software in order to meet users' demand for cloth care.

- The Company manufactures, distributes and exports household air conditioners, commercial air conditioners, air purifiers and new wind control systems, leveraging on connectivity amongst our smart products, we are able to provide smart air solutions that combines hardware with software in order to meet users' demand for temperature, humidity, cleanliness and freshness.

- The Company manufactures, distributes and exports household electric water heaters, gas water heaters, solar powered water heaters, heat pumps, POE water purifiers, POU water purifiers and water softeners, leveraging on connectivity amongst our smart products, we are able to provide smart water solutions that combines hardware with software in order to meet users' demand for water purification, softening and heating.

Smart Home Business Overseas

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

We have over 20 years of experience in managing proprietary brand portfolio overseas, during which time, several successful acquisitions have been completed, including Sanyo Electric Co., Ltd.'s white goods businesses in Japan and Southeast Asia in 2015, GE Appliances in 2016, Fisher&Paykel in 2018, and Candy in 2019.

Solid foundations have been laid for the Company's overseas business, which now offers a comprehensive product portfolio under seven brands across the globe. In 2020, with a market share of 18.6% by volume, Euromonitor ranked the Company the first in major home appliances in Asia; second in North America with a market share of 22.0%; second in Australia & New Zealand with a market share of 13.4%; third in Middle East & Africa with a market share of 8.4% and number five in Europe with a market share of 7.2%.

Other Businesses

The Company also expanded its business to cover, among others, parts and components, small home appliances and distribution services. Our parts and components business primarily involves procurement, manufacturing and distribution of ancillary parts and components for home appliances. Small home appliances business primarily involves in-house design, outsourced manufacturing and distribution of small home appliances products. The distribution business primarily involves distribution of televisions, consumer electronic products and others for Haier Group and third parties through our distribution network.

During the reporting period, for the second time, the Company was included in Fortune Global 500, moving up 30 places as compared with 2020. We are also nominated as one of the 2021 World's Most Admired Companies by Fortune, making Haier the only one from home appliance and furniture industries in Europe and Asia as well as the only one from outside the US. For a second time, the Company made it to BrandZ Top 100 Most Valuable Global Brands list as the world's only Internet-of-Things (IoT) ecosystem brand.

Industry Analysis

1. *The China Market*

In the first half of 2021, China's economy continued to recover with improving consumer momentum. According to the data from the National Bureau of Statistics, in the first half of the year, sales of urban consumer goods amounted to RMB18,409.8 billion, representing an increase of 23.3% compared to the corresponding period in 2020, and sales of rural consumer goods amounted to RMB2,780.7 billion, representing an increase of 21.4% as compared to the corresponding period in 2020 The home appliance industry showed similar trend. According to China Market Monitor Co., Ltd ("CMM"), in the first half of 2021, the aggregated sales of refrigerators, washing machines, air conditioners, water heaters and kitchen appliances (range hoods and stoves) in China amounted to RMB245.7 billion, representing an increase of 14.1% compared to the corresponding period in 2020.

CMM data also indicates that, in the first half of 2021, sales of refrigerator/freezer amounted to RMB48.9 billion, representing an increase of 20.9% and 7.5% as compared to the corresponding periods in 2020 and 2019. Sales of washing machine amounted to RMB35.6 billion, representing an increase of 24.5% and 6.9% as compared to the corresponding periods in 2020 and 2019. Growth in both could be attributable to the constant innovation in functions, designs and application scenarios. Sales of air-conditioners amounted to RMB98.1 billion, representing an increase of 5.7% and a decrease of 21.3% as compared to the corresponding periods in 2020 and 2019. The weakness was mainly attributable to the mild temperature during the summer which suppressed the demand for air conditioners. Sales of water heaters amounted to RMB31.2 billion, representing an increase of 14.6% and a decrease of 4.5% as compared to the corresponding periods in 2020 and 2019. Sales of range hoods and gas stoves amounted to RMB31.8 billion, representing an increase of 22.0% and 0.6% as compared to the corresponding periods in 2020 and 2019; integrated stoves maintained rapid growth with sales amounted to RMB9.68 billion, representing an increase of 66.6% and 64.6% as compared to the corresponding periods in 2020 and 2019. Consumer demand for laundry care drove rapid growth of dryers, clothes care machines and shoe washers. According to AVC, sales of dryers amounted to RMB2.49 billion, representing an increase of 116.4% as compared to the corresponding period in 2020. At present, the penetration of dryers per 100 households in China is 0.2%, whereas the penetration in the US is 76.2%, thus ample growth potential could be unlocked going forward.

The shift of consumer demand from functions to quality has been driving industry growth. When the desire for basic functions is satisfied, consumers start to pay increasing attention to wellbeing, design and IoT technologies. For example, large refrigerators with multi-temperature zone are becoming popular, while fresh-keeping, sterilization and built-in designs have created a brand-new experience; sterilization, partition washing and smart dispensing together make laundry healthier; as consumers are becoming increasingly concerned with air quality, functions such as sterilization, dust prevention and purification functions have been popular. On the supply side, industry leaders with world-class R&D resources and innovative ideas have also accelerated the development of high-end products. More and more consumers wish to integrate home appliances with interior design when they are redecorating, consequently a brand that offers a "complete package of design, purchase and installation" does not only save consumers' time and efforts, and it also makes the whole renovation process much more efficient.

The channels are becoming increasingly diversified: (1) The transition of consumption online caused by COVID-19 and attractive pricing continue to drive e-commerce growth. For example, in the first half of 2021, the online retail sales of air-conditioners accounted for 55.3%, representing an increase of 3.8 and 12.3 percentage points as compared to the corresponding periods in 2020 and 2019. Benefiting from increasing diversification of developing of live-streaming, social networks and live streaming have also become new sales channels. (2) On the other hand, offline channels fully tapped scenario offering and services to enhance on-site experience and strengthen product premiumization. (3) In addition, growing number of consumers are purchasing home appliances before they start renovation. The size, model and design style of appliances have become important elements in making renovation plans, and home improvement markets as well as designers have become increasingly important channels.

The industry continues to consolidate as concentration ratio of leading brands increases. In the offline market, combined market share of top three refrigerator brands, washing machine brands and air-conditioner brands was 63.53%, 66.71% and 84.32% respectively, representing an increase of 1.50, 1.73 and 2.64 percentage points as compared to the corresponding period of last year.

In the first half of 2021, the cost side of the industry faces more severe challenges, and profitability of appliances industry remained under significant pressure caused by inflation in the commodity market where price of steel, copper and aluminium rose sharply; post pandemic supply chain disruption and surge in sea freight.

2. The Overseas Market

(1) The US market:

Second quarter US economic output growth accelerated 0.2 percentage point from the previous quarter to an annualized rate of 6.5%; making it the first quarter in which domestic output exceeded pre-pandemic level, personal consumption increased 11.8% while private domestic investment declined 3.5%, indicating labour shortage and supply chain disruption as having the biggest impact on the economy. According to AHAM, core appliances grew by double digit figure in the first half this year.

(2) The European market:

According to GFK, sales volume of refrigerators and washing machines grew by 16% and 12% in Europe, driven by growing demand for product upgrade, also reflecting low base effect caused by pandemic outbreak in second quarter 2020.

(3) The Australian and New Zealand market:

① Industry growth in Australia has slowed down and competition has intensified. ② The market in New Zealand maintained growth in the first half of the year with relatively stable demand.

(4) The Asian market:

① The Indian market was affected by resurgence of COVID-19 at the end of the first quarter and the foot traffic in physical stores was only 50% of usual in the second quarter.

② Pakistan has actively promoted vaccination, and its economic environment is improving. Home appliance sales volume increased by 5% in the first half of the year.

③ Sales of refrigerators in Vietnam dropped by 4% and washing machines remained the same, while air-conditioners dropped by 8%. Resurgence of COVID-19 in Thailand led to economic slowdown and extension of emergency decree to 31 July had a negative impact on the market momentum. In Indonesia, sales of refrigerators and washing machines increased by 5% and 13.5% respectively, while air-conditioners dropped by 18%.

④ Sales of white goods fell by 1% in Japan, but COVID-19 has spawned new demand for large-capacity, healthy cleaning and fresh-keeping products.

Management Discussion and Analysis

In the first half of 2021, the Company's revenue amounted to RMB111.613 billion, representing an increase of 16.6% and 11.6% as compared to the corresponding periods in 2020 and 2019, excluding the disposal of COSMOPlat (completed in 2020) and RRS Logistics (completed in 2019), revenue growth would have been 27.2% and 22.7% as compared to the corresponding periods in 2020 and 2019. The rapid growth was mainly attributable to the Company's focus on promoting high-end brand, scenario brand & ecosystem brand; global integration and digital transformation.

During the reporting period, net profit amounted to RMB6.938 billion, representing an increase of 92.1% and 12.2% as compared to the corresponding periods in 2020 and 2019, and net profit attributable to owners of the parent company amounted to RMB6.852 billion, representing an increase of 146.4% and 35.5% as compared to the corresponding periods in 2020 and 2019. Despite inflation in raw materials and components, the Company's gross profit margin grew 2.1 percentage point reaching 29.5%. The growth was mainly attributable to the increasing proportion of high-end products, the continuous optimization of supply chain and disposal of low margin business. The Company's selling and administrative expense ratio was 15.0% and 8.4% respectively. Exclude the disposal of COSMOPlat in the first half of 2020, the selling and administrative expense ratio would have decreased by 1.6 percentage points and 0.8 percentage points as compared to the corresponding period in 2020 respectively (If the revenue from COSMOPlat was included in the first half of 2020, the selling and administrative expense ratio would have been 15.2% and 8.4% respectively.) Cost optimization was mainly attributable to digitalization in China, growing economies of scale and improvement of operational efficiency overseas.

In the first half of 2021, the Company's net cash flow from operating activities amounted to RMB8.424 billion, representing an increase of RMB8.968 billion and RMB4.804 billion as compared to the corresponding periods in 2020 and 2019, with net cash flow to net profit ratio was 1.23. The improvement was mainly attributable to the rapid growth in net profit and the enhancement of operational efficiency.

(I) Smart Home Business in China

In the first half of 2021, revenue from smart home business in China amounted to RMB57.46 billion, representing an increase of 29.9% as compared to the corresponding period in 2020. Operating profit amounted to RMB3.869 billion, representing an increase of 50.1% as compared to the corresponding period in 2020. The growth was attributable to enhanced competitiveness across the board, 74.4% revenue growth of Casarte brand and accelerated digital transformation.

1. *Household Food Solutions (Internet of Food)*

(1) Refrigerators/Freezers Business

In the first half of 2021, revenue from the refrigerators/freezers segment amounted to RMB19.188 billion, representing an increase of 30.7%. Among which, the growth of Casarte was 52.9%, and its revenue contribution reached 16.0%, representing an increase of 2.6 percentage points. According to CMM, the Company's market share online and offline reached 38.6% and 41.4%, representing an increase of 3.4 and 1.7 percentage points as compared to the corresponding period last year, Casarte's market share reached 13.9%, representing an increase of 2.6 percentage points as compared to the corresponding period of last year.

During the post pandemic period, there was an increasing demand for healthy diet, and enhanced food preservation. By consolidating global resources, optimizing the supply chain, upgrading technology and publishing the cold storage/frozen cell-class fresh-keeping standard & built-in industry standard 2.0, the Company achieved 46.7% market share offline in products priced above RMB10,000, representing an increase of 2.8 percentage points as compared to the corresponding period of last year. During the June 18 Festival, over 30,000 units of Casarte Yuanshi (原石) series which focus on innovative technology and natural aesthetics were sold, while Homey 505 & 506 series ranked first in products priced above RMB10,000. In addition, benefiting from global integration in R&D, production and supply chain management, export revenue of products with a unit price of over US$1,000 and €1,000 grew by 200% and 128% respectively, demonstrating enhanced competitiveness of large-capacity T door and French-style refrigerators. In Europe, Haier's market share increased by 1.3 percentage points as compared to the corresponding period of last year, and we were also the fastest growing refrigerator manufacturing in the UK, Spain and Italy.

In the first half of the year, the Company led the formulation of IEC63169, the industry's first international standard for food preservation, Haier also applied for 449 invention patents. In April 2021, the Company received seven iF Design Awards in Germany for Casarte Italian-style refrigerator, Casarte Homey series refrigerator, Haier 505T refrigerator, Leader's customized refrigerator, Haier's scenario-adapted refrigerator, Leader's Internet refrigerator and Haier's smart large-screen refrigerator, making Haier the company with the largest number of awards within refrigerator industry.

(2) Kitchen Appliances Business

During the reporting period, revenue from kitchen appliances segment in China amounted to RMB1.785 billion, representing an increase of 40.9% as compared to the corresponding period in 2020. Among which, Casarte's kitchen appliances revenue increased 164.5% as compared to the corresponding period of 2020, and its revenue contribution amounted to 21.1%, representing an increase of 10.6 percentage points.

According to CMM, in the first half of the year, the Company's market share was 6.9%, representing an increase of 0.8 percentage points. Among which, Casarte's share was 2.6%, representing a 73% increase or 1.1 percentage points expansion. The Company's market share online remained flat at 5.6%.

During the period, the Company focused on the development of high-end, complete sets and smart kitchen, continued to consolidate kitchen appliance technologies from GE Appliances, Fisher&Paykel in order to build user recognition. The Company launched C6 "Galaxy" series under Casarte brand, with 114 patents and 5 breakthrough technologies, including (1) large range hood that pioneered the smart 12-square "effective air volume" technology. the constant air volume function enables effective extraction of smoke by sensing the pressure from ventilation pipe and adjust the speed of extraction by utilizing the infrared smoke tracking technology. (2) One-pot same-temperature gas stove that pioneered the "simultaneous five-ring fire" function, with 40% increase in heated area, when cooking dumplings, dough will not break nor stick to the pot. (3) Chef oven pioneered self-cooking technology, with ultrahigh temperature at 300° C, pizza can be thoroughly baked in 3 minutes, and baking can be stopped automatically once the food is ready. (4) Casarte's dishwasher drawer does not only accommodate tableware up to 265mm in diameter, it also pioneered the vertical moving spray system, making it easier for consumers without having to bend over. (5) Casarte pioneered the food-grade disinfection cabinet targeting 10 types of bacteria and viruses, and took the lead in formulating medical-grade disinfection standards. The product offers the industry's fastest disinfection of 15 minutes at room temperature, it can also disinfect fresh & dry food ingredients as well as degrade pesticide residues at room temperature.

In Russia, the Philippines, the Middle East and Africa markets, Haier's export kitchen appliances business maintained a good growth momentum, and the Company ranked among the top three in the Philippines.

(3) Ecosystem of the Internet of Food

The Internet of Food focuses on providing consumers with healthy dining experience. Under "smart device + chef + pre-prepared dishes" model, together with China Cuisine Association, the Company created digital recipes with more than 100 chefs from 23 provinces and cities, so gourmet dishes are prepared and home delivered, so users can enjoy healthy quality food with their families at home.

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

(1) *Washing Machine Business:*

During the period, revenue from washing machine business amounted to RMB12.958 billion, representing an increase of 24.4% as compared to the corresponding period of last year. At the same time, online and offline retail market share reached 40.6% and 42.2% respectively, representing an increase of 1.3 and 3 percentage points as compared to the corresponding period of last year.

The growth was driven by consumption upgrade as the Company captured post pandemic demand for large-capacity, partition washing, disinfection and sterilization functions as well as dryers.

In response to users' concern of removing stubborn stains, reducing discolouration and the difficulty in working out the right amount of detergent for each wash, the Company cooperated with the detergent industry to launch the detergent cartridge series. Through "professional washing and care + special detergent + smart dispensing", providing users with bright colour care and opportunity to purchase detergent. Promoted by growing demand for dryers, the Company launched washing & drying integrated machine and Zhongzihemei (中子和美) series of Casarte. The height of the machine is reduced to 1.5m to save space. Upon completion of washing in the lower drum, the upper drum will immediately start to pre-heat, thereby shortening drying time. Our leadership was consolidated as market share in front loading washing machines priced over RMB10,000 grew 2.6 percentage points reaching 78.3%.

In order to address demand in drying large items, delicate items and reducing crease, the Company developed industry leading technologies including independent fan, hybrid fast drying and smart wind speed control, which have effectively improved drying experience. Sales of dryers exceeded 120,000 units during the period, representing an increase of 227% as compared to the corresponding period of last year. Market share went up to 27% online and 31.9% offline, representing an increase of 11.9 and 18.7 percentage points as compared to the corresponding period of last year.

Despite significant pressure caused by the resurgence of COVID-19 in South and Southeast Asia, currency inflation and surging shipping cost, the washing machine segment adhered to differentiated high-end brand strategy, optimized product mix, developed e-commerce channels and captured the increasing demand for large-capacity washing machines to maintain a stable growth in export revenue.

(2) *Internet of Clothing:*

During the reporting period, the Company remained focused on meeting consumers demand with smart solutions that caters for laundry, care, storage and styling.

With the launch of 1+N+ecosystem model, stores from our distribution network were able to explore new growth opportunities by providing one stop solution of laundry, care, storage and styling services, together with partners across 9 disciplines including apparel, textile luxury goods, hotels and property developments, the Company continued to lead the transition from individual industry's singular service offering towards comprehensive ecosystem-based scenarios.

During the reporting period, the Company signed up 3,000 laundry outlets, launched Mr. Wash Stores, formed partnership with laundry and clothing specialists including JShine (潔神), Saint Angelo (報喜鳥) and Mendale (夢潔) and the total number of Internet of Clothing outlets reached over 4,000.

3. Household Air Solutions (Internet of Air)

During the period, revenue of air-conditioners segment amounted to RMB17.644 billion, representing an increase of 31.7% as compared to the corresponding period last year.

(1) *Household Air-conditioners Business:*

The Company adhered to offering healthy and smart products while accelerating network digitalization. According to CMM, in the first half of the year, the Company's market share offline and online reached 15.88% and 13.2%, representing an increase of 1.83 and 1.7 percentage points as compared to the corresponding period of last year. Through continuous expansion of Casarte's product portfolio and network, our share in the high-end market (hanging machines priced above RMB4,000 and standing machines priced above RMB10,000) reached 19.2%, representing an increase of 4.3 percentage points as compared to the corresponding period of last year.

Leveraging multiple brand portfolio, the Company created differentiated experience for users, built market reputation and established a solid foundation for development. In the first half of the year, revenue of Casarte's air-conditioners increased by 124.6% as it adheres to original technology in creating "eco-breathing and exclusive comfort" experience. During the reporting period, Casarte's product series expanded to 6, fully covering the high-end price range. The Company also launched the Galaxy series air-conditioner, equipped with smart voice control and two-way constant temperature technology to balance indoor temperature and reduce the temperature difference to within 0.5ºC after 3 minutes from switching on. 189,000 units have been sold, contributing to the doubling of Casarte's revenue and 1.6 percentage points increase in its market share. In addition, Haier's air-conditioner focuses on creating smart and healthy experience with rapid product upgrades. It launched the Thor sleep air-conditioner that connects with the smart pillow when adjusting room temperature. 36,000 sets were sold within one and a half month,. contributing to 4 percentage point increase in market share of products priced above RMB3,500, and drove the share of products priced above RMB3,500 to over 30% in 13 regions.

The Company improved the user acquisition and conversion with measures including (1) integrate the management of online channels with physical network to improve store layout and marketing activities, thus increasing same store sales performance; compared to the beginning of the year. the number of sales outlets increased by 8,000. (2) promote the presence in home improvement markets. (3) accelerate retail transformation with strategies such as reaching out to village and replacing old appliances for new, in order to maintain close interaction and increase user recognition.

The export revenue of air conditioners maintained rapid growth. Despite the resurgence of COVID-19, overseas teams closely captured market demand with upgraded products, including UVC module with TEXCELL certification in France and well received by European market. According to GFK, the Company's market share in air conditioners became no. 1 in Thailand in addition to being number 1 in the US, Pakistan and Russia.

(2) Commercial Air-conditioners Business

In the first half of the year, the Company customized scenario-based commercial air conditioners solutions to accelerate growth. Our market share reached 11.5% in China, representing an increase of 0.7 percentage points as compared to the corresponding period of last year. The Company also led the market in replacement multi-split system, rail transit and coal-to-clean energy transition. In the first half of the year, market share of our export business was 14.6%, representing an increase of 1.7 percentage points as compared to the corresponding period of last year.

With its innovative products and scenario solutions the Company continued to lead the industry development in IoT based central air-conditioners. The Company made major breakthrough with oil-free, energy-saving technology and IoT based AI technology, both were highly recognized by the market. (1) The Company also launched the X+ series magnetic levitation unit, which saves 25% of occupied area as compared to the previous generation, and increases energy efficiency by 7%. It can achieve a maximum capacity of 3,600RT (refrigeration tons), with coverage from 15,000 square meters to 120,000 square meters. Through dual air and refrigerant technologies, the cooling water temperature can be reduced to 10° C. Haier IoT cloud platform facilitate its remote control, fault diagnosis and real-time interaction. It is especially suitable for manufacturing premises and data centres and the unit has been installed in projects for Guangzhou Metro, Chongqing Metro, Bangkok Airport, Goertek and Luxshare, with its market share ranking first in the world. (2) The business of multi-split air-conditioner system focuses on innovation and energy-saving technologies, with remote viewing, control and IoT billing. At present, it has been successfully implemented in projects including Jiaodong International Airport, Tibet University and Shanghai Research Institute of Building Sciences. (3) The Company launched "Yujia" (御家), a "forest-breeze" (森林風) new product, equipped with self-balance of temperature and humidity, nano plasma cluster ion sterilization, 3D sterilization chamber, smart wind sensor and oxygen-enriched fresh air technologies for household central air conditioning system. The "3D sterilization chamber" module enables self-cleaning sterilization, 56° C disinfection and UVC deep sterilization. 5G module enables remote control of the device without Internet connection, a function particular users during home renovations. (4) The Company also launched the VC-B series of air-conditioner with integrated floor-heating that operates in −30° C environment.

4. *Household Water Solutions (Internet of Water)*

The water heaters and water purifiers business are committed to providing users with safe, smart and comfortable household water solutions. The segment revenue amounted to RMB5.885 billion, representing a high growth of 31.3%.

(1) Water Heaters Business:

During the period, the water heaters business consolidated its leadership as market share offline and online reached 27.1% and 30.9% respectively, representing an increase of 3.6 and 5.1 percentage points as compared to the corresponding period of last year. Casarte water heater grew 87.6% in revenue and 4.2 percentage points in market share through utilizing ceramic heating chamber, closed stable combustion chamber and gas-electric hybrids. Through cooperating with B.Duck IP, Leader introduced the concept of happy bath & enjoy life and re-established itself as brand for youngers generations by utilizing seamless inner tank (金剛無縫膽) & NFC one touch technology as well as stylish designs with colourful lightings.

According to CMM, the Company's market share in electric water heaters online and offline grew 4.2 and 2.5 percentage points reaching 41.4% and 39.5% respectively, which were also 1.5 and 1.44 times the size of runner up. During the reporting period, three new electric water heaters were launched featuring crystal inner tank, ceramic heating chamber and macaron colour themes. Casarte's Galaxy series was the industry's first water heater without magnesium rod, as it uses a crystal inner tank to eliminate limescale, rust and corrosion, and it has obtained the NSF certification for bathing and drinking.

In the first half of 2021, revenue of Haier's gas water heaters grew by 78%, and with Casarte brand doubling in revenue. According to CMM, the Company's market share online and offline reached 22% and 19%, respectively, representing an increase of 7.8 and 4.8 percentage points as compared to the corresponding period of last year. The Company pioneered the gas-electric hybrid technology and obtained the industry standard certification from China Household Electrical Appliances Association, in addition, the exterior design of the gas-electric hybrid CT7 unit won the 2021 Red Dot Design Award in Germany.

In order to meet post pandemic demand, Haier's air-powered water heaters accelerated the development of high water temperature and sterilization products. In the first half of the year, Haier led the industry with 60% market share offline and 63% online while nine of our products made it to the top 10 best sellers.

(2) Water Purifiers Business

According to CMM, Haier water purifiers grew by 19.7% online with market share of 10.9%, ranking second in the industry, while the growth offline was 7.8% and market share increased by 0.7 percentage point as compared to the corresponding period of last year.

During the period, the water purifiers segment promoted Casarte's Yunzun (雲鱒) mineral water purifiers and offered the solution of strontium-rich mineral water to meet users' demand for healthy water, and developed partnerships with the leading property developers by leveraging on BWT's brand strengths in whole house water solutions.

(3) Internet of Water Business

During the reporting period, The Company provided one-stop solution for household water purification, water softening, heating and hot water. In addition, Casarte's heating unit is equipped with remote-control enabled pre heating and scheduled heating, making it more environmentally-friendly and energy efficient.

5. Distribution network in China

During the reporting period, the Company achieved solid revenue growth, continuous market share expansion and efficiency improvement through digitalization, implementation of Three-Winged Bird channel brand and expansion of Casarte brand.

In the first half of the year, the Company focused on promoting digitalization of sales, services and supply chain with measures including the establishment of a middle platform that facilitates social marketing etc., helping sales team mobilizing resources and managing traffic. At the same time, the Company made use of big data analysis and modelling to encourage repeating purchase. In addition, the Company launched training and resource management tools online to improve efficiency and reduce operating costs. Digitalized tools have also been implemented in dispatching and managing service coverage, as a result service cost went down by 0.4 percentage point.

The Company actively expanded its distribution network. As of the end of June 2021, 382 Three-Winged Bird 001 stores have been established, and formed alliance with 1,600 outlets offering appliance and decoration services in home improvement markets across China. (2) The Company introduced services such as whole house refurbishment, partial refurbishment and customized home appliances to offer users with smart home full-scenario solutions including kitchen, balcony, bathroom, living room, bedroom as well as household air, water and household smart solutions, so as to promote sales of smart product sets, which grew by 39% as compared to the corresponding period of last year. Three Winged Bird's kitchen business has recruited more than 100 designers to develop products and smart scenario packages, and launched kitchen scenarios based on user groups, functional needs and decorating styles targeting the elderly, small family and newlyweds with smart elderly kitchen, smart baby-friendly kitchen and smart trendy kitchen as well as kitchen upgrade packages to help the stores shift from selling single product to promoting scenario solutions. The average ticket price tripled to approximately RMB40,000. (3) The Company developed the Three-Winged Bird APP, which integrates designers, home improvement, home furnishing and building companies, so as to provide users with one-stop personalized solutions covering design, planning, renovation and delivery.

Casarte continued to expand its leading advantages in the industry. In the first half of the year, its revenue increased by 74.4%. Casarte developed 2,589 sales outlets in core shopping area and home improvement markets. In addition to offering exquisite high-end seven-star services, it provides scenario solutions ranging from "minor refurbishment to major kitchen balcony and bathroom renovation, balcony and bathroom". In the first half of 2021, Casarte memberships increased by 180,000 with exclusive rewards and service offerings.

The Company's e-commerce business maintained rapid growth. According to AVC, the Company's online retail sales amounted to RMB32.9 billion, representing an increase of 41%, ranking first in the high-end segment. (1) The Company offered exclusive customized Casarte's products to meet the demand of high-end user online. The Company improved users' experience and recognition with Casarte's exclusive customer service and "one-stop delivery and free installation", as well as scenario interaction and living stream. Casarte's retail sales increased by 135%. (2) The Company actively increased presence on Douyin (抖音) and Kuaishou (快手), and interacted with young users through innovative videos, self-hosted livestreams and celebrity-hosted livestreams, with an increase of 3.5 million fans on Douyin/Kuaishou, Haier ranked first in the number of fans on Douyin platform within home appliances industry.

The franchise store channel has benefited from the Company's effort in establishing unified warehouse and distribution system and the implementation of Yilihuo (易理貨) digital tool. It has maintained rapid growth despite unfavourable environment offline. Distributors are encouraged to expand presence in home improvement markets in order to capture changing demand.

6. Smart Manufacturing

The Company has built 17 smart factories, two of which were named lighthouse factories. With its user-oriented mass customization model, the Company has implemented an innovative, fully digitalized and efficient collaborative manufacturing system, enabling the integration of factories, suppliers and users, thereby quickly satisfying the needs of users for complex under multiple scenarios. In the first half of 2021, 4 smart factories including Qingdao Sino- German washing machine, Qingdao Sino-German water heater, Huangdao refrigerator and Tianjin washing machine factories were selected as China's top 100 benchmark smart factories. Hefei refrigerator factory and Laiyang kitchen appliance smart factory took the lead in practising the in-depth integration of new generation AI technology and manufacturing, ranking among top 5 in the list of "2021 Industry 4.0 Innovation Top 50", making Haier the only company that had two factories in the list.

The Company continued to promote lean production, and improve supply chain efficiency. UPH (units per hour) increased by 24% as compared to the corresponding period of last year, and inventory turnover days of finished products optimized by 20% as compared to the corresponding period of last year. Product quality also enhanced by 26% as compared to the corresponding period of last year. The Company further optimized efficiency with measures by consolidating nationwide inventory management, upgrading APS order management system and increasing the proportion of suppliers capable of centralized delivery by 30%.

(II) Overseas Home Appliances and Smart Home Businesses

During the reporting period, the Company's overseas sales revenue grew 23.4% to RMB56.916 billion; operating profit grew 113.4% to RMB3.22 billion and operating profit margin reached 5.7%, representing an increase of 2.4 percentage points as compared to the corresponding period in 2020. The strong growth was driven by our continued effort in building a seven-brand portfolio with particular focus on premiumization and experience enhancement, seizing the opportunities online and localizing operations that captures current momentum while unlocking future growth potentials.

1. The US Market

In the first half of this year, with the Rendanheyi transformation, each microenterprise at GE Appliances actively provided the market with innovations, seized opportunities such as strong demand in the North American market, and responded to challenges such as the shortage of raw materials and the shortage of international logistics. Thanks to the unremitting efforts of the team, GE Appliances achieved record growth of revenue and profit in the North American market, with revenue up 19.8% reaching RMB35.324 billion. The success of premium brands and high-end products is the key to winning the market.

During the reporting period, GE Appliances continued to accelerate the expansion of premium brands and develop the scenario-based home appliance business to meet consumer demand after the pandemic. Products such as Ultra-Fresh Front Load Laundry, Multi-door Refrigerator, and Front Control Range were well recognized by users, and premium brands such as Café, Profile and Monogram experienced rapid revenue growth. GE Appliances launched industry-first Over-The-Air software upgrade by adding air-fry function to existing ranges at consumer homes, and kicked off the disruptive experience marketing of "Appliances Are Never Outdated, and We Are Better When Connected", which won recognition and praise from customers and users. It is not only a revolutionary change in hardware upgrades, but also industry leading ecological transformation based on the Internet of Things. During the reporting period, GE Appliances was selected as the Smart Appliance Company of the Year by IoT Breakthrough for the third consecutive year.

Global collaboration and integration within Haier family are the keys to coping with material inflation, shortages of parts and components and logistics cost pressures. The rapid response of the Global Procurement Platform in terms of resource coordination, supplier and parts sharing helped GE Appliances achieve double-digit production output growth despite challenges such as extreme weather in Texas. In response to raw material inflation, GE Appliances also launched many collaborative procurement projects, with significant cost saving benefits.

During the reporting period, GE Appliances once again achieved a perfect score on the Human Rights Campaign's Corporate Equality Index (CEI), earning the designation as a "Best Place to Work for LGBTQ Equality" for the fourth consecutive year.

2. *The European Market*

During the period, the Company's sales revenue from the European market amounted to RMB9.094 billion, representing an increase of 34.9% as compared to the corresponding period of last year, continued to ranked fifth in overall market share, with leading position in several segments, including first for four consecutive years in air-conditioner in Russia, first in multi-door refrigerator in Germany, France, Spain, Italy and Poland, first in washer-dryer combo in the Czech Republic, first in wine cabinet in the UK and ranked first for two consecutive years in washing machine, dryer and washer-dryer combo segments in the UK.

At the same time, the Company has received several awards, including Red Dot Design Award of Hoover air purifier in Germany; in the UK, Haier Smart Home was nominated as the fastest growing Chinese company by Grant Thornton, while Hoover & Candy were named the six best dryers in 2021 by HomeStyle Magazine; in Italy Haier Smart Home was listed among the five best online washing machines by ELLE DECOR Magazine. At the same time, Candy has obtained the highest level A certification under the EU's new energy efficiency standard.

During the period, the Company further implemented the "high-end branding" strategy in Europe, and steadily promoted the launch of multi-door refrigerators, high-end large-capacity washing machines and UVC healthy air conditioners. The Company fully promoted the strategic cooperation with local mainstream distributors and e-commerce channels to outgrow the industry.

At the same time, Haier made full use of the synergy of global procurement and R&D to effectively alleviate the impact of chip shortage. Equipped with the leading smart technologies, the new refrigerator factory in Romania is expected to be recognized as a lighthouse factory and it will specialize in the production of energy saving, smart high-end series.

3. *The Australian and New Zealand Markets*

In the first half of 2021, sales revenue from the Australian and New Zealand markets amounted to RMB3.459 billion, representing an increase of 38.6%. Profit margins continued to increase with product optimization and cost control measures.

In March this year, the new FPA high-end front-loading washing machine achieved remarkable results, and the heat pump dryer became the No. 1 in HVN, the largest channel, upon launching. At the same time, the Company continued to launch built in kitchen appliances and enriched the selection of product sets. The kitchen scenario display and digital experience have been well recognized by high-end retail customers. The revenue of the two brands from the builders channel also grew steadily.

Despite sharp rise in global shipping costs and the resurgence of COVID-19, the Australian and New Zealand team closely coordinated with global supply chain platform and adjusted go-to market strategies in order to maintain rapid growth.

4. The South Asian Market

During the reporting period, the Company's sales revenue amounted to RMB3.926 billion, representing a year-on-year increase of 44.9% of which:

(1) Market share in India increased by 2 percentage points to 9.7% as the Company promoted network expansion, consolidated product leadership and accelerated localization of the supply chain management with measures including ① increasing the distribution network coverage in top 50 cities from 45% to 60%; ② improving retail capabilities through delivering product samples to stores and conducting weekly reviews and launching 30 new products, including side-by-side T door refrigerator and 525 front-loading washing machine, so as to enhance high-end consumer recognition; ③ overcoming the difficulties brought by the resurgence of COVID-19 and continuing the construction of Northern Industrial Park targeting to finish building by the end of the year. Once the new facility ramps up, the Company will be better positioned to meet market demand while optimizing procurement cost and logistics efficiency.

(2) In Pakistan, the Company's overall market share reached 35% with first position in refrigerators, freezers, air conditioners and washing machines. During the reporting period, the Company further improved the products portfolio, actively expanded online & offline presence and promoted smart scenario implementation. 3 smart home appliance experiential stores and 43 smart pop-up stores were opened to provide consumers with one-stop scenario solutions, accelerating Haier's transformation from a high-end brand to a scenario and ecosystem brand.

5. The Southeast Asian Market

During the reporting period, the Company's sales revenue amounted to RMB2.611 billion, representing a year-on-year increase of 23.8%. Faced with weak market demand in Thailand, the Company made quick adjustments, as a result, revenue from air-conditioners increased by 17% and its market share jumped to No. 1 in May and June. In Vietnam, the market share of Haier's refrigerators increased by 2.3 percentage points as compared to the corresponding period of last year, with 4.7 percentage points increase in high- end T door units. The Company also promoted retail transformation and actively expanded the lower-tier network. In the Vietnam, the Company improved user traffic acquisition and conversion through store standardization and consumer interaction in a distribution network consists of 2,100 stores.

6. The Japanese Market

In the first half of the year, the Company's sales revenue amounted to RMB1.778 billion, representing a year-on-year decrease of 1.1% in Japan or 6.6% growth in local currency. Market share of refrigerators, freezers and washing machines combined reached 13.8%, jumping to the third in the industry, of which, refrigerators and freezers led the industry with 15.3% market share while 400L refrigerator and variable frequency washing machine significantly outgrew the industry.

During the reporting period, Haier made efforts to increase brand recognition and met with users on TV for the first time with videos on popular channels in March. The Company also cooperated with KOLs on YouTube and Instagram to create scenario- based high end product experience. AQUA brand introduced several new products including ultrathin TZ refrigerators, Delie refrigerators and the industry's only ultrasound Prette washing machines, while re-establishing itself with videos to interact with users online and offline throughout Japan.

In addition, community-based washing business has cooperated with partners including FamilyMart, P&G, ENEOS and MUJI to establish more than 100 multi-scenario experiential stores that offer services in laundry, food and transportation, creating a more convenient experience for users.

Outlook

In the second half of 2021, the Company will continue to promote high-end brands, scenario brands and ecosystem brands, grow the value of scenario-based product sets, and offer users with solutions in apparel, food, lifestyle and entertainment, while accelerating digitalization and enhancing operational efficiency.

Potential risks

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

2. **Risk of price war due to intensify industry competition.** The white goods industry is highly competitive with a high degree of product homogeneity and industry concentration has increased in recent years. However, the increase in industry inventory capacity in individual sub-sectors due to the imbalance between supply and demand may lead to risks such as price wars. Furthermore, due to rapid technological advancements, scarce talents in the industry, shortened product life cycles and ease of imitation, it is becoming increasingly difficult for us to take advantage of the higher selling prices typically associated with new products, services and technologies while having to invest more in research and development. The Company will actively invest in research and development to attract more users through continuous innovation in products and services, so as to build a lasting brand awareness.

3. **Risk of fluctuations in raw material prices.** The raw materials that we mainly use in our products and core components are metal raw materials such as steel, aluminium and copper, as well as commodities raw materials such as plastics and foam. If the prices of raw materials supply continue to rise, it will put pressure on the Company's production and operations. In addition, the Company relies on third party suppliers for key raw materials, components and manufacturing equipment, as well as OEM suppliers, and any disruption in supply or significant price increases from these suppliers would have a negative impact on the Company's business. As a leader in the industry, the Company will take steps to reduce the risk of raw material fluctuations on its operations by using valuation adjustment mechanism on volume and price with suppliers and hedging tools.

4. **Operational risks in overseas business.** The Company has steadily developed its global business and has established production bases, research and development centres and marketing centres in many parts of the world, with the proportion of overseas revenue increasing year-on-year. The overseas markets are subject to political and economic situations, legal systems and regulatory regimes of those countries and regions, and significant changes in these factors may pose certain risks to the Company's local operations in these markets. The Company has taken various measures to mitigate the relevant impact, including actively discussing and working with suppliers and customers to mitigate the impact of additional tariffs imposed by the United States; improving production efficiency to offset the impact on the Company's overall cost of sales; and potentially expanding the Company's supply resources to other countries.

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

6. **Risk of policy changes.** The home appliance industry is closely related to the consumer goods market and the real estate market. Changes in macroeconomic policies, consumer investment policies, real estate policies and relevant laws and regulations will affect customer demand for the Company's products, which in turn will affect the sales of the Company's products. The Company will closely monitor changes in the relevant policies and laws and regulations, and make forecasts of market changes to ensure the further development of the Company.

7. **Risk of COVID-19 outbreak.** The COVID-19 outbreak could lead to a further weakening of consumer demand for home appliances, which could in turn affect the Company's product sales. Firstly, lockdowns, social distancing measures and travel restrictions will reduce customer mobility and result in the closure of the retail sales sites, thereby reducing consumer demand for home appliances. Secondly, the epidemic may also lead to operational disruptions for customers, such as logistical disruptions in product deliveries, resulting in customer dissatisfaction with the Company's service and consequently reduced demand for the Company's products. The Company will leverage on its experience in the China market and make best use of the synergy of global resources to mitigate the impact of the epidemic on our operations.

8. **Credit risk.** There is possibility that we will be unable to fully recover our trade receivables from our customers or that they cannot settle our trade receivables in a timely manner, our business, financial condition and results of operations may be adversely affected. As to this risk, depending on the credit history of our customers and their transaction amounts with us, we allow the flexibility by offering a credit period of 30 to 90 days to certain customers.

FINANCIAL REVIEW

In the first half of 2021, the Group's revenue amounted to approximately RMB111,613 million, representing an increase of 16.6% from RMB95,723 million in the first half of 2020 (considering that COSMOPlat business has been disposed of in September 2020, the increase in revenue, should the contribution of said business to the Group's revenue in the first half of 2020 be excluded, will be 27.2% on the same basis). Profit attributable to owners of the Company amounted to RMB6,852 million, representing an increase of 146.4% from RMB2,781 million in the first half of 2020.

1. Analysis of Revenue and Profit

Items	For the six months ended 30 June		
	2021	2020	Change
	RMB'M	RMB'M	%
	(Unaudited)	(Unaudited)	
Revenue			
Smart Home Business in China	**57,460**	44,237	29.9
Refrigerator/Freezers	**19,188**	14,683	30.7
Kitchen Appliances	**1,785**	1,267	40.9
Air-conditioners	**17,644**	13,393	31.7
Laundry Appliances	**12,958**	10,413	24.4
Water Appliances	**5,885**	4,481	31.3
Smart Home Business Overseas	**56,916**	46,113	23.4
Other Businesses	**43,172**	41,768	3.4
Inter-segment elimination	**(45,935)**	(36,395)	26.2
Consolidated revenue	**111,613**	95,723	16.6
Adjusted operating profit*	**7,519**	3,854	95.1
Profit attributable to owners of the Company	**6,852**	2,781	146.4
Earnings per share attributable to ordinary equity holders of the Company			
Basic			
— For profit for the period	**RMB0.74**	RMB0.42	76.2
Diluted			
— For profit for the period	**RMB0.73**	RMB0.42	73.8

* Adjusted operating profit is defined as profit before tax, net of bank interest income and expenses, foreign exchange gains and losses, investment gains and losses (including dividend income from equity instruments designated at fair value through other comprehensive income, return on investments in other financial assets, the gains and losses on the fair value changes of other non-current financial assets), government grants, financing costs and share of profits and losses of associates.

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

	For the six months ended 30 June		
	2021	2020	Change
	RMB'M	RMB'M	%
	(Unaudited)	(Unaudited)	
China	**53,585**	48,725	10.0
Other countries/regions	**58,028**	46,998	23.5
Total	**111,613**	95,723	16.6

In the first half of 2021, the Group's revenue amounted to RMB111,613 million, representing an increase of 16.6% from approximately RMB95,723 million. Leveraging its edge over offering complete sets of high-end products, providing smart home scenario solutions, establishing a global layout and maintaining an efficient operation system and digital platform, the Company achieved outstanding and rapid business growth. If the impact of COSMOPlat business contribution for the same period is excluded, the Group's revenue should have grown as high as 27.2% in the first half of the year.

Revenue from the Smart Home Business in China increased by 29.9% from approximately RMB44,237 million to RMB57,460 million. All product lines of the Smart Home Business in China recorded stable growth attributable to smart package sales, Casarte's high-end brand strategy and the implementation of digital transformation.

(1) Household Food Solutions

Revenue from the refrigerator/freezers increased by 30.7% from approximately RMB14,683 million in the first half of 2020 to approximately RMB19,188 million in the first half of 2021. The refrigerator/freezer business continued to maintain a leading market position, of which Casarte's refrigerator/freezer products recorded a rapid growth of nearly 51.9% in the first half of the year.

Revenue from the kitchen appliances increased by 40.9% from approximately RMB1,267 million in the first half of 2020 to approximately RMB1,785 million in the first half of 2021. Among which, the revenue from the kitchen appliances of Casarte increased by 164.5%, mainly attributable to the fact that the kitchen appliance business continued to integrate the technical resources of GEA, Fisher & Paykel and Candy in the field of kitchen appliances, and focused on the R&D of high-end, complete sets and smart kitchen solutions to meet users' demand for quality, appearance and convenient operation.

(2) Household Air Solutions

Revenue from air-conditioners increased by 31.7% from approximately RMB13,393 million in the first half of 2020 to approximately RMB17,644 million in the first half of 2021. Facing fierce market competition, the air-conditioner business adhered to the core strategy of providing healthy and smart products, and increased the proportion of high-end products continuously. Among which, revenue from air-conditioners under Casarte increased by 127.4%. Commercial air-conditioner business also adhered to the core strategy of providing energy-saving, smart and healthy products, and its revenue recorded double-digit growth.

(3) Household Clothing Solutions

Revenue from the laundry appliances increased by 24.4% from approximately RMB10,413 million in the first half of 2020 to approximately RMB12,958 million in the first half of 2021. The washing machine business seized users' demand amid consumption upgrade and the post-Covid-19 era, utilised its advantages of the brand portfolio, and actively promoted digital transformation throughout the whole process of business, achieving a substantial increase in market share. Among which, the shares of Casarte and Leader further increased, and the brand structure became more balanced.

(4) Household Water Solutions

Revenue from the water appliances increased by 31.3% from approximately RMB4,481 million in the first half of 2020 to approximately RMB5,885 million in the first of 2021. In response to the healthy and smart trend of home appliances, water heater and water purifier business continued to upgrade the functions of products, and achieved rapid increase in its market share. Specifically, the revenue of water heater and water purifier business under Casarte, our high-end brand, increased by 91.5%, and the proportion of revenue contributed by Casarte increased rapidly.

(5) Smart Home Business Overseas

Revenue from smart home business overseas increased by 23.4% from approximately RMB46,113 million in the first half of 2020 to approximately RMB56,916 million in the first half of 2021. The growth of overseas markets was mainly attributable to Haier's 3-in-1 localized layout and globalized R&D and supply chain system. The overseas home appliance business continued to lead the market by adhering to the strategy of focusing on high-end brands, and seized market growth opportunities by leveraging the strength of cross-border M&A consolidation, the strength of creating brands for the endogenous market and the advantage of generating synergy in the global layout.

Revenue from North America increased by 19.8% from approximately RMB29,494 million in the first half of 2020 to approximately RMB35,325 million in the first half of 2021. The increase was mainly attributable to users' demand during the Covid-19 outbreak/post-Covid-19 era, the upgrade of products and channels, the rapid development of high-end brands and the breakthrough in scenario and ecosystem brands, while at the same time, the issues of raw material procurement and international logistics were resolved by realising global synergy.

Revenue from the European market increased by 34.9% from approximately RMB6,742 million in the first half of 2020 to approximately RMB9,094 million in the first half of 2021. The increase was mainly attributable to the Group's strategy of adhering to high-end transformation, channel upgrade and brand marketing in the European market. The Company actively utilized the synergy of global procurement and R&D to enhance market competitiveness.

Profit Attributable to Owners of the Company

In the first half of 2021, the profit attributable to owners of the Company was approximately RMB6,852 million, representing an increase of 146.4% from approximately RMB2,781 million in the first half of 2020.

Adjusted Operating Profit

Adjusted operating profit is defined as profit before tax, net of bank interest income and expenses, foreign exchange gains and losses, investment gains and losses (including dividend income from equity instruments designated at fair value through other comprehensive income, return on investments in other financial assets, the gains and losses on the fair value changes of other non-current financial assets), government grants, financing costs 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 analyse 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/losses, fair value changes on derivative financial instruments, gains/losses on disposal of operations and other significant non-recurring or unusual items.

In the first half of 2021, the adjusted operating profit of the Group amounted to RMB7,519 million, representing an increase of 95.1% as compared to RMB3,854 million in the first half of 2020. The increase in the adjusted operating profit was mainly attributable to the increase in profit of various business segments of the Group in China and the overseas home appliances and smart home business.

The following table sets forth the reconciliation between the Group's adjusted operating profit and profit before tax from continuing operations prepared in accordance with IFRS in the first half of 2021 and in the first half of 2020:

	For the six months ended 30 June	
	2021	2020
	RMB'M	RMB'M
	(Unaudited)	(Unaudited)
Profit before tax	**8,461**	4,273
Adjustment:		
Bank interest income	**(252)**	(212)
Foreign exchange losses	**212**	217
Government grants	**(284)**	(391)
Return on investments in other financial assets	**(37)**	(46)
Dividend income from equity investments designated at fair value through other comprehensive income	**—**	(15)
Finance costs	**362**	709
Share of profits of associates	**(943)**	(679)
Fair value gains on other non-current financial assets	**—**	(2)
Adjusted operating profit	**7,519**	3,854

Gross Profit Margins

In the first half of 2021, the overall gross profit margin of the Group was 29.5%, representing an increase of 2.1 percentage points from 27.4% in the first half of 2020. This was mainly attributable to the fact that, amid fierce market competition, the Group continued to introduce complete sets of intelligent products which led market innovation and actively expanded the product portfolio of Casarte, our high-end brand, and optimized the product structure.

In the first half of 2021, the gross profit margin of the domestic market increased by 3.8 percentage points year-on-year. Although gross profit margin of the home appliances industry remained under pressure from rising bulk raw material and component costs, the Group mitigated the impacts by implementing measures including accelerating Casarte pipeline, optimizing product structure, executing the Super Factory project, streamlining SKU and enhancing production efficiency, adjusting terminal prices and disposing of businesses with low profit margin. During the period, sales revenue of Casarte grew by 75.4% and its revenue contribution increased by over 3.1 percentage points.

In the first half of 2021, the gross profit margin of the overseas markets increased by 0.7 percentage points year-on-year. In face of the continuous rise in bulk raw material and sea freight costs, the Company, by adhering to the high-end branding strategy and the transformation of scenario and ecosystem, optimized product structure, improved production efficiency, and hedged against cost pressures effectively.

Selling and Distribution Expenses

The ratio of selling and distribution expenses of the Group to its revenue (excluding the contribution of COSMOPlat business to the Group's revenue in the first half of 2020 on the same basis) decreased by 1.6 percentage points from 16.6% in the first half of 2020 to 15.0% in the first half of 2021 (before excluding the impact of the contribution of COSMOPlat business to the Group's revenue in the first half of 2020, in which the ratio is 15.2%). Specifically, the ratio of selling and distribution expenses in the PRC to its segment revenue decreased by 2.4 percentage points from 19.8% in the first half of 2020 to 17.4% in the first half of 2021, which was mainly attributable to significant improvement in efficiency of organization, operation and cost allocation derived from continuous digital transformation in the PRC. The ratio of selling and distribution expenses of overseas smart home business to its segment revenue decreased by 0.9 percentage points from 13.6% in the first half of 2020 to 12.7% in the first half of 2021, which was mainly attributable to the significant improvement in economies of scale and cost efficiency in the overseas market.

Administrative Expenses

The ratio of administrative expenses of the Group to its revenue (excluding the contribution of COSMOPlat business to the Group's revenue in the first half of 2020 on the same basis) decreased by 0.8 percentage points from 9.2% in the first half of 2020 to 8.4% in the first half of 2021 on the same basis (before excluding the impact of the contribution of COSMOPlat business to the Group's revenue in the first half of 2020, in which the ratio is 8.4%). The decrease was mainly attributable to the fact that the Group strengthened information management and improved the efficiency of organization operation.

2. Financial Position

Items	30 June 2021 RMB'M (Unaudited)	31 December 2020 RMB'M (Audited)
Non-current assets	**90,103**	89,196
Current assets	**116,144**	114,263
Current liabilities	**113,476**	109,474
Non-current liabilities	**17,571**	25,874
Net assets	**75,200**	68,111

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

As at 30 June 2021, the Group's total balance of cash and cash equivalents and wealth management products from other financial assets decreased by 9.7% from RMB48,051 million as at 31 December 2020 to RMB43,411 million as at 30 June 2021. The decrease was mainly attributable to the fact that the net cash inflow from operating activities was partially offset by the net cash outflow from investing activities and financing activities during the period.

Items	30 June 2021 RMB'M (Unaudited)	31 December 2020 RMB'M (Audited)
Cash and cash equivalents	**41,109**	45,635
Wealth management products from other financial assets — Current portion	**2,302**	2,416
Total	**43,411**	48,051

Net Assets

The Group's net assets increased by 10.4% from RMB68,111 million as at 31 December 2020 to RMB75,200 million as at 30 June 2021. The increase in net assets was mainly attributable to the increase in profit for the period.

Working Capital

Trade and Bills Receivables Turnover Days

The trade and bills receivables turnover days of the Group was 50 days in the first half of 2021, which is similar as compared to the end of 2020.

Inventory Turnover Days

The Group's inventory turnover days at the first half of 2021 was 72 days, which is similar as compared to the end of 2020.

Trade and Bills Payable Turnover Days

The Group's settlement policy with suppliers remained stable. As at the end of the first half of 2021, trade payables and notes turnover days were 138 days, which is similar as compared to 2020.

3. Cash Flow Analysis

Items	Notes	For the six months ended 30 June 2021 RMB'M (Unaudited)	2020 RMB'M (Unaudited)
Cash and cash equivalents as stated in the statement of cash flows at the beginning of the period		**45,635**	34,963
Net cash flow from operating activities	(a)	**8,424**	(544)
Net cash flow from investing activities	(b)	**(3,236)**	(2,063)
Net cash flow from financing activities	(c)	**(9,608)**	10,582
Effect of foreign exchange rate changes, net		**(106)**	84
Cash and cash equivalents as stated in the statement of cash flows at the end of the period		**41,109**	43,022

(a) Net cash inflow from operating activities for the period amounted to RMB8,424 million, as compared to the net cash outflow of RMB544 million for the corresponding period of last year. Such increase in the net cash inflow from operating activities for the period was mainly due to the increase in profit for the period and the improvement in operating efficiency.

(b) Net cash outflow from investing activities in the first half of 2021 amounted to RMB3,236 million, representing a increase of 56.9% as compared to the first half of 2020, with the details as follows:

Items	For the six months ended 30 June 2021 RMB'M (Unaudited)	2020 RMB'M (Unaudited)
Payment for purchases of non-current assets	**(3,154)**	(3,119)
(Purchase)/redemption of wealth management products	**(201)**	1,128
Acquisition of subsidiaries	**—**	(346)
Cash from disposal of fixed assets and leasehold land	**19**	50
Dividend from an associate	**272**	146
Interest received from wealth management products	**31**	76
Net cash (outflow)/inflow from other investing activities	**(203)**	2
Net cash flow from investing activities	**(3,236)**	(2,063)

(c) Net cash outflow in financing activities in the first half of 2021 amounted to RMB9,608 million, as compared to the net cash inflow of RMB10,582 million for the corresponding period of last year, with details as follows:

Items	For the six months ended 30 June 2021 RMB'M (Unaudited)	2020 RMB'M (Unaudited)
Proceeds from borrowings	4,920	15,878
Repayment of borrowings	(5,618)	(5,449)
Repayment of bonds	(5,500)	—
Repurchase of shares	(2,594)	—
Interest expenses	(287)	(565)
Changes in ownership interests in subsidiaries	8	1,102
Lease payment*	(314)	(384)
Net cash outflow from other financing activities	(223)	—
Net cash flow from financing activities	(9,608)	10,582

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

LIQUIDITY AND FINANCIAL RESOURCES

The Group pay great attention to cash flow management and has been able to maintain a healthy financial and liquidity position. As at 30 June 2021, the Group had a current ratio of 102.4% (31 December 2020: 104.4%).

Items	30 June 2021 RMB'M (Unaudited)	31 December 2020 RMB'M (Audited)
Cash and cash equivalents	41,109	45,635
Wealth management products from other financial assets	2,302	2,416
	43,411	48,051
Less:		
Interest-bearing borrowings and bonds	(23,192)	(30,036)
Net balance of cash and cash equivalents and wealth management products from other financial assets	20,219	18,015

As at 30 June 2021, the wealth management products from other financial assets amounted to RMB2,302 million (31 December 2020: RMB2,416 million).

As at 30 June 2021, the Group's net balance of cash and cash equivalents and wealth management products from other financial assets amounted to RMB20,219 million (31 December 2020: RMB18,015 million), representing an increase of 12.2% as compared to 2020.

In the first half of 2021, financial return of cash and cash equivalents and the return on wealth management products from other financial assets amounted to RMB280 million, representing an increase of 7.7% as compared to RMB260 million in the first half of 2020.

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

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As of 30 June 2021, the Group has no future plans for material investments or capital assets.

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

USE OF PROCEEDS OF CONVERTIBLE BONDS

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

During the period, the net proceeds utilized was approximately RMB205 million. As of 30 June 2021, approximately RMB2,611 million of the funds raised from A-share convertible bonds has been utilised, with a balance of approximately RMB428 million (the account balance includes the income generated from the purchase of wealth management products, interest on demand deposits, foreign exchange gains and losses and the not-yet-invested capital raised).

Detailed breakdown and description of the Net Proceeds utilized during the six months ended 30 June 2021 are set out below:

	Actual Net Proceeds as at 1 January 2021	Reallocation 2021	Amount of the Net Proceeds utilized for the six months ended 30 June 2021	Unutilized Net Proceeds as at 30 June 2021
	RMB'M	RMB'M	RMB'M	RMB'M
Investment projects	610	(78)	(204)	328
Working Capital*	—	78	—	78
Other general purposes#	23	—	(1)	22
	633	—	(205)	428

* To be permanently transferred to the working capital of the Company upon approval on the general meeting held on 25 June 2021, and the proceed has yet to be transferred out of the fund-raising account.

\# Arose from mainly interest on demand deposits, foreign exchange gains and losses.

The Company intends to continue utilizing the remaining Net Proceeds in the investment projects. The unutilized Net Proceeds will focus on the following three projects namely "High-end central air-conditioning project with an annual output of 1.5 million air conditioners", "Haier North India Industrial Park (Phase I) Project" and "Haier Kitchen Appliance New Factory Project" and are expected to be fully utilised by December 2022.

CAPITAL EXPENDITURE

The Company assesses its capital expenditure and investments in each business segment of the Group in China and the overseas smart home business from time to time. The capital expenditure during the period was RMB3,154 million (the first half of 2020: RMB3,119 million), in which RMB1,379 million and RMB1,775 million was mainly used in China and overseas respectively for the construction of plant and equipment, property rental expenses and investment of information infrastructure.

GEARING RATIO

As at 30 June 2021, the Group's gearing ratio (defined as total borrowings (including interest bearing borrowings, lease liabilities, bonds and convertible bonds) divided by net assets of the Group) was 35.0% (31 December 2020: 58.0%), representing an decrease of 23 percentage point mainly due to the repayment of the ultra-short-term financing notes and the conversion of convertible bonds during the period

TREASURY POLICIES

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

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

The transactional effects of exchange rate fluctuations arise when one of the Group's subsidiaries enters into a sale or purchase transaction in a currency other than its functional currency. We conduct most of our overseas businesses through localized procurement, manufacturing and sales, which gives us the advantage to match costs and revenues along the value chain in the local markets in the same currency, creating a natural hedge for some of the transaction risks. The Group also uses forward foreign exchange contracts to mitigate its transactional exchange rate exposure.

CAPITAL COMMITMENT

The Group's capital commitments contracted but not yet provided for amounted to RMB3,259 million as at 30 June 2021 (31 December 2020: RMB3,009 million), which were mainly related to the Group's domestic and overseas factories construction projects.

CHARGE OF ASSETS

As at 30 June 2021, certain of the Group's trade and bills receivables with a net carrying value of RMB521 million (31 December 2020: RMB552 million) were pledged to secure certain of the Group's bank loans.

In addition, as at 30 June 2021, certain of the Group's bills payable were secured by the pledge of the Group's bank deposits amounting to RMB690 million (31 December 2020: RMB720 million) and the Group's bills receivable amounting to RMB10,605 million (31 December 2020: RMB12,562 million).

CONTINGENT LIABILITIES

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

RELATIONSHIP WITH EMPLOYEES AND REMUNERATION POLICY

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

The total number of employees of the Group decreased to 95,934 as at 30 June 2021 from 99,299 as at 31 December 2020.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Repurchase of H-Share

During the six months ended 30 June 2021, the Company repurchased certain of its ordinary H-Share on The Stock Exchange of Hong Kong Limited and these shares were subsequently cancelled by the Company. The summary details of those transactions are as follows:

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

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

Repurchase of A-Share

During the six months ended 30 June 2021, the Company repurchased certain of its ordinary A-Share on The Shanghai Stock Exchange. The summary details of those transactions are as follows:

Month	Number of A-Share repurchased	Price per share Highest	Price per share Lowest	Total price paid
		RMB	RMB	RMB'M
March 2021	2,715,800	30.09	28.79	81
April 2021	1,398,900	32.34	31.12	44
May 2021	16,470,517	32.80	28.15	489
June 2021	42,491,349	30.00	25.45	1,153
	63,076,566			1,767

The repurchases of the Company's A-Share during the period was effected by the directors, pursuant to a board resolution passed on 5 March 2021 regarding the repurchase of A-Share. The A-Share repurchased will be used in the Company's share incentive plans.

Save as disclosed above, neither the Company, nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2021.

DIVIDENDS

The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: nil).

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES OF THE LISTING RULES

The Company has complied with the code provisions of the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the period from 1 January 2021 to 30 June 2021.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a Model Code for Securities Transactions by Directors and supervisors on no less exacting terms than the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. Upon specific enquiry by the Company, all directors and supervisors of the Company had confirmed that they had complied with the required standard as set out in the Model Code throughout the period for the six months ended 30 June 2021.

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:

Mr. Wu Changqi is an independent director of Tianneng Co., Ltd. which has been listed on the Shanghai Stock Exchange (stock code: 688819) in the period under review.

Mr. Wu Changqi was appointed as an independent non-executive director of Shenwan Hongyuan Group Co., Ltd. (Hong Kong listed company Stock Code: 6806 and Shenzhen Stock Exchange Stock Code: 000166) with effect from 28 May 2021.

Mr. Yu Hon To, David resigned as an independent non-executive director of Playmates Holdings Limited (Hong Kong listed company Stock Code: 635), and was appointed as an independent non-executive director of Playmates Toys Limited (Hong Kong listed company Stock Code: 869) with effect from 21 May 2021.

Subsequent to the balance sheet date, with effect from 1 July 2021, Mr. Yu Hon To, David resigned as an independent non-executive director of Media Chinese International Limited (Hong Kong listed company Stock Code: 685).

Mr. Wong Hak Kun has resigned as an independent non-executive director of Zhejiang Cangnan Instrument Group Company Limited (a recently privatized company (previous Hong Kong listed company stock code: 01743)) with effect from 24 July 2021.

AUDIT COMMITTEE

The Company has established an audit committee comprising two non-executive directors and three independent non-executive directors of the Company. The audit committee had reviewed, with no disagreement, with the management the accounting principles and practices adopted by the Group, and discussed financial reporting matters including the review of the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2021, and discussed with internal audit department on internal audit and controls, and risk management.

APPRECIATION

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

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

Qingdao, the PRC
30 August 2021

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 June 2021, the interests and short positions of the Directors, Supervisors and chief executive in the share capital and underlying shares ("Share(s)") of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions in shares of the Company:

Name	Position	Class of Shares to be held	Number of Shares to be held	Nature of interest	Approximate percentage* of shareholding interest in the relevant class of Shares	Approximate percentage* of shareholding interest in the total share capital of the Company
Mr. LIANG Haishan	Chairman of the Board and executive Director	A Shares	15,570,174	Beneficial owner	0.2468%	0.1658%
Mr. Li Huagang	Executive Director and Chief Executive Officer	A Shares	694,607	Beneficial owner	0.0110%	0.0074%
		H Shares	812,145	Beneficial owner	0.0289%	0.0086%
Mr. Xie Juzhi	Executive Director and Vice Chairman of the Board	H Shares	715,444	Beneficial owner	0.0254%	0.0076%
Mr. Yu Hon To, David	Non-Executive Director	H Shares	810,000	Beneficial owner	0.0288%	0.0086%
Ms. Eva LI Kam Fun	Non-Executive Director	H Shares	355,200	Beneficial owner	0.0126%	0.0038%
Mr. Liu Dalin	Chairman of the Board of Supervisors	H Shares	21,355	Beneficial owner	0.0008%	0.0002%

* The percentage is calculated on the basis that the share capital of the Company as at 30 June 2021 comprises 6,308,552,654 A Shares, 271,013,973 D Shares and 2,813,603,854 H Shares, representing approximately 67.16%, 2.89% and 29.95% of the total share capital of the Company, respectively.

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

Long positions in the shares of the Associated Corporations:

Name	Position	Name of Associated Corporations	Percentage Shareholding in the Associated Corporations
Mr. LIANG Haishan	Chairman of the Board and executive Director	Haier Electrical Appliances (Thailand) Company Limited	0.000008%
		P.T. Haier Electrical Appliances Indonesia	0.00002%
		P.T. Haier Sales Indonesia	0.01%
		Haier Pakistan (Private) Limited	0.0167%
		HNR Company (Private) Limited	0.0002%
		Haier Russia Trading Company LLC	0.1%

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 June 2021, the following shareholders who have interest in 5% or more of the issued share capital of the Company were recorded in the register of substantial shareholders as required to be kept by the Company pursuant to section 336 of the SFO:

Long positions:

Name of Shareholder	Class of Shares to be held	Number of Shares to be held	Nature of interest	Approximate percentage* of shareholding in the relevant class of Shares	Approximate percentage* of shareholding in the total share capital of the Company
Haier Group Corporation[Notes 1 to 4]	A Share	2,583,532,638	Beneficial owner Interest in controlled corporation Interest through voting rights entrustment arrangement	40.95%	27.50%
	H Share	538,560,000	Interest in controlled corporation	19.14%	5.73%
	D Share	58,135,194	Interest in controlled corporation	21.45%	0.62%
Haier COSMO Co., Ltd.[Notes 1 and 2]	A Share	1,258,684,824	Beneficial owner	19.95%	13.40%
HCH (HK) Investment Management Co., Limited[Note 3]	H Share	538,560,000	Beneficial owner	19.14%	5.73%
Haier International Co., Limited[Note 4]	D Share	58,135,194	Beneficial owner	21.45%	0.62%
Other H Class Shareholders[Note 5]					
Other D class Shareholders[Note 6]					

* The percentage is calculated on the basis that the share capital of the Company as at 30 June 2021 comprises 6,308,552,654 A Shares, 271,013,973 D Shares and 2,813,603,854 H Shares, representing approximately 67.16%, 2.89% and 29.95% of the total share capital of the Company, respectively.

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

Long positions: (continued)

Notes:

1. Haier Group Corporation holds directly 1,072,610,764 A Shares. In addition, Haier Group Corporation indirectly owns or controls (i) 1,258,684,824 A Shares through Haier COSMO Co., Ltd. (海爾卡奧斯股份有限公司) (formerly Haier Electric Appliances International Co., Ltd.), one of its subsidiaries, (ii) 172,252,560 A Shares through Qingdao Haier Venture & Investment Information Co., Ltd., one of its subsidiaries and (iii) 79,984,490 A Shares through Qingdao Haichuangzhi Management Consulting Enterprise (Limited Partnership), a party acting in concert with Haier Group Corporation.

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

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

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

5. JPMorgan Chase & Co. held 220,430,595 H Shares, representing approximately 7.83% of the total number of H Shares.

6. Silk Road Fund Co., Ltd. held 54,007,663 D Shares, representing approximately 19.93% of the total number of D Shares; Morgan Stanley held 23,441,300 D Shares, representing approximately 8.65% of the total number of D Shares.

Short positions and Lending pools:

JPMorgan Chase & Co. had a short position of 6,314,278 H Shares, representing approximately 0.22% of the total number of H Shares; and had a lending pool of 43,873,125 H Shares, representing approximately 1.56% of the total number of H Shares.

Morgan Stanley had a short position of 22,818,822 D Shares, representing approximately 8.42% of the total number of D Shares.

The Company operates share award schemes (ESOP) as approved by the Board on 28 April 2016 (the "2016 Share Award Scheme"), 27 February 2017 (the "2017 Share Award Scheme"), 24 April 2018 (the "2018 Share Award Scheme") and 29 April 2019 (the "2019 Share Award Scheme", together with the 2016 Share Award Scheme, 2017 Share Award Scheme and 2018 Share Award Scheme, the "Share Award Schemes"), respectively. The awards granted or to be granted under the Share Award Schemes (the "Share Awards") form part of the remuneration packages for the employees of our Company. The terms of the Share Award Schemes are similar to each other, and the Share Award Schemes have been operating in accordance with their terms.

The duration of each Share Award Scheme shall not exceed 60 months for the 2016 Share Award Scheme and 2017 Share Award Scheme and 36 months for the 2018 Share Award Scheme and 2019 Share Award Scheme (the "Duration"), commencing from the time when the Company announces the registration of the underlying Shares to the Share Award Schemes. Upon expiry of the Duration, the Share Award Schemes shall be terminated, subject to any extension as may be approved by the Board.

The Share Awards granted under the Share Award Schemes shall be generally subject to a two-year period (the "Vesting Period") to assess the fulfilment of the vesting conditions (the "Vesting Conditions"). The Vesting Conditions were specifically designed by the Board for each tranche of the Share Awards granted to a particular selected participant. All Vesting Conditions contain in general objective criteria. Within the respective Durations, the Share Award Management Committee are entitled to prolong or shorten the assessment period and adjust the proportions of Share Awards to be vested in certain selected participants under the Share Award Schemes. For each of the Share Award Schemes, upon expiry of the respective lock-up periods, the Share Awards shall be vested in the selected participants in two tranches, while the specific time and proportion of Shares to be vested shall be determined by the Share Award Management Committee based on review of the performance of each selected participants. In particular, if the Share Award Management Committee has decided that the performance of a selected participant in the respective tranche(s) of assessment period had fully fulfilled his or her assessment standards, then (i) 40% of the Share Awards originally granted to such selected participant shall be vested at the end of the first year of the two-year assessment period (Tranche One); and/or (ii) 60% of the Share Awards originally granted to such selected participant shall be vested at the end of the second year of the two-year assessment period (Tranche Two).

VESTING DURING THE 6 MONTHS ENDED 30 JUNE 2021 (A-SHARES)

During the 6 months ended 30 June 2021, according to the results of personal assessment, 1,783,038 shares of 2016 Share Award Scheme are vested in 33 participants; 1,132,832 shares of 2017 Share Award Scheme are vested in 116 participants; 179,351 shares of 2018 Share Award Scheme are vested in 32 participants. In particular, the details of shares vested in the directors and supervisors of the Company are as follows:

Names	Positions	2016 & 2017 & 2018 Award Scheme shares vested
Liang Haishan	Director	647,127
Tan Lixia	Director	517,702
Wang Peihua	Supervisor	21,334
Ming Guoqing	Supervisor	13,938

During the reporting period, vesting of shares of the 2016 Share Award Scheme were completed and all assets of the share award scheme are monetary funds. In accordance with the relevant provisions, the 2016 Share Award Scheme has been implemented and terminated.

During the reporting period, all outstanding unvested 721,736 and 5,374,465 shares held by the 2017 Share Award Scheme and 2018 Share Award Scheme, respectively, have been sold, and all assets of the share award scheme are monetary funds. In accordance with the relevant provisions, the aforementioned schemes have been implemented and terminated.

VESTING SUBSEQUENT TO THE PERIOD END (A-SHARES)

Subsequent to the balance sheet date, 8,719,368 shares of 2019 Share Award Scheme vested in 575 participants. In particular, the details of shares vested in the directors and supervisors of the Company are as follows:

Names	Positions	2019 Award Scheme shares vested
Liang Haishan	Director	841,035
Li Huagang	Director	69,538
Ma Yingjie	Supervisor	3,904

Thereafter, 2,551,292 shares of 2019 Share Award Scheme remained outstanding and unvested. The duration of 2019 Share Award Scheme is 36 months (since 16 July 2019). Upon the completion of vesting and liquidation of assets, the Share Award Schemes shall be early terminated.

INTRODUCTION OF THE NEW PHASE OF A-SHARE AND H-SHARE ESOPS, AND H SHARES RESTRICTED SHARES AWARD SCHEME

The Company adopted the A Share Core Employee Stock Ownership Plan (2021–2025), the H Share Core Employee Stock Ownership Plan (2021–2025) and the H Share Restricted Share Unit Scheme (2021–2025) at the 2020 annual general meeting held on 25 June 2021. Further details are disclosed in note 21(b) to interim condensed consolidated financial information of this interim report.