Haier

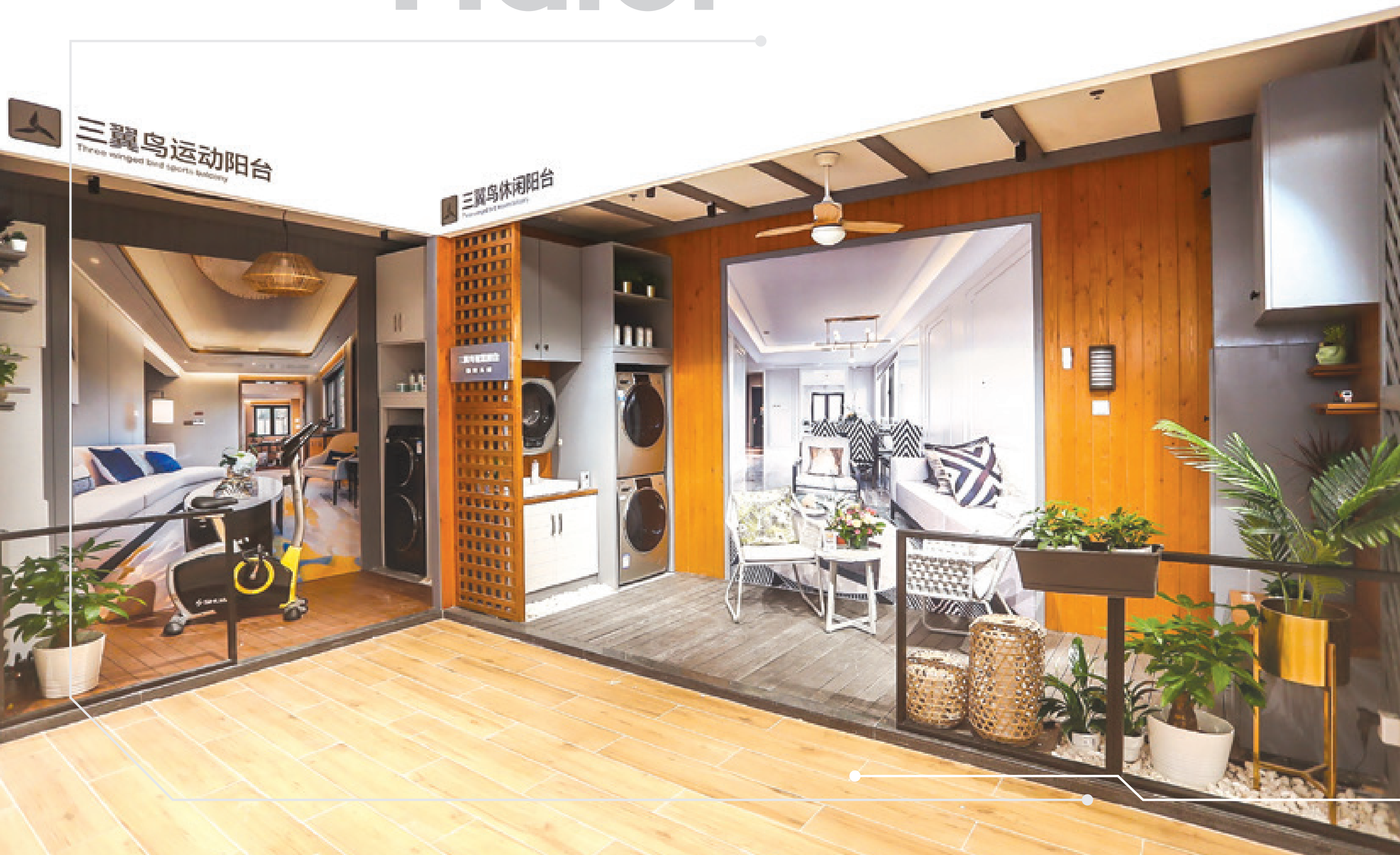
海爾智家股份有限公司
Haier Smart Home Co., Ltd.

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

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

2021
ANNUAL REPORT

Contents



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

We are also a global pioneer in providing smart home solutions. Capitalising 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.

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

Strategy 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

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

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

TELEPHONE NUMBER

+86 (532) 8893 1670
+852 2169 0000

FAX NUMBER

+86 (532) 8893 1689
+852 2169 0880

H-SHARES REGISTRAR

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

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
18 Harcourt Road
Hong Kong

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

Letter to Shareholders

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

KEY ACCOMPLISHMENTS:

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

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

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

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

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

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

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

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

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

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

GROWTH OPPORTUNITIES AND STRATEGIC INITIATIVES

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

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

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

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

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

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

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

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

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

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

EXECUTIONAL ENABLERS：LEVERAGE STRENGTH AND ATTACK WEAKNESS

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

In 2022 and years to come, we may still live in an era when human co-exists with COVID-19 and global macro-economic environment becomes more volatile. The pandemic has had a significant impact on the home appliance industry. It has changed the operating environment of enterprises, people's mode of working, and consumers' shopping patterns. It has also accelerated technology advancement and application of information technology, and digitalization reshaped operation model of businesses. Enterprises that strive to adapt to this environment will become more resilient and capable of gaining the trust of

broader users. Meanwhile, shareholders, employees, customers, communities and governments in both China and other regions expect enterprises to shoulder more social responsibilities and promote sustainable economic development. In my opinion, by adhering to our strategies of global brand creation, localized operations, hyper-focus on user experience, and persisting in process reengineering by digitalization, Haier Smart Home will become more resilient in coping with challenges due to volatile economic climate, while paving a solid foundation for sustainable growth.

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

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

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

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

ENTERING 2022 WITH HIGH CONFIDENCE

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

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

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

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

Directors, Supervisors and Senior Management

The directors, supervisors and senior management of the Group during the year, and the directors at the reporting date are as follows:

EXECUTIVE DIRECTORS

Mr. LIANG Haishan ("Mr. LIANG"), aged 55, has been the Chairman of the Board since April 2013 and an Executive Director of the Company since June 2007. He also currently serves as the deputy chairman of the board of directors of Haier Group Corporation (and together with its subsidiaries hereafter "Haier Group"), president of Haier Group, and director of certain subsidiaries of Haier Group and of our Group. He was appointed as a non-executive director of Haier Electronics Group Co., Ltd. ("Haier Electronics", a listed company of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"), stock code: 1169 which was privatized and delisted on 23 December 2020) since November 2009.

Mr. LIANG has over 20 years of experience in the manufacture of household electrical appliances, particularly in raw material procurement function and white goods business. His primary working experience includes: serving as the head of the quality department of Qingdao Haier Refrigerator Co., Ltd., our predecessor entity, from August 1993 to August 1994; serving as the general manager of Qingdao Haier Air Conditioner Gen Corp., Ltd. from October 1995 to August 1999; successively serving as an executive director of Haier Electronics from December 2001 to November 2009; serving as the Vice Chairman of the Board from June 2007 to April 2013; serving as the general manager of the Company from June 2007 to April 2019.

Mr. LIANG obtained a Bachelor's degree of Industry, and a Master's degree in Business Administration from Xi'an Jiaotong University in Xi'an, the PRC in July 1988 and December 2009, respectively. Mr. LIANG was named one of the Top 10 Leaders in China Strategic Emerging Industries (十大中國戰略性新興產業領軍人物獎) by China Strategic Emerging Industry Development Forum (中國戰略性新興產業發展論壇) in May 2012 and obtained the Outstanding Leadership Award of the National Light Industry Enterprise Information (全國輕工業企業信息化優秀領導獎) from the China Light Industry Federation (中國輕工業聯合會) in September 2012. He also received the Prize of Technology Advancement for China Household Appliances in October 2013, the 2017 Forbes China Best CEO of Listed Company in July 2017, and the 2017 Taishan Industry Leading Talent of Shandong Province in December 2017.

Mr. LI Huagang ("Mr. LI"), aged 52, has been an Executive Director of the Company since June 2019 and the Chief Executive Officer of the Company since April 2019. Mr. LI has served as the chief marketing officer of PRC Region of the Company since December 2015, mainly responsible for promoting brand upgrade and channel optimisation strategy for on line business and off line domestic business of the Company. Mr. LI currently serves as a director of various subsidiaries of our Group, including, among others, Qingdao Haier Appliances Sales Services Company Limited. Mr. LI has over 25 years of experience in the industry of manufacture, sales and marketing of household electrical appliances and corporate management. Mr. LI joined Haier Group in July 1991 and had since then had held various senior positions in the sales and marketing functions of Haier Group. Mr. LI also served as the chief operating officer and chief executive officer of Haier Electronics from November 2009 to March 2014 and from August 2017 to March 2019, respectively.

Mr. LI obtained a Bachelor's degree of Economics in technology and economy from Huazhong University of Science and Technology in Wuhan, the PRC in July 1991, and a Master's degree of Business Administration (part-time) from the China Europe International Business School in Shanghai, the PRC in January 2014.

Mr. XIE Juzhi ("Mr. XIE"), aged 55, has been appointed as an Executive Director of the Company since 5 March 2021. Mr. XIE graduated from Shandong University of Finance and Economics in July 1989 with a bachelor's degree, and joined Haier Group Corporation in the same year. Mr. XIE has experience in whole-process product management, product-wide services and product-wide marketing. Mr. XIE had held senior positions in Electrothermal Division of the Haier Group Corporation and East China Marketing and Promotion Division of the Haier Group Corporation, and served as the Corporate General Manager of the Customer Services of the Haier Group Corporation since August 2002. Since July 2012, he has been the Vice President of Haier Group Corporation, and he has been in charge of Haier Group Corporation's integration of community sales services in first and second-tier cities, and developing the online and offline sales of new household products. From December 2015 to date, he has been managing the newly developed business segments of Haier Group Corporation, including water purification, logistics, Haier home and Gooday services and has started to concurrently manage the water heater business since 2019. He was appointed as the Chief Executive Officer and an Executive Director of Haier Electronics since 27 March 2019. Mr. XIE currently serves as a director of various subsidiaries of our Group. Mr. XIE was awarded honorary titles including the Gold Award of Outstanding Contribution Award of China's Home Appliance Services Industry (中國家電服務行業突出貢獻獎金獎) and Outstanding Entrepreneur of Shandong Province (山東省優秀企業家).

NON-EXECUTIVE DIRECTORS

Ms. TAN Lixia ("Ms. TAN"), aged 51, currently served as the director of Haier Group Corporation, and was a Non-executive Director of the Company from May 2008 to March 2021 and the Vice Chairwoman of the Board from June 2010 to March 2021. She also currently serves as the chairwoman of board of directors of Qingdao Haier Biomedical Co., Ltd. (a company listed on the Shanghai Stock Exchange (stock code: 688139)) since July 2018. Ms. TAN also serves as a non-executive director of Bank of Qingdao Co., Ltd. (a company listed on the Hong Kong Stock Exchange (stock code: 03866) and the Shenzhen Stock Exchange (stock code: 002948)) since April 2012, the chairwoman of board of directors of INKON Life Technology Co., Ltd. (a company listed on the Shenzhen Stock Exchange (stock code: 300143)) since May 2019 and a non-executive director of China International Capital Corporation Limited (a company listed on the Hong Kong Stock Exchange (stock code: 03908)) since February 2020.

Ms. TAN graduated from Central Institute of Finance and Banking (中央財政金融學院, now known as Central University of Finance and Economics) in Beijing, the PRC, majoring in agricultural finance and credit, and obtained a Bachelor's degree in June 1992. She obtained a Master's degree of Business Administration (part-time) from the China Europe International Business School in Shanghai, the PRC upon completion of the Executive Master of Business Administration ("EMBA") programme in September 2010. She has been studying in the Global Finance Doctorate programme (part-time) at Wudaokou School of Finance of Tsinghua University in Beijing, the PRC since July 2016. Ms. TAN is among the first badge of Superior Management Accountants (特級管理會計師) accredited by China Association of Chief Accountants in April 2019. Ms. TAN was accredited as a Certified Public Accountant by the Australian Society of Certified Public Accountants in December 2015. She is a Fellow of the Chartered Institute of Management Accountants (CIMA) and was designated as a Chartered Global Management Accountant (CGMA) in September 2013. She has been a member of the 12th session of executive committee of the All-China Women's Federation since November 2018. Ms. TAN was titled a Model Worker of Shandong Province (山東省勞動模範) by Shandong Provincial Party Committee and Provincial Government in April 2013, a National Outstanding Entrepreneur (全國優秀企業家) by China Enterprise Federation and China Entrepreneurs Association in June 2014, one of the China Top Ten Women in Economic Area (中國十大經濟女性年度人物) in January 2006 and the China CFO of the Year (中國總會計師年度人物) in November 2006.

Mr. WU Changqi ("Mr. WU"), aged 66, has been a Non-executive Director of the Company since April 2013. He is currently the director of Guanghua Leadership Institute (光華領導力研究中心) of Peking University since March 2011 and the president of Academy of Development Strategy for National High-Tech Industry Zones, Peking University (北京大學國家高新技術產業開發區發展戰略研究院) since June 2011. Mr. WU currently serves as an independent non-executive director of Yijiahe Technology Co., Ltd. (億嘉和科技股份有限公司, a company listed on the Shanghai Stock Exchange (stock code: 603666)) since August 2016, an independent director of Tianneng Co., Ltd. (天能電池集團股份有限公司, a company listed on the Shanghai Stock Exchange (stock code: 688819)) since February 2019, and an independent non-executive director of Shenwan Hongyuan Group Co., Ltd.(申萬宏源集團股份有限公司, a company listed on the Hong Kong Stock Exchange (stock code: 06806) and Shenzhen Stock Exchange (stock code: 000166)) since May 2021. Mr. WU has over 25 years of experience in research and studies in high-tech industry, business administration and corporate management. Mr. WU's previous working experience primarily include: serving as an assistant professor and associate professor of the Department of Economics of School of Business and Management of Hong Kong University of Science and Technology from September 1991 to August 2001; a professor of Guanghua School of Management of Peking University from September 2001 to July 2018; a director of the Department of Strategic Management of Guanghua School of Management of Peking University from September 2001 to December 2010; a director of the EMBA degree programme centre of Guanghua School of Management of Peking University from August 2002 to December 2010; a deputy dean of Guanghua School of Management of Peking University from February 2003 to December 2010; and an independent director of Beijing Electronic Zone High-tech Group Co., Ltd. (北京電子城高科技集團股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 600658)) from December 2012 to June 2019.

Mr. WU obtained a Bachelor's degree of Economics in political economics from Shandong University in Jinan, the PRC in July 1982, and a Master's degree of Business Administration in February 1986 and a Doctoral degree in applied economics from Katholieke Universiteit Leuven in Belgium in October 1990.

For further details please refer to the Company's announcement dated 14 February 2022 in relation to a regulatory announcement dated 10 February 2022 issued by The Hong Kong Stock Exchange in relation to, among others, the disciplinary action taken by the Hong Kong Stock Exchange against Beijing Media Corporation Limited (stock code: 1000) and its directors and supervisors (including, among others, Mr. WU).

Mr. LIN Sui ("Mr. LIN"), aged 64, has been a Non-executive Director of the Company since June 2019. Mr. LIN joined Deloitte & Touche as a tax consultant in January 1993. He was transferred to Deloitte Touche Tohmatsu China in January 2002 and served as a partner in Deloitte Touche Tohmatsu China from June 2002 to May 2019, during which he also served as a board member of the Deloitte China practice between September 2008 and May 2012. Mr. LIN is an external master's tutor of School of Economics, Fudan University since 2012, an external master's tutor of School of Public Economics and Administration, Shanghai University of Finance and Economics since 2008. Mr. LIN has around 30 years of experience in accounting, tax and corporate management.

Mr. LIN obtained a Master's degree of Business Administration in Accounting and a Master's degree of Science in Taxation from Baruch College of The City University of New York, the United States in December 1992 and May 1996, respectively. Mr. LIN is a Certified Public Accountant of New York State, the United States of America, and a member of American Institute of Certified Public Accountants.

Mr. YU Hon To, David ("Mr. YU"), aged 74, has been appointed as a Non-executive Director of the Company since 5 March 2021. Mr. YU holds a Bachelor of Social Science degree from The Chinese University of Hong Kong. Mr. YU is a Fellow of the Institute of Chartered Accountants in England and Wales and an Associate Member of Hong Kong Institute of Certified Public Accountants. He is a chartered accountant with over 40 years' experience in the fields of auditing, corporate finance (including advisory on IPO, mergers & acquisitions and financial restructuring), financial investigation and corporate governance. Mr. YU was formerly a partner of Coopers & Lybrand (now merged as PricewaterhouseCoopers) in Hong Kong with extensive experience in the corporate finance advisory assignments in Greater China for Hong Kong corporations, private equity groups and multinationals. Mr. YU also served as an independent non-executive director and the chairman of the audit committee of Haier Electronics, a subsidiary of the Company, till its privatization on December 2020.

Mr. YU had served various public offices including being a member of the Listing Committee of the Hong Kong Stock Exchange from 1992 to 1995, a member of the Investment Committee and the Audit Committee of Employees Retraining Board (established under the Employees Retraining Ordinance of Hong Kong) from 1999 to 2020, and a member of the Board of Review (established under Inland Revenue Ordinance of Hong Kong) from 2006 to 2012. Mr. YU is currently an independent non-executive director of several other companies listed on the Hong Kong Stock Exchange, namely One Media Group Limited (stock code: 426), Playmates Toys Limited (stock code: 869), China Resources Gas Group Limited (stock code: 1193), Keck Seng Investments (Hong Kong) Limited (stock code: 184) and MS Group Holdings Limited (stock code: 1451).

Ms. Eva LI Kam Fun (name that also commonly used is "Mrs. Eva CHENG LI Kam Fun") ("Ms. Eva LI Kam Fun"), aged 69, has been appointed as a Non-executive Director of the Company since 5 March 2021. Ms. Eva LI Kam Fun graduated from the University of Hong Kong with Bachelor of Arts (Hons) and Master of Business Administration degrees. She was conferred with the degree of Doctor of Business Administration, honoris causa, from the Open University of Hong Kong in 2014. Ms. Eva LI Kam Fun is currently the president of Our Hong Kong Foundation. She also serves as an independent non-executive director of Nestle S.A, a publicly listed company on the SIX Swiss Exchange. Ms. Eva LI Kam Fun also served as an independent non-executive director of Haier Electronics, a subsidiary of the Company, till its privatization on December 2020. Prior to joining the Our Hong Kong Foundation, Ms. Eva LI Kam Fun had a distinguished career that spanned 34 years with Amway Corporation. When she retired in 2011, she held the concurrent positions of Executive Vice President of Amway Corporation and Executive Chairman of Amway China Co. Ltd. responsible for Amway Greater China & Southeast Asia Region. During the last three years, Ms. Eva LI Kam Fun had also been an independent non-executive director of Amcor Limited (a company listed on the Australian Securities Exchange) from 2014 to 2019, and an independent non-executive director of Trinity Limited (a company listed on the Main Board of the Hong Kong Stock Exchange) (Stock Code: 891) from 2011 to 2020. Ms. Eva LI Kam Fun's leadership was well recognised in the business community. She was twice named the "World's 100 Most Powerful Women" by Forbes Magazine in 2008 and 2009. CNBC awarded Ms. Eva LI Kam Fun with the "China Talent Management Award" in its 2007 China Business Leaders Awards. In the areas of public and social service, Ms. Eva LI Kam Fun is a member of Hong Kong Election Committee (2021–2025), deputy secretary-general of the Hong Kong Coalition, council member of the Chinese Association of Hong Kong & Macao Studies, honorary president of the All-China Women's Federation, honorary president of the Hong Kong Federation of Women, permanent honorary director of The Chinese General Chamber of Commerce, court member of the Open University of Hong Kong, and a member of the Xiqu Centre advisory panel of West Kowloon Cultural District Authority.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. DAI Deming ("Mr. DAI"), aged 59, has been an Independent Non-executive Director of the Company since June 2015, and retired as the director of the Company on 25 June 2021. Mr. DAI currently serves as a professor and doctoral supervisor of the department of accounting of Renmin University of China since July 1996 and January 1997, respectively. He also serves as an independent director in the following companies: BOC Aviation Limited (a company listed on the Hong Kong Stock Exchange (stock code: 02588)) since May 2016, CSC Financial Co., Ltd. (a company listed on the Hong Kong Stock Exchange (stock code: 06066) and the Shanghai Stock Exchange (stock code: 601066)) since August 2016, Power Construction Corporation of China (中國電力建設股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 601669)) since March 2018, and Poly Developments And Holdings Group Co., Ltd. (保利發展控股集團股份有限公司, a company listed on the Shanghai Stock Exchange (stock code: 600048)) since September 2018. Mr. DAI has over 20 years of experience in accounting, finance and corporate management.

Mr. DAI obtained a Bachelor's degree of Economics in industry finance and accounting from Hunan Institute of Finance and Economics (currently known as Hunan University) in Changsha, the PRC in July 1983, a Master's degree of Economics in accounting from Zhongnan University of Finance and Economics (currently known as Zhongnan University of Economics and Law in Wuhan, the PRC) in October 1986, and a Doctoral degree of Economics from Renmin University of China in Beijing, the PRC in June 1991.

Mr. CHIEN Da-chun ("Mr. CHIEN"), aged 68, has been an Independent Non-executive Director of the Company since June 2019. He currently serves as a director of ENN Group Co., Ltd. Mr. CHIEN has over 15 years of experience in business administration and corporate management. Mr. CHIEN worked for over 10 years at International Business Machines Corporation ("IBM") group of companies until 2015, achieving various senior management roles before his retirement by the end of 2015. In addition to his experience in business corporations, Mr. CHIEN has served as a professor of Management Practice and a member of the Teaching Steering Committee of the third session of the Executive Education Project at the School of Business of Renmin University of China since January 2019.

Mr. CHIEN received a Bachelor of Science from the Department of Mathematics of Tamkang College of Arts and Science (currently known as Tamkang University of Taiwan) in June 1975.

Mr. WONG Hak Kun ("Mr. WONG"), aged 65, has been an Independent Non-executive Director of the Company since June 2020. He currently serves as an independent non-executive director of Yue Yuen Industrial Holdings (Limited) (a company listed on the Hong Kong Stock Exchange (stock code: 00551)) since June 2018, an independent non-executive director of Lung Kee (Bermuda) Holdings Limited (a company listed on the Hong Kong Stock Exchange (stock code: 00255)) since June 2018, an independent non-executive director of Guangzhou Automobile Group Co., Ltd. (a company listed on the Hong Kong Stock Exchange (stock code: 02238) and the Shanghai Stock Exchange (stock code: 601238)) since May 2020, and an independent non-executive director of Hangzhou SF Intra-City Industrial Co., Ltd (a company listed on the Hong Kong Stock Exchange (Stock code: 9699)) since November 2021. During the past three years, He was also an independent non-executive director of Zhejiang Cangnan Instrument Group Company Limited (a company listed on the Hong Kong Stock Exchange (stock code: 01743)). Mr. WONG has over 35 years of experience in auditing, assurance and management. Mr. WONG worked in Deloitte China from July 1980 to May 2017, during which he was a partner since 1992. Mr. WONG also served as a member of Deloitte China's Governance Board from June 2000 to May 2008. Prior to his retirement from Deloitte China in May 2017, he was Deloitte China's National Managing Partner of Audit & Assurance.

Mr. WONG received a Bachelor's degree of social science from the University of Hong Kong in Hong Kong in November 1980. He is an associate of the Hong Kong Institute of Certified Public Accountants (HKICPA) since December 1983, an associate of the Association of Chartered Certified Accountants (ACCA) since September 1983, an associate of The Institute of Chartered Secretaries and Administrators in United Kingdom since April 1984, and an associate of the Chartered Institute Management Accountants (CIMA) since June 1990.

Mr. LI Shipeng ("Mr. LI"), aged 55, has been appointed as an Independent Non-executive Director of the Company since 5 March 2021. Mr. LI holds a bachelor's and master's degree from University of Science and Technology of China, and a PhD degree from Lehigh University, USA. Mr. LI has extensive experience in areas such as Internet of Things technology, and artificial intelligence. Mr. LI is currently the Director of the Intelligence Application of Suzhou Industrial Technology Research Institute. Prior to that, he served as the Chief Researcher and Deputy Dean of Microsoft Research Asia, Chief Technology Officer of Cogobuy Group, Vice President of iFlytek Group, and the Executive President of Shenzhen Institute of Artificial Intelligence and Robotics.

Mr. LI is a member of the International Eurasian Academy of Sciences and a fellow of the International Institute of Electrical and Electronics Engineers (IEEE fellow). He was listed as one of the world's top 1,000 computer scientists by Guide2Research and ranked top 20 in Mainland China in 2020. Mr. LI is a renowned expert in areas such internet, computer vision, cloud computing, Internet of Things and artificial intelligence.

Mr. WU Qi ("Mr. WU Qi"), aged 54, has been appointed as an Independent Non-executive Director of the Company since 25 June 2021. Mr. WU Qi graduated from Zhejiang University with a Bachelor's degree majoring in national economic management in 1990, thereafter he graduated from Renmin University of China with an on-the-job Master's degree majoring in Money and Banking in 1995 and China Europe International Business School with an EMBA in 2002, respectively. He has 25 years of work and management experience in world-class management and consulting companies. He is currently a senior consultant for Foxconn's D sub-business group strategy and intelligent manufacturing and a consultant of Xnode, a famous accelerator for startups. He served as the vice president (Global) and vice chairman (Greater China) of Accenture, and the chairman of Shun Zhe Technology Development Co., Ltd. He was a member and the president (Greater China) of Roland Berger's Global Management Committee, a member of Roland Berger's Global Supervisory Board, and non-executive director of Grinm Advanced Materials Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600206.SH) (resigned in April 2018). He was awarded 2015 Outstanding Talent in Jing'an District, Shanghai. Mr. WU Qi's past experience in consulting industry involves transportation/logistics, high-tech manufacturing, tourism, finance, consumer goods, real estate, government departments and other industries. His has extensive experience in fields such as development strategy, organizational change, sales and brand strategy, corporate innovation, digital transformation and intelligent manufacturing, post-merger integration, regional industrial and economic development and upgrading. He is a well-known expert in Industry 4.0, transportation and regional planning and development in the PRC. He served as a consultant for Hangzhou Bay Development Planning, a member of the Intelligent Manufacturing Expert Committee of the Shenzhen Municipal Government, deputy head of the 13th Five-Year Planning Expert Committee of Zhengzhou City, Henan Province, vice chairman of China Cold Chain Alliance and other social positions.

SUPERVISORS

Mr. WANG Peihua ("Mr. WANG"), aged 64, has been the Chairman of the Board of Supervisors of the Company since June 2010, and retired as a Supervisor of the Company on 25 June 2021. He currently serves as the head of the Organisation Department of Haier Group since October 2015. Mr. WANG joined Haier Group in November 1991 and has held various positions in Haier Group, including serving as the general manager of Wuhan Haier Electric Co., Ltd., the director of the direct business department of Haier Washing Machine and the deputy secretary of the Party Committee and the deputy director of Haier Group Air-Conditioner Head Office (海爾集團空調本部), Haier Group Freezer & Heater Head Office (海爾集團冷櫃電熱本部) and Washing Machine Head Office (洗衣機本部) from March 1990 to December 1994, from December 1997 to June 1999 and from June 1999 to March 2000, respectively. He served as the chairman of the Labour Union of Haier Group Technology and Equipment Head Office (海爾集團技術裝備本部) from May 2002 to October 2013 and the deputy secretary of Discipline Inspection Committee of Haier Group from February 2010 to September 2015.

Mr. WANG graduated from the Party and Political Cadre Basic Division of Shandong Radio and TV University in Jinan, the PRC in October 1987. He also obtained a business administration training certificate after completing the Chinese Entrepreneur EMBA Special Correspondence Courses (中國企業家EMBA特訓函授班) of the SME International Cooperation Association (中小企業國際合作促進會) in November 2002. Mr. WANG passed the PRC bar exam and obtained the PRC lawyer qualification (non-practising) certificate in January 1990. He obtained the qualification of senior political analyst from Qualification Evaluation Committee for Senior Professional Posts of Qingdao Ideological and Political Workers (青島市思想政治工作人員高級專業職務任職資格評審委員會) in December 2004.

Mr. MING Guoqing ("Mr. MING"), aged 60, has been a Supervisor of the Company since June 2007, and retired as a Supervisor of the Company on 25 June 2021. He served as the vice chairman of the Labour Union of Haier Group from November 2006 to June 2013 and has served as the chairman of the Labour Union of Haier Group since June 2013. Mr. MING joined Haier Group in December 1986 and has held various positions in Haier Group, including successively serving as the deputy leader of the automobile team and the deputy secretary of Discipline Inspection Committee of Qingdao Refrigerator General Factory from December 1986 to June 1993; the secretary of the Party Committee and the vice manager of Qingdao Haier Transportation Company (青島海爾運輸公司) from June 1993 to December 1994; the head of the No. 2 Refrigerator Factory, the deputy head of the Organisation Division, the chairman of the Labour Union and the head of the General Department of our Company from December 1994 to November 2006; the deputy secretary of the Party committee, the secretary of Discipline Inspection Committee, the chairman of the Labour Union and the head of the General Department of Haier Refrigerator Products Head Office (海爾冰箱產品本部) from March 2000 to November 2006.

Mr. MING graduated from PLA Automobile Management School (currently known as PLA Automobile Management College (中國人民解放軍汽車管理學院)) in Bengbu, the PRC in July 1982. He also studied (part-time) in law major at the undergraduate class of the CPC Party School of Shandong Province in Jinan, the PRC from September 2006 to December 2008. He obtained the qualification of senior political analyst from Qualification Evaluation Committee for Senior Professional Posts of Qingdao Ideological and Political Workers (青島市思想政治工作人員高級專業職務任職資格評審委員會) in December 2010. Mr. MING was accredited as an "National Outstanding Labour Union Practitioner (全國優秀工會工作者)" by All-China Federation of Trade Unions in December 2015.

Mr. LIU Dalin ("Mr. LIU"), aged 41, has been the Chairman of the Board of Supervisors of the Company since 25 June 2021. He holds master's degree in business administration from Renmin University of China. He is a senior engineer. From August 2005 to September 2010, he served as a designer of water heater department at Haier Group, an assistant R&D engineer, a R&D engineer and a R&D manager of the electric heating department of Haier Group successively. From September 2010 to October 2015, he was the deputy secretary of the Youth League Committee of Haier Group. From October 2015 to October 2020, he was the deputy secretary of the Disciplinary Committee of Haier Group. From October 2020 to date, he has been serving as the executive deputy secretary of the Disciplinary Committee of Haier Group.

Ms. MA Yingjie ("Ms. MA"), aged 52, has been a Supervisor of the Company since 25 June 2021. She is an assistant officer specialising on society matters. She once served as the secretary of the Youth League Committee of the Company, the secretary of the trade union of the Company, the contact person of the customer service department of Qingdao Haier Dishwasher Co., Ltd. Currently, she is the head of Society and Community department of the Company.

Mr. YU Miao ("Mr. YU"), aged 38, has been an Employee Representative Supervisor of the Company since January 2019. He joined our Company in April 2012 and has since then served as the legal manager of our Company, mainly in charge of management of legal affairs.

Mr. YU obtained a Bachelor's degree of Law from Jinan University in Jinan, the PRC in July 2005, and a Master's degree of Law in economics law from Dongbei University of Finance and Economics in Dalian, the PRC in December 2008. Mr. YU passed the PRC bar exam and obtained the PRC lawyer qualification (non-practising) certificate in February 2008.

SENIOR MANAGEMENT

Mr. LI Huagang. See "EXECUTIVE DIRECTORS".

Mr. GONG Wei ("Mr. GONG"), aged 47, Vice-president, has been the Chief Financial Officer of the Company since January 2010 and a Vice General Manager of the Company since April 2013. Mr. GONG joined our Group in July 1994, and has held various positions, including successively serving as the head of finance of Haier Refrigerator Co., Ltd. from July 1994 to August 1999; the financial manager of Haier Northern China Business Development Division (海爾商流華北事業部) from August 1999 to March 2001; the chief financial officer of Haier White Goods Group (海爾白電集團) from April 2001 to June 2008.

Mr. GONG obtained a Master's degree of EMBA from the University of International Business and Economics in Beijing, the PRC in December 2011. He was granted honorary titles such as "Labour Model of Qingdao City (2012–2014)" in 2015 and "National Outstanding Accounting Workers (全國優秀會計工作者)" in December 2005, and was accredited as one of the Top Ten CFOs in China by "New Money" Magazine 《(新理財雜誌》) in April 2012. Mr. GONG was admitted as a fellow of The Chartered Institute of Management Accountants in March 2020.

Ms. MING Guozhen ("Ms. MING"), aged 57, has been a Vice General Manager of the Company since May 2008 and the Board Secretary since April 2009. Ms. MING also currently serves as a director of Qingdao Huaqiao Industrial Co., Ltd. since July 2008. Ms. MING joined Haier in August 2007 and served as the business director and merger & acquisition director of the Haier Asset Operation Division (海爾資產運營事業部) from August 2007 to May 2008. Prior to that, her previous working experience primarily includes: serving as a lecturer of investment department and a deputy director of the Teaching and Research Office of investment department of China Institute of Finance and Banking (中國金融學院) from July 1986 to January 1992; successively serving as salesman, manager, assistant to the general manager in Everbright Bank of China International Trust and Investment Corp. (中國光大國際信託投資公司) from January 1992 to September 1998; serving as the vice president of Everbright International Investment Consulting Corporation (光大國際投資諮詢公司) from October 1998 to December 2000; serving as director of the general office of Analyst Professional Committee (分析師專業委員會), deputy director of the department of association qualification management (協會資格管理部) and deputy director of Association Practitioner Standard Committee (協會執業標準委員會) of Securities Association of China from January 2001 to August 2007.

Ms. MING obtained a Bachelor's degree of Economics in Sichuan Finance and Economics College (四川財經學院, currently known as Southwestern University of Finance and Economics (西南財經大學)) in Chengdu, the PRC in July 1984, and a Master's degree of Economics in Southwestern University of Finance and Economics in Chengdu, the PRC in December 1990. She obtained the title of lecturer granted by the People's Bank of China in June 1992, qualification of economist and senior economist granted by the Senior Professional Technical Function Evaluation Committee of China Everbright (Group) Corporation in May 1993 and November 1994, respectively, and the qualification of board secretary granted by the Shanghai Stock exchange in November 2008. Ms. MING was awarded as a member of "Golden Model Board Secretary Celebrities House (金牌董秘名人堂)" at the 12th session of New Finance Election in June 2016.

The following personnel have been appointed as vice-presidents and senior management of the Company since 7 February 2021:

Mr. LI Pan ("Mr. LI"), aged 45, Vice-president, graduated from Wuhan University in 1997 and obtained the double degree in economics and international business administration. He joined Haier Group in 1997 and currently serves as the general manager of the overseas platform of the Company. Mr. LI has held various positions in Haier Group, including serving as the assistant director of the Asia-Pacific Division, the manager of the Haier ASEAN Center, the manager of the Overseas Brands Marketing Center, the manager of the Overseas Strategic Center and the director on the operation of overseas markets. He has held important positions of the overseas platform of Haier Group since 2004 with extensive frontline management experience in product planning, brand marketing, market exploration and corporate operation.

Mr. WU Yong ("Mr. WU"), aged 43, Vice-president, graduated from Tianjin College of Commerce in 2001 and obtained a Bachelor's degree in heat supply, ventilation and air-conditioning engineering. He obtained the double degree of EMBA from the School of Economics and Management of Tsinghua University and the INSEAD in 2015. Mr. WU joined Haier Group in 2001 and currently serves as the general manager of the kitchen appliances and household appliances businesses and the internet of food platform of the Company. Mr. WU has served as the general manager of the PRC Region on manufacturing and production of refrigerators, overseas marketing and the air-conditioning business since joining the Group and possesses whole-process management experience in high-end manufacturing, marketing and industrial platforms.

Mr. LI Yang ("Mr. LI"), aged 45, Vice-president, graduated from Qingdao University of Science & Technology in 1998 and obtained a Bachelor's degree in fine chemical engineering. Mr. LI joined Haier Group in 1998 and currently serves as the general manager of the washing machine business and the internet of clothing platform of Haier. Mr. LI has held various positions in Haier Group, including serving as the manufacturing director and the general manager of the internet of clothing platform. He has held important positions of the internet of clothing platform of Haier since 2008 and has been engaged in the quality and systemic management of washing machines, production and manufacturing and other relevant management works. The ecological platform of the internet of clothing incubated by the team under his leadership was awarded the first prize for "Innovation Results in Modern Management of National Light Industry Enterprises" (全國輕工業企業管理現代化創新成果) in 2019. He received the "Most Promising Entrepreneur in Qingdao in 2018", the "Advanced Individual in Management Innovation of National Light Industry Enterprises" and other honors.

Ms. WANG Li ("Ms. WANG"), aged 56, Vice-president, graduated from Qingdao University of Science & Technology in 1986 and obtained a Bachelor's degree in heat supply, ventilation and air-conditioning engineering. She obtained a Master's degree in business administration from Renmin University of China in June 2013. Ms. Wang joined Haier Group (Qingdao Air-conditioner Company) in 1988 and currently serves as the general manager of the air business of Haier. Ms. WANG has held various positions, including the general manager of Haier's central air-conditioner business, the general manager of Haier's residential facilities business and the general manager of Haier's air business. Ms. WANG has held important positions in the air-conditioner department of Haier since 1988 with management experience in products and marketing. Ms. WANG has served various industrial positions, including a member of China Refrigeration and Air-Conditioning Industry Association. Ms. WANG was granted special government subsidy from the State Council and was awarded the Outstanding Entrepreneur in Light Industry in Shandong Province, the Labor Model of Qingdao City, the Outstanding Talent in Professional Technology in Qingdao City and other honorary titles.

Mr. GUAN Jiangyong ("Mr. GUAN"), aged 43, Vice-president, graduated from the Northeast Electric Power University in 2001 and obtained a Bachelor's degree in execution information system. Mr. GUAN joined Haier Group in 2001 and currently serves as the general manager of the water heater business and the internet of water platform of Haier. Mr. GUAN has been engaged in product management in industry and trade markets, production and manufacturing, product marketing and industrial pipeline management and served as a regional general manager, the market director on the water heater business and the general manager of the internet of water platform and the water heater business. He possesses whole-process management experience in product manufacturing, marketing, corporate planning management and industrial platforms.

Mr. HUANG Xiao Wu ("Mr. HUANG"), aged 44, Vice-president, graduated from the College of Photoelectric Engineering, Chongqing University with a bachelor's degree in engineering in 1998, and graduated from the Faculty of Business and Economics of The University of Hong Kong with a master's degree in business administration in 2004. From 2009 to 2020, Mr. HUANG served as the deputy general manager of Haier Electronics Group Co., Ltd., a subsidiary of the Company, to assist the chief executive officer of Haier Electronics in implementing Haier Electronics's development strategy, and was responsible for capital market affairs such as investor relations, strategic investment, and equity financing. Mr. HUANG has 20 years of extensive work experience in commercial banking, investment, industrial funds and corporate finance. Prior to joining Haier Group, he worked in the Ningbo branch and Shanghai branch of Industrial and Commercial Bank of China, Investment Banking Division of Guosen Securities, Anglo Chinese Investment Banking Group (英高投資銀行集團) and other institutions.

1. BUSINESS REVIEW OF THE COMPANY IN 2021

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

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

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

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

1. BUSINESS REVIEW OF THE COMPANY IN 2021 (continued)

(I) Smart Home Business in China

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

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

(1) Refrigerator and Freezer Business

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

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

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

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

1. BUSINESS REVIEW OF THE COMPANY IN 2021 (continued)

(I) Smart Home Business in China (continued)

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

(2) Kitchen Appliance Business

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

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

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

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

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

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

1. BUSINESS REVIEW OF THE COMPANY IN 2021 (continued)

(I) Smart Home Business in China (continued)

2. Household Laundry Management Solutions (Internet of Clothing)

(1) Washing machine business

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

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

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

(2) Internet of Clothing

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

1. BUSINESS REVIEW OF THE COMPANY IN 2021 (continued)

(I) Smart Home Business in China (continued)

3. Air Solutions

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

(1) Home air conditioning business

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

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

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

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

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

1. BUSINESS REVIEW OF THE COMPANY IN 2021 (continued)

(I) Smart Home Business in China (continued)

3. Air Solutions (continued)

(2) Commercial air conditioning business

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

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

4. Household Water Solutions

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

(1) Water heaters

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

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

1. BUSINESS REVIEW OF THE COMPANY IN 2021 (continued)

(I) Smart Home Business in China (continued)

4. Household Water Solutions (continued)

(1) Water heaters (continued)

Gas water heater revenue grew by 51% leveraging innovations in technology and expansion in distribution network. According to CMM, our market share in gas water heaters grew 4.3 percentage points to 20.6% online, while market share went up by 4.1 percentage points reaching 19.7% offline. The rapid growth was attributable to innovation including gas-electric hybrid technology with optimal energy usages, contributing to our no.1 position in water heater units priced RMB8,000–10,000; dedicated efforts were made to enhance presence in home improvement channels and building material markets while developing partnerships with interior designers to capture growth opportunities from new houses and HVAC channels.

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

(2) Water purifiers

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

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

1. BUSINESS REVIEW OF THE COMPANY IN 2021 (continued)

(I) Smart Home Business in China (continued)

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

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

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

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

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

(2) Casarte maintained strong momentum with record revenue

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

1. BUSINESS REVIEW OF THE COMPANY IN 2021 (continued)

(I) Smart Home Business in China (continued)

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

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

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

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

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

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

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

1. BUSINESS REVIEW OF THE COMPANY IN 2021 (continued)

(I) Smart Home Business in China (continued)

8. Ongoing promotion of smart manufacturing

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

The Company remained committed to integrating new-generation information technologies of 5G, artificial intelligence and digital twin with smart manufacturing, and was selected twice in a row by the Ministry of Industry and Information Technology as '5G+ Industrial Internet' model application scenarios. In September 2021, the Sino-German washing machine factory, the central air conditioning factory, Hefei refrigerator and washing machine factory passed the WEF Smart Industry Readiness Index (SIRI) assessment and were chosen to represent home appliance industry in the 'Smart Industry Readiness Index Certification White Paper'. In December, the Sino-German washing machine factory received 2021 Asia Communication Awards in recognition of its efforts in combining smart manufacturing with 5G+MEC.

(II) Overseas home appliances and smart home businesses

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

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

1. BUSINESS REVIEW OF THE COMPANY IN 2021 (continued)

(II) Overseas home appliances and smart home businesses (continued)

1. The North American market

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

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

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

1. BUSINESS REVIEW OF THE COMPANY IN 2021 (continued)

(II) Overseas home appliances and smart home businesses (continued)

2. The European market

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

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

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

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

3. The Australian and New Zealand market

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

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

1. BUSINESS REVIEW OF THE COMPANY IN 2021 (continued)

(II) Overseas home appliances and smart home businesses (continued)

4. The South Asian market

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

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

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

5. The Southeast Asian market

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

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

6. The Japanese market

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

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

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

1. BUSINESS REVIEW OF THE COMPANY IN 2021 (continued)

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

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

2. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD

The Company has established a solid strategic presence and competitive advantage in China and overseas markets. In China's major home appliance market, the Company has long maintained a leading position across all product categories. According to CMM's report, the Company has established a continued leading market position in key major home appliance categories in 2021. In overseas markets, the Company has adhered to its high-end brand creation strategy, building capacity to create leading sustainable growth, which has continuously improved its market share. Building on this foundation, the Company will further consolidate its leadership position in the industry by leveraging integrated synergies of its global unified platforms, through efficiency transformation driven by digitalization, and by leveraging its technological strength and innovative capabilities. As cornerstone for sustainable development, our 'Rendanheyi (人單合一)' Model also provided management guidance to the Company, and enabled us to replicate successful experiences. It is believed that the following advantages will help the Company to continue to strengthen its leading position:

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

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

2. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD (continued)

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

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

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

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

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

2. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD (continued)

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

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

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

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

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

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

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

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

2. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD (continued)

(v) Cross-border acquisition and synergy realisation capabilities

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

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

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

- **Global collaborative R&D:** The Company has a global collaborative R&D system and has established global technology R&D mechanisms to share common modules, utilize common technologies, and share patents within the scope of compliance. For example, ① the Company successfully applied the direct-drive motor technology developed by Fisher&Paykel to the Casarte brand of washing machines and achieved satisfactory results; ② integrating global R&D platform resources and leveraging technologies around the globe, such as China's product structures and hydraulic technology, Japan's functional design technology, New Zealand's driver system, and the American control system, we launched the GEA brand's large-volume front-load washers in the U.S. market, which has led to increases in both the market share and average price of washing machine products in the U.S. market.

2. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD (continued)

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

- **Global collaborative product development:** The Company has established a global product development mechanism to coordinate global collaborative product development, which can enable regional collaboration and supplementation across product categories. For example, the Company successfully supported GE Appliances to relaunch water heater business: the development teams in North America and China are highly integrated, benchmarking the differences in standards between Haier and products in North America. Haier's R&D advantages were combined with GE Appliance's quality assurance system to jointly develop the product. The resulting electric water heater product has achieved industry leadership in terms of design, manufacturing and inspection, with annual sales of more than 50,000 units, thus providing solid support for GEA brand's water heaters to successfully enter the North American market.

- **Global collaborative procurement:** The Company's global procurement activities are coordinated by its global procurement guidance committee. By leveraging the Company's global procurement operations platform, the Company's operating divisions in different regions can share global procurement resources, thereby achieving economies of scale.

- **Global collaborative supply chain:** The Company has a visualizable and digitalized global supply chain management system, which has enabled flexible deployment of global production capacity, and sharing and collaboration in the development of smart manufacturing technologies.

- **Global collaborative marketing and brand promotion:** the Company operates a multi-level brand portfolio on a global scale, which can realize global collaborative brand promotion. The Company also promotes and introduces successful marketing strategies among regional markets around the world. For example, the Company successfully replicated its sales and marketing model from third and fourth-tier markets in China, in markets such as India, Pakistan, and Thailand, which have strengthened the Company's brand image and its regional market competitiveness.

2. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD (continued)

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

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

- The State Science and Technology Progress Award: In 2021, Haier Smart Home received another State Science and Technology Progress Award, ranking first in the industry with a total of 16 awards.

- Leadership in terms of patent quality: As of December 2021, Haier Smart Home has accumulated more than 75,000 patents applications globally, of which invention patents accounted for more than 63%. The number of overseas invention patents exceeded 14,000, making us the Chinese home appliance enterprise with the largest number of overseas patents. The Company also accumulated 10 state patent gold awards, ranking first in the domestic market. In the 'Global Smart Home Invention Patent Ranking' in 2021, Haier Smart Home once again topped the list, ranking first in the world for six consecutive times.

- Leadership in terms of international standards: As of December 2021, Haier Smart Home has cumulatively led and participated in formulation of 82 international standards and 602 state industrial standards. It is the only company in the industry to obtain comprehensive coverage in the five major international standard organizations, namely the IEC, ISO, IEEE, OCF and Matter. It is also the only enterprise in the world to serve on the IEC Board and the IEC Market Strategy Board at the same time, which have enabled the Company to stay actively involved in international standardization work and have a voice in the formulation of standards.

- Leadership in terms of original technologies: In 2021, the Company has innovated a range of solutions that exceeded users' expectations, such as the launch of the Casarte's 'simultaneous five-ring fire' gas stove, which enlarged the pot heating area by 40% through the use of multi-ring uniform combustion system, ingredients in the pot could therefore be more evenly and comprehensively heated. The Company also introduced the Casarte's Zhongzihemei all-in-one laundry machine that could perform the three functions of washing, fabric-caring and drying in the same machine; through continuous iteration of original technologies, it solved the three major pain points of high-end washing, drying and fabric-caring. We therefore created a new product category in the laundry industry and has continued to increase our market share of high-end washing machines.

2. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD (continued)

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

- Leadership in terms of innovative ecosystem: In 2021, with approval of the Ministry of Industry and Information Technology, Haier spearheaded the establishment of the National High-end Intelligent Household Appliances Innovation Centre, which is the only national-level manufacturing innovation centre in the field of home appliances. By centring on the development direction of high-end, smart and scenario-based home appliances, the Centre focuses on breaking through a number of critical common technologies in the technological fields of ontology, intelligence, security and scenario application, so as to enhance the technological innovation level and product competitiveness of China's high-end smart home appliance industry.

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

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

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

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

3. INDUSTRY OVERVIEW FOR 2021

(i) The Chinese Market

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

By category:

(1) The refrigerator and washing machine industries have benefited from average price increase brought about by continuous product upgrade, retail revenue continued to grow. According to data from CMM, retail sales of the refrigerator and washing machine industries reached RMB98.1 billion and RMB73.5 billion respectively in 2021, representing growth of 7.6% and 7.3% respectively as compared to 2020.

(2) Impacted by factors including the real estate slowing down and the summer temperature lower than previous years, retail sales of the air conditioning industry reached RMB157.6 billion with a slight growth of 0.5%.

(3) With increasing popularity of integrated stoves, which has substitution effects on traditional kitchen appliance products such as range hoods and gas stoves, and as data from CMM showed, retail sales of the range hood industry in 2021 amounted to RMB38.2 billion, representing a growth of 7.0% as compared to 2020; retail sales of the integrated stove industry reached RMB26.7 billion, representing a surge of 43.5% from 2020.

(4) The water heater industry's overall performance was stable, with retail sales amounted to RMB60.8 billion, up 0.8% from 2020.

(5) Emerging categories such as clothes dryers and dishwashers have entered a stage of rapid growth after years of incubation: according to CMM's statistics, the retail sales of dishwashers reached RMB11.3 billion in 2021, a rise of 20.2% from 2020; the retail sales of clothes dryers amounted to RMB7.6 billion in 2021, a jump of 123.5% compared to that of 2020.

(6) The pandemic has caused people to stay home for extended period of time, alongside product innovation, user demand for cleaning appliances and emerging small kitchen appliances have been stimulated. For instance, according to data from CMM, retail sales of cleaning appliances reached RMB27.8 billion in 2021, an increase of 23% year-on-year. According to statistics from Euromonitor, the sales volume of air fryers in the Chinese market recorded a year-on-year growth of 37% in 2021.

3. INDUSTRY OVERVIEW FOR 2021 (continued)

(i) The Chinese Market (continued)

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

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

(2) In terms of industry development trends:

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

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

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

3. INDUSTRY OVERVIEW FOR 2021 (continued)

(i) The Chinese Market (continued)

In terms of channel development trends:

(a) Livestreaming e-commerce as part of online channel has developed rapidly. According to the information of AVC, transaction value from livestreaming e-commerce has exceeded RMB1.09 trillion in the first half of 2021. Compared to traditional e-commerce which mainly displays product information through text and images, livestreaming e-commerce is clearly advantageous in terms of interaction and user experience, making it easier to motivate users. At the same time, introduction and product comparisons offered by KOLs can also save users' time in decision making.

(b) The continuous increase in user demand for personalization, household customization and improvement in indoor space utilization has driven the development of integrated sales of complementary home appliances and home furnishing via offline channels. In particular, the building material channel is highly suitable for the promotion of the sales of high-end and smart product suites of home appliances in the form of scenario-based solutions. Home appliance enterprises have proactively strengthened sales networks in household building material outlets, so as to attract users at the early stage when they are still designing and planning for home renovation, and maximize average revenue per user through the sales of product suites.

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

3. INDUSTRY OVERVIEW FOR 2021 (continued)

(ii) Overseas markets

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

By market:

(1) The U.S.

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

(2) Europe:

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

(3) South Asia

① India: As the pandemic developed to a later stage, users increasingly favoured products with large-capacity and health-conscious features. E-commerce has developed rapidly in the past two years, with the proportion of online sales of home appliances steadily increased.

② Pakistan: Despite depreciation of the rupee and the pandemic's impacts on residents' willingness to consume, health-boosting and smart products were gradually recognized by users. For example, energy-saving variable-frequency refrigerator series and large-volume freshness preservation refrigerator series have gradually become mainstream products.

3. INDUSTRY OVERVIEW FOR 2021 (continued)

(ii) Overseas markets (continued)

(4) Southeast Asia:

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

(5) Australia & New Zealand:

① Australia: The industry maintained its growth momentum in the first half of the year. However, channel sales of home appliances were greatly hampered in the second half of the year due to pandemic related lockdown. The size of the industry in 2021 remained the same as 2020.

② New Zealand: The pandemic has led to prolonged home office hours for local residents, which stimulated the demand for home renovation and refurbishment, and drove the development of the real estate market. User demand for home appliances increased accordingly. According to the home appliance import data from local customs, home appliance imports grew 11.9% in 2021.

(6) Japan:

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

4. INDUSTRY OUTLOOK FOR 2022

(i) The Chinese market:

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

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

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

4. INDUSTRY OUTLOOK FOR 2022 (continued)

(ii) The global market:

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

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

5. PRINCIPAL ACTIVITIES OF THE COMPANY DURING THE REPORTING PERIOD

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

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

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

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

5. PRINCIPAL ACTIVITIES OF THE COMPANY DURING THE REPORTING PERIOD (continued)

Smart Home Business in China

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

- Household Food Storage and Cooking Solutions (Internet of Food): Through selling in domestic market and exporting products such as refrigerators, freezers, kitchen appliances and value-added services, including smart cooking and nutrition planning, the Company fully addresses users' need for convenient, healthy and tasteful gourmet experiences.

- Household Laundry Solutions (Internet of Clothing): Through selling in domestic market and exporting products such as washing machines, dryers and value-added laundry services solution such as smart dispense of laundry detergent, the Company satisfies users' demand for washing and caring of apparels in a comprehensive manner.

- Air Solutions (Internet of Air): Through domestic sales in China and exports, the Company provides home air-conditioners, commercial air-conditioners, purifiers, fresh air systems, as well as comprehensive range of solutions including coordination of multiple air-conditioners and purifiers, adaptive air flow, air quality monitoring and air disinfection.

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

5. PRINCIPAL ACTIVITIES OF THE COMPANY DURING THE REPORTING PERIOD (continued)

Overseas Home Appliance and Smart Home Business

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

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

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

Other Businesses

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

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

6. OUTLOOK AND DEVELOPMENT STRATEGY OF THE COMPANY

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

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

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

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

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

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

7. POSSIBLE RISKS

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

(ii) **Risk of price war caused by intensified industry competitions.** The white goods industry is highly competitive with a high degree of product homogeneity, industry concentration has increased in recent years. Increase in inventory in individual sub-sectors due to imbalance between supply and demand may lead to risks such as price war. Furthermore, due to rapid technological advancements, scarce talents in the industry, shortened product life cycles and ease of imitation, it is becoming increasingly difficult to profit. New products, services and technologies are often associated with higher selling prices, and it has become necessary for the Company to invest more in research and development in order to achieve that. The Company will actively invest in research and development to attract users through continuous innovation in products and services, and establish a lasting brand influence.

(iii) **Risk of fluctuations in raw material prices.** The Company's products and core components mainly use metal such as steel, aluminum, and copper as raw materials, as well as bulk commodity such as plastics and foam. If the prices of raw materials continue to rise, it will put certain pressure on the Company's production and operations. In addition, the Company relies on third party suppliers for key raw materials, components and manufacturing equipment, as well as OEM suppliers, and any disruption in supply or significant price increases by these suppliers will have a negative impact on the Company's businesses. As a leader in the industry, the Company will take measures to reduce the risk of raw material fluctuations on its operations such as by using value adjustment mechanism on volume and price with suppliers and hedging.

(iv) **Operational risk in overseas business.** The Company has steadily developed its global business and has established production bases, research and development centers and marketing centers in many parts of the world, with the proportion of overseas revenue increasing year by year. Overseas markets are subject to political and economic situations (events such as military conflicts and wars), legal systems and regulatory regimes of those countries and regions, and significant changes in these factors may pose certain risks to the Company's local operations in these markets. The Company has taken various measures to mitigate the relevant impact, including active collaborations with suppliers and distributors, improving production efficiency to offset the impact on the Company's overall cost of sales, potentially expanding the Company's supply resources to other countries, and taking measures to ensure safety of its people and assets.

7. POSSIBLE RISKS (continued)

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

(vi) **Risk of policy changes.** The home appliance industry is closely related to the consumer goods market and the real estate market. Changes in macroeconomic policies, consumption investment policies, real estate policies and relevant laws and regulations will affect distributors' demand for products, which in turn will affect product sales of the Company. The Company will closely monitor changes in policies, laws and regulations, and anticipate market changes to safeguard the Company's further development.

(vii) **Risk of uncertainties resulted from COVID-19 outbreak.** The COVID-19 outbreak, which gradually spread around the end of 2019, could lead to a further weakening of consumer demand for home appliances, which could in turn affect the Company's product sales. Firstly, lockdowns, social distancing measures and travel restrictions could reduce user mobility and result in the closure of retail sales network, thereby reducing consumer demand for home appliances. Secondly, the pandemic may also cause disruptions to the operations of distributors, such as logistical disruptions in the delivery of products, resulting in distributors' dissatisfaction with the Company's services and consequently reduced demand for the Company's products. The Company will leverage its anti-pandemic experience in the Chinese market and make best use of its global resource synergies to mitigate the impact of the pandemic on its businesses.

(viii) **Credit risk.** The Company may not be able to collect all trade receivables from its distributors, or distributors may not be able to settle the Company's trade receivables in a timely manner, in which case the Company's business, financial status and operation performance may be adversely affected. In relation to this risk, the Company will maintain flexibility to offer a credit period of 30 to 90 days to certain distributors based on their credit history and their transaction volume.

(ix) **Inventory risk.** Since the Company cannot always accurately predict trends and events and maintain appropriate inventory levels, there may be excess inventory as a result, for which the Company may be forced to offer discounts or offer promotions to tackle the slow-moving inventory issue. On the other hand, a shortage of inventory may occur, which may lead to loss of sales opportunities for the Company. However, the Company will manage its inventory and make adjustment according to market situation. It will also regularly assess if impairment of inventory is needed.

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

1. ANALYSIS OF REVENUE AND PROFIT

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

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

1. ANALYSIS OF REVENUE AND PROFIT (continued)

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

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

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

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

(1) Household Food Solutions

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

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

1. ANALYSIS OF REVENUE AND PROFIT (continued)

(2) Household Air Solutions

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

(3) Household Clothing Solutions

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

(4) Household Water Solutions

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

(5) Smart Home Business Overseas

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

1. ANALYSIS OF REVENUE AND PROFIT (continued)

(5) Smart Home Business Overseas (continued)

In particular, revenue from the American region increased from RMB63,705 million in 2020 to RMB70,277 million in 2021, representing a growth of 10.3%, as compared to the increase of 18.0% in US dollar. This was mainly due to the Group's dedication in the strategy of high-end brand creation, its focus on high-end transformation and scenario ecosystem to achieve breakthroughs, continuous upgrades of products and channels, and by taking advantage of global synergies, and coping with a series of challenges such as raw material sourcing and sea freight charges.

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

Profit Attributable to Shareholders of the Company

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

Adjusted Operating Profit

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

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

In 2021, the adjusted operating profit of the Group was RMB13,551 million, representing an increase of 37.0% as compared to RMB9,893 million (restated) in 2020. The increase in the adjusted operating profit was mainly attributable to the increase in profit of each business segment of the Group in China and the overseas home appliances and smart home business.

1. ANALYSIS OF REVENUE AND PROFIT (continued)

Adjusted Operating Profit (continued)

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

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

Gross Profit Margins

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

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

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

1. ANALYSIS OF REVENUE AND PROFIT (continued)

Adjusted Operating Profit (continued)

Selling and Distribution Expenses

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

Administrative Expenses

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

2. FINANCIAL POSITION

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

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

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

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

Net Assets

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

2. FINANCIAL POSITION (continued)

Working Capital

Trade and Bills Receivables Turnover Days

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

Inventory Turnover Days

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

Trade and Bills Payable Turnover Days

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

3. CASH FLOW ANALYSIS

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

3. CASH FLOW ANALYSIS (continued)

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

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

Items	2021 RMB'M	2020 RMB'M (restated)
Payment for purchases of non-current assets	(7,372)	(7,602)
(Purchase)/redemption of wealth management products	(237)	1,163
Acquisition of subsidiaries	–	(323)
Cash (outflow)/inflow from disposal of subsidiaries and assets held for sale	(220)	861
Cash from disposal of fixed assets and leasehold land	290	324
Dividend from an associates	549	485
Interest received from wealth management products	4	16
Acquisition of minority interest in a subsidiary	(263)	–
Purchase of equity investments designated as at fair value through other comprehensive income	(740)	(5)
Net cash outflow from other investing activities	(78)	(193)
Net cash flow used in investing activities	(8,067)	(5,274)

3. CASH FLOW ANALYSIS (continued)

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

Items	2021 RMB'M	2020 RMB'M (restated)
Proceeds from borrowings	**12,053**	28,732
Repayment of borrowings	**(19,550)**	(23,509)
Repurchase of shares	**(3,221)**	—
Dividend distribution to shareholders and minority shareholders	**(3,462)**	(5,800)
Borrowings interest	**(555)**	(989)
Changes in ownership interests in subsidiaries	**41**	1,299
Lease payment*	**(769)**	(728)
Stock issuance costs	**(178)**	(49)
Net cash outflow from other financing activities	**—**	18
Net cash flow used in financing activities	**(15,641)**	(1,026)

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

LIQUIDITY AND FINANCIAL RESOURCES

The Group focuses on cash flow management and has been able to maintain a healthy financial and liquidity position. As at 31 December 2021, the Group had a current ratio of 0.99 (31 December 2020: 1.04).

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

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

Among the cash and cash equivalents and the wealth management products from other financial assets balance, approximately 78% was denominated in Renminbi and the remaining 22% was denominated in Euro, Hong Kong dollars, U.S. dollars and other currency.

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

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

For the currencies in which the interest-bearing borrowings and bonds are made, please refer to Note 32 — Interest-Bearing Borrowings of the Notes to the Consolidated Financial Statement section of this annual report for details.

As at 31 December 2021, among the interest-bearing borrowings and bonds disclosed above, approximately 25.4% or RMB5,355 million, were fixed rate.

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

SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As of 31 December 2021, the Group did not have any significant investment or future plans for material investments or capital assets.

Regarding to future capital expenditure planning, the capital expenditure in Chinese market mainly focuses on the intelligent factory layout and the improvement of employees' working environment, so as to promote the rapid development of relevant industries of the Company. The capital expenditure in overseas market mainly focuses on the global supply chain layout and industrial park reconstruction, new product R&D, informationised construction, etc., so as to continuously improve the overseas operation ability and ensure the leading position and rapid development of the market in the future. Investment funds will be financed through the Company's own funds and equity financing, etc.

USE OF PROCEEDS OF CONVERTIBLE BONDS

On 18 December 2018, the Company raised approximately RMB3,007 million by issuing A-Share convertible corporate bonds. After deducting cost of issue and other related expense of 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 year, the net proceeds utilised was approximately RMB264 million. As of 31 December 2021, the unutilised net proceeds was approximately RMB369 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).

USE OF PROCEEDS OF CONVERTIBLE BONDS (continued)

The detailed breakdown and description of the Net Proceeds utilised during the year ended 31 December 2021 are set out below:

	Actual Net proceed as at 1 January 2021 RMB'M	Reallocation 2021 RMB'M	Amount of the net proceeds utilised for the year ended 31 December 2021 RMB'M	Unutilised net proceed as at 31 December 2021 RMB'M
Investment projects	610	(78)	(283)	249
Working Capital*	—	78	—	78
Other general purposes#	23	—	19	42
	633	—	(264)	369

* 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 mainly from interest on demand deposits, foreign exchange gains and losses.

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

CAPITAL EXPENDITURE

The Company assesses its capital expenditure and investments in each business segment of the Group in China and the overseas home appliances and smart home business from time to time. The capital expenditure during the year was RMB7,372 million (2020: RMB7,602 million (restated)), in which RMB3,430 million and RMB3,942 million was mainly used in China and overseas respectively for the construction of plant and equipment, property rental expenses, and investment of information infrastructure.

GEARING RATIO

As at 31 December 2021, the Group's gearing ratio (defined as total borrowings (including interest bearing borrowings, bonds, lease liabilities and convertible and exchangeable bonds) divided by net assets of the Group) was 29.6%, and was 58.0% for 2020, mainly due to the repayment of ultra-short-term financing notes, the repayment of loans and the conversion of convertible bonds during the period.

TREASURY POLICIES

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

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

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

Details of the Group's exposure to fluctuations in exchange rates and related hedges are included in Note 23 — Derivative financial instruments and Note 48 — Foreign currency risk to the Consolidated Financial Statements of this Annual Report.

CAPITAL COMMITMENT

The Group's capital commitments contracted but not yet provided for amounted to RMB3,159 million as at 31 December 2021 (31 December 2020: RMB3,009 million), which were mainly related to the Group's domestic and overseas factories construction projects.

CHARGE OF ASSETS

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

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

CONTINGENT LIABILITIES

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

RELATIONSHIP WITH EMPLOYEES, REMUNERATION POLICY

The Group is dedicated to offer employees a competitive remuneration mechanism (including short-, medium- and long-term incentives), all-rounded benefit plans, work-life balance and employee caring scheme. Under the management approach of "Integrating Order with Personnel", it encourages every employee to integrate his/her personal development into the long-term development of the Company, for achieving a healthy development and progress between the Company and employees and thus creates a win-win situation.

The total number of employees of the Group increased by 5.6% to 104,874 as at 31 December 2021 from 99,299 as at 31 December 2020.

RELATIONSHIP WITH CUSTOMERS AND SUPPLIERS

The Group values its customers and suppliers as major partners and stakeholders. A healthy and competitive partnership network is fundamental to the Group's success.

In China, we serve our customers through a comprehensive omni-channel sales network consisting of offline and online channels. Our offline sales and distribution network in China primarily consists of the following: (i) our franchised stores and their extended sales network, (ii) national chain store retailors (being Suning, GOME and Wuxing), (iii) regional chain store retailors, and (iv) other sales channels selling to our business partners. We also offer our products through online channels including: (i) directly selling to end-customers through our own Haier Smart Home App or B2C platforms such as our flagship store on Tmall.com, and (ii) selling our products to B2B2C channels such as JD.com.

RELATIONSHIP WITH CUSTOMERS AND SUPPLIERS (continued)

All of our franchisees, national chain stores, regional chain stores and online B2B2C platforms are independent third parties. Our relationship with our franchisees, national chain stores, regional chain stores and online B2B2C platforms is in essence a buyer and seller relationship. They are our customers and they do not act on our behalf when dealing with their respective end customers, and we have no management control over their daily operations or their inventories level. Our franchisees, national chain stores, regional chain stores and online B2B2C platforms place orders with us when and to the extent they deem appropriate. We monitor their sales performance and provide marketing guidance to them. Based on their sales performance, we may consider enhancing, weakening or even terminating our cooperation relationships with our retailors and distributors. In general, our relationships with our major franchisees, national chain stores, major regional chain stores and major online B2B2C platforms have remained stable. There was no material non-compliance with the terms and conditions of our agreements with them.

North America and Europe are our two largest overseas markets and a substantial part of our overseas sales are made through local retailors. We also sell our products through online channels. We have established stable business relationship with our retailors and other customers. In the North America, we have maintained good collaboration with them through various kinds of branding, sales, marketing and promotion activities, which does not only enhance the sale of our products, but also promotes our brand recognition among the consumers covering various demographical groups. In Europe, our principal sales channels cover retail stores and e-commerce platforms. Similar to our approach in the North America, we also strategically select our retailors in Europe based on various criteria including market share, market positioning, and reputation of the customers, in order to maximise the reach of our products to consumers. We maintain stable business relationship with our online and offline customers. We do not engage local distributors or wholesalers to distribute our products in Europe.

Through our information feedback system, customer feedback is sent to the suppliers in real time and is a key part of the suppliers' key performance indicator in their on-going evaluations. For overseas suppliers, their performance is also closely monitored by the local teams in accordance with the requirements set forth in the agreement, as well as the local customs.

Prospective suppliers can register on our online platform. Once registered, a supplier will be vetted for its business, product quality, technical capabilities, and social responsibilities, among other criteria. Once a supplier has been approved, it is added to the pool of pre-qualified suppliers and becomes eligible to bid for the relevant orders from us. The orders are posted on our online platform and open to suppliers for bidding. We strive to make the bidding process transparent and fair for all of the participating suppliers. Once the bid is selected, the supplier will sign a contract with us and officially becomes our supplier. The suppliers' performance can be rated by the customers through the same online platform. Based on the customers' feedback, the system can automatically adjust and optimise the supply strategies.

RELATIONSHIP WITH CUSTOMERS AND SUPPLIERS (continued)

We typically seek to enter into long-term agreements with our strategic suppliers. For other suppliers, the agreements are generally renewed annually. The payment terms for our suppliers vary, but the typical payment period for suppliers is "3+6" in China, meaning that we serve our suppliers with banker's acceptances with a term of six months after an initial credit period of three months. We typically do not have a fixed and standard payment period for suppliers in our overseas markets.

MATERIAL ACQUISITIONS AND DISPOSALS

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

Save for those disclosed in this Annual Report, there were no other material acquisitions or disposals of subsidiaries authorised by the Board at the date of this Annual Report.

EVENTS AFTER THE REPORTING PERIOD

1. Subsequent to the end of the reporting period, the directors of the Company proposed to declare a cash dividend of RMB4.60 per 10 shares for the year ended 31 December 2021, amounting to a total of approximately RMB4,320 million, subject to the approval of the shareholders at the annual general meeting.

2. On 11 January 2022, the Company entered into a placing agreement with the placing agent for the issue of 41,413,600 H Shares. On January 21, 2022, the Company completed the placing agreement and received net proceeds of approximately HK$1,149.98 million from the shareholders.

3. The Company has subsidiaries in Russia engaged in the production and sales of home appliances. As of the date of this report, the Russia-Ukraine conflict has not yet had a material impact on the Company's production and sales in Russia. The financial impact of the incident on the Company is uncertain, but the Company will continue to assess the impact of the incident in the future as it unfolds.

DIVIDENDS

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

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

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

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

CORPORATE GOVERNANCE PRACTICES

The board (the "Board") of directors (the "Directors") and the management (the "Management") of Haier Smart Home Co., Ltd. (the "Company") recognise that sound corporate practices are crucial to the efficient operation of the Company and its subsidiaries (collectively the "Group") and the safeguarding of our shareholders' interests. In this regard, the Board gives high priority to enhance the Company's corporate governance standards with emphasis on transparency, accountability and independence in order to enhance the long-term value of our shareholders.

The Company has complied with the applicable code provisions (the "Code Provision(s)") and principles under the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") during the year ended 31 December 2021. The Board shall review its code from time to time to ensure its continuous compliance with the Code. This report describes the Company's corporate governance practices, explains its applications of and deviations from the Code (if any), together with considered reasons for such deviations (if applicable).

BOARD OF DIRECTORS

Composition

As at 31 December 2021, the Board comprised three Executive Directors, four Non-executive Directors and four Independent Non-executive Directors (the "INED(s)").

The Board has at least one-third in number of its members comprising INEDs throughout the year. The Company has also fulfilled the requirements of the composition of the Company's audit committee, remuneration committee and the nomination committee under the Listing Rules.

At least one of the INEDs possesses appropriate professional qualifications or accounting or related financial management expertise under Rule 3.10 of the Listing Rules. The Directors are well-versed in respective areas such as accounting and finance, business management and industry knowledge and the Board as a whole has achieved an appropriate balance of skills and experience. The chairman of the Board and the nomination committee will review the composition of the board from time to time so as to enhance it for meeting the strategic objectives of the Company. The Directors' biographical details are set out on pages 14 to 20 of this annual report.

To the best of the Company's knowledge, there is no financial or family relationship among the Board members and the supervisors. All of them are free to exercise their independent judgment on all matters concerning the Company.

The Articles of Association of the Company ("Articles of Association") have stated clearly the procedures for the appointment of new directors, re-election and removal of directors. Under the Articles of Association, the Board may from time to time to nominate a director either to fill a casual vacancy or as an addition to the Board, subject to the election at the next following general meeting of the Company.

Non-executive Directors of the Company are all elected by the general meetings, with term of office of three years, which are renewable upon re-election and reappointment.

BOARD OF DIRECTORS (continued)

Board diversity policy

The Company recognizes that Board diversity will help improve corporate governance, increase the efficiency of the Board, reduce management and control risks and make better decisions, thereby achieving the sustainable and healthy development of the Company.

When determining the composition of the Board, the Company will take into full consideration the Board diversity, including but not limited to, gender, age, cultural and educational background, regions, professional experience, skills, knowledge and service terms of Directors as well as other regulatory requirements.

Appointments of Board members will be made on a merit basis and requirements for Board diversity will be fully considered, with a focus on evaluating which skills, experience, and diverse viewpoints and perspectives the candidates can bring to the Board, and how they can contribute to the Board.

The Nomination Committee of the Company is responsible for supervising and reporting to the Board matters concerning diversification of the Board members; working out the composition of the Board members, evaluating the professional experience, skills, knowledge and other diverse factors required by the Board, and making recommendations to the Board; searching for and nominating Director candidates and reporting the same to the Board for approval; supervising the appointment made by the Board; and ensuring that the recruitment and selection from the Board to common staff proceed according to proper procedures.

The Company shall establish and implement relevant plans to develop a broader and more diverse pool of skilled and experienced employees, so that, in time, their skills will prepare them for senior management and board positions.

The Nomination Committee will consider and, if appropriate, set measurable objectives to implement the Board diversity policy and review such objectives to ensure their appropriateness and ascertain the progress made towards achieving those objectives. The Nomination Committee of the Company will be responsible for monitoring the implementation of the Board diversity policy, evaluating the diversity of the Company every year and reviewing the Board diversity policy as appropriate, discussing any revisions required, and making recommendations to the Board for approval before implementation.

Delegation by the Board

The Directors are collectively responsible for setting the Group's strategies, providing leadership and guidance to put them into effect, reviewing and monitoring the performance of the Group and are accountable to the Company's shareholders. To maximise the effectiveness of the Group's operations, the Board has delegated management and administration of the Group's daily operations to the Executive Directors, chief executive officer ("CEO") and the Management while reserved several important matters for its approval. To this end, the Articles of Association of the Company have set out the division of functions between the Board and the Management (including the Executive Directors and the CEO).

BOARD OF DIRECTORS (continued)

Delegation by the Board (continued)

The major functions of the Board and the Management are summarized as follows:

The Board is principally responsible for:

1. determining the Company's business plans and investment schemes;

2. formulating the Company's annual budgets and final accounts;

3. formulating the Company's profit distribution plan and plan for covering losses;

4. formulating the Company's plans for increase or reduction of registered capital, issuance of bonds or other securities and listing plan;

5. formulating the Company's plans for significant acquisition, merger and acquisition, division, dissolution and change of corporate form;

6. determining establishment of the Company's internal management mechanisms;

7. formulating the Company's basic management rules and the plans for amendment of the Articles of Association;

8. any other functions and powers accorded by laws, administrative regulations, departmental rules and the listing rules of the place where the securities of the Company are listed or the Articles of Association or other authorities granted by the shareholders' general meeting; and

9. subject to the requirements of the Listing Rules and other regulations, approving transactions in which connected person(s) (as defined in the Listing Rules) of the Company is/are considered having material interests.

BOARD OF DIRECTORS (continued)

Delegation by the Board (continued)

The Management is principally responsible for:

1. exercising all such other powers and performing all such other acts as may be exercised and performed by the Directors, save and except for those that may specifically be reserved by the Board and/or the committees set up by the Board for decision and implementation; or those that may only be exercised by the Board pursuant to the Company Law of the PRC and other regulations in the PRC, the Articles of association, the Listing Rules, the Hong Kong Codes on Takeovers and Mergers and Share Buy-backs;

2. presiding over production and operation management of the Company, organizing implementation of Board resolutions and reporting to the Board of Directors on their work;

3. organising the implementation of the Company's annual business plans and investment plans;

4. formulating plans for establishment of internal management mechanisms of the Company;

5. formulating basic management rules, and specific rules and regulations of the Company;

6. determining the appointment or dismissal of management personnel other than those whose appointment or dismissal be decided by the Board of Directors; and

7. monitoring the executions of the continuing connected transactions between connected person(s) (as defined in the Listing Rules and other regulations) and the Company to ensure their compliance with the relevant rules and regulation.

The Board reviews those arrangements on a periodic basis to ensure that they remain appropriate to the needs of the Group.

Chairman and Chief Executive Officer ("CEO")

The roles of chairman and chief executive officer ("CEO") of the Company are separated and are performed by the different persons. During the year ended 31 December 2021, Mr. LIANG Haishan, an Executive Director, had served as the chairman of the Company, while Mr. LI Huagang has served as the CEO of the Company.

BOARD OF DIRECTORS (continued)

Independent Non-executive Directors (the "INED")

The INEDs have the same duties of care and skill and fiduciary duties as the Executive Directors. They are expressly identified as such in all corporate communications that disclose the names of the Directors.

The INEDs are experienced professionals with expertise in areas of accounting and finance, and business management. With their professional knowledge and experience, the INEDs advise the Company on its operation and management; provide independent opinion on the Company's connected/continuing connected transactions and other material transactions; participate in the Company's Audit Committee meetings, Remuneration and Appraisal Committee meetings, Nomination Committee meetings, Strategy Committee meetings and Environmental, Social and Governance Committee meetings. The INEDs also contribute to provide adequate checks and balances so as to protect the interests of the Company, to enable the interests of the Company's shareholders as a whole are adequately and fairly represented, and to promote the development of the Company.

The chairman meets the INEDs at least once annually without the presence of other Directors to discuss any topics they consider necessary.

The Company has received an annual confirmation of independence from each of the INEDs pursuant to Rule 3.13 of the Listing Rules and considers all INEDs independent as at the date of this report.

Supply of and access to information

Newly appointed Directors will receive induction packages relating to the duties and responsibilities of directors under the Listing Rules and other applicable rules and regulations.

All the Directors are briefed and updated from time to time on the latest legislative and regulatory developments, and they receive, in a timely manner, adequate information which is accurate, clear, complete and reliable to ensure that they are fully aware of their responsibilities under the Listing Rules, the Company Law of the PRC, the Articles of Association of the Company and other applicable legal and regulatory requirements.

In order to ensure that their duties can be properly discharged, the Directors are entitled to seek advice from independent professional advisers whenever deemed necessary by them at the Company's expense.

BOARD OF DIRECTORS (continued)

Professional development

The Directors paid significant attention to enhance their knowledge and expertise so as to discharge their duties and responsibilities more effectively. The Company would organize in-house training sessions for newly appointed directors which are conducted by professionals relating to the duties and responsibilities of directors under the Listing Rules and other applicable rules and regulations.

During the year, all Directors have fully observed the Code Provision A.6.5 and have attended various relevant training programmes which include:

(i) In-house training sessions organized by the Company which was conducted by professional on topics including update on corporate governance rules;

(ii) participation and/or as speakers in relevant conferences and seminars organized by various external organizations relevant to the business or directors' duties, for update on corporate governance, and for enhancing their business expertise; and

(iii) private study of materials relevant to the director's duties and responsibilities.

During the year, all Directors received regular updates on the Group's business, operations, risk management, corporate governance matters, and changes on relevant laws and regulations applicable to the Group.

During the year, the Company Secretary of the Company have taken no less than 15 hours of relevant professional training.

Board meetings

During the year ended 31 December 2021, the Board held eleven meetings to review and approve, among other things, the 2020 annual results, 2021 interim and quarterly results; to discuss and review the strategic transactions, placement of shares, connected transactions and other assets restructure plans; to discuss and review the share based award proposals such as the Core Employee Stock Ownership Plan (ESOP), the Restricted Share Unit Scheme (RSU), and the Share Option Incentive Scheme; to discuss and propose various resolutions for shareholders' general meetings. The Company's board meetings (the "Board Meeting(s)") are permitted to be held by means of telephone or other means of electronic communication.

Sufficient notices are served and comprehensive information is provided to the Board members in advance of all the Board Meetings in order to enable them to make informed decisions on all matters transacted at the Board Meetings.

The proceedings of the Board Meetings are conducted by the Chairman of the Board or another Executive Director who ensures that sufficient time is allowed for discussion among the Directors and equal opportunities are being given to the Directors to express their views and share their concerns.

The Board Secretary attends the Board Meetings to advise Directors on corporate governance practices, and statutory compliance, accounting and financial issues whenever deemed necessary by the Board.

BOARD OF DIRECTORS (continued)

Board meetings (continued)

The Board Secretary is responsible for preparing minutes recording all matters transacted and resolved at the Board Meetings. All the Board minutes are kept by the Board Secretary and are open for inspection by the Directors.

The following table shows the attendance of the Directors at the Board Meetings during the year ended 31 December 2021:

	No. of the Board Meetings attended/held
Executive Directors:	
Mr. LIANG Haishan *(Chairman)*	11/11
Mr. LI Huagang *(Chief Executive Officer)*	11/11
Mr. XIE Juzhi *(Vice Chairman)* (appointed with effect from 5 March 2021)	10/10
Non-executive Directors:	
Ms. TAN Lixia *(Vice Chairwoman)* (retired with effect from 30 March 2021)	3/3
Mr. WU Changqi	11/11
Mr. LIN Sui	11/11
Mr. YU Hon To, David (appointed with effect from 5 March 2021)	10/10
Ms. Eva LI Kam Fun (appointed with effect from 5 March 2021)	10/10
INEDs:	
Mr. DAI Deming (retired with effect from 25 June 2021)	5/5
Mr. CHIEN Da-chun	11/11
Mr. WONG Hak Kun	11/11
Mr. LI Shipeng (appointed with effect from 5 March 2021)	10/10
Mr. WU Qi (appointed with effect from 25 June 2021)	6/6

It is challenging to arrange the Board Meeting that fits in with the tight and busy schedules of all the Directors. To enable all the Directors to keep abreast of the Group's latest development and to discharge their duties properly, the Board Secretary briefed the Directors on those matters transacted at the Board Meetings that they were unable to attend. In addition, draft and final versions of the Board minutes were sent to all Directors for their comments and records. Also, the minutes of Board Meetings as well as meetings of Board committees were recorded in sufficient details of the matters considered and decisions made, including concerns raised by the Directors or dissenting views expressed.

BOARD OF DIRECTORS (continued)

Model Code for Securities Transactions by Directors

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

In addition, the Board has adopted written guidelines (the "Employees' Guidelines for Securities Transactions") for securities transactions by employees (the "Relevant Employees") who are likely to be in possession of unpublished price sensitive information of the Company on no less exacting terms than the Model Code. Having made specific enquiries of all the Relevant Employees, the Company confirmed that all the Relevant Employees had complied with the required standards as set out in the Employees' Guidelines for Securities Transactions throughout the year ended 31 December 2021.

Board Committees

The Board has established an Audit Committee (the "Audit Committee"), a Remuneration and Appraisal Committee (the "Remuneration and Appraisal Committee"), a Nomination Committee (the "Nomination Committee"), a Strategy Committee (the "Strategy Committee") and a Environmental, Social and Governance Committee (the "ESG Committee" which was established on 5 March 2021) (collectively the "Committees") to oversee specific aspects of the Company's affairs. The Committees report to the Board regularly, and have been provided with sufficient resources to discharge their respective duties. To reinforce independence, the chairmen of the Committees other than the Strategy Committee and the ESG Committee are INEDs. Each of the Committees has adopted specific terms of reference covering its duties, powers and functions which will be reviewed by the Board from time to time. The Board Secretary also acts as secretary of the Committees. The Committees adopt as far as practicable, the procedures and arrangement of the Board Meeting in relation to the conduct of meetings, notice of meetings and recording of minutes. Further particulars of each of the Committees are set out below:

(1) Audit Committee

During the year ended 31 December 2021, the Audit Committee comprised five members throughout the year. The members are as follows:

Mr. DAI Deming (retired as a member with effect from 25 June 2021);
Ms. TAN Lixia (retired as a member with effect from 5 March 2021);
Mr. LIN Sui (retired as a member with effect from 25 June 2021);
Mr. CHIEN Da-chun;
Mr. WONG Hak Kun;
Mr. YU Hon To, David (appointed as a member with effect from 5 March 2021);
Mr. WU Changqi (appointed as a member with effect from 25 June 2021); and
Mr. WU Qi (appointed as a member with effect from 25 June 2021).

The Audit Committee was chaired by Mr. DAI Deming till 25 June 2021 and was then chaired by Mr. WONG Hak Kun. Mr. DAI, Mr. WONG and Mr. YU possess the required accounting expertise. The terms of reference of the Audit Committee (as revised) are available on the respective websites of the Company and the Hong Kong Stock Exchange.

BOARD OF DIRECTORS (continued)

Board Committees (continued)

(1) Audit Committee (continued)

The primary duties of the Audit Committee are to ensure the objectivity and credibility of financial reporting, to make recommendations to the Board on the appointment, reappointment and removal of the Group's external auditors and review of the Company's financial controls, internal control and risk management systems. Each member of the Audit Committee has unrestricted access to the Group's external auditor and the Management.

During the year ended 31 December 2021, the Audit Committee held seven meetings to review with the management the accounting principles and practices adopted by the Group and to discuss financial reporting matters including the review of 2020 annual results and 2021 interim and quarterly results of the Group, review the adequacy of resources, accounting staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting functions, review of the internal control procedures and the connected transactions, review of the significant transactions of the Group, review the reappointment of external auditors, and review the terms of reference of the Audit Committee, and other related issues.

There is no disagreement between the Board and the Audit Committee regarding the selection, appointment, resignation or dismissal of external auditor. The annual results for the year ended 31 December 2021 were also reviewed by the Audit Committee.

The Board also has adopted the arrangement for employees of the Company to raise genuine concerns, in confidence, about possible improprieties in financial reporting, internal control or other matters in the Company and its subsidiaries. The Audit Committee monitors the execution of this arrangement.

The following table shows the attendance of members of the Audit Committee during the year ended 31 December 2021:

	No. of Audit Committee meetings attended/held
Non-executive Directors:	
Ms. TAN Lixia (retired as a member with effect from 5 March 2021)	1/1
Mr. LIN Sui (retired as a member with effect from 25 June 2021)	4/4
Mr. YU Hon To, David (appointed as a member with effect from 5 March 2021)	6/6
Mr. WU Changqi (appointed as a member with effect from 25 June 2021)	3/3
INEDs:	
Mr. DAI Deming (retired as a member with effect from 25 June 2021)	4/4
Mr. CHIEN Da-chun	7/7
Mr. WONG Hak Kun	7/7
Mr. WU Qi (appointed as a member with effect from 25 June 2021)	3/3

BOARD OF DIRECTORS (continued)

Board Committees (continued)

(2) Remuneration and Appraisal Committee

The Remuneration and Appraisal Committee currently comprises five members including:

Mr. LIANG Haishan;
Ms. TAN Lixia (retired as member with effect from 30 March 2021);
Mr. DAI Deming (retired as a member with effect from 25 June 2021);
Mr. CHIEN Da-chun;
Mr. WONG Hak Kun (retired as a member with effect from 25 June 2021);
Mr. WU Changqi (appointed as a member with effect from 25 June 2021);
Mr. LI Shipeng (appointed as a member with effect from 25 June 2021); and
Mr. WU Qi (appointed as a member with effect from 25 June 2021).

The Remuneration and Appraisal Committee is chaired by Mr. CHIEN Da-chun, an INED. The terms of reference of the Remuneration and Appraisal Committee (as revised) are available on the respective websites of the Company and the Hong Kong Stock Exchange.

The primary duties of the Remuneration and Appraisal Committee are to make recommendations to the Board on policies and structures of all remuneration of the Directors and senior management. Each of the Directors has not involved in the determination of his/her own remuneration.

During the year ended 31 December 2021, the Remuneration and Appraisal Committee held four meetings. At the meetings, members of the Remuneration and Appraisal Committee reviewed and made recommendations to the Board on the remuneration proposals of the Directors and senior management, including the share based award proposals such as the 2021 A-share and H-share Core Employee Stock Ownership Plan (ESOP), the 2021 H-share Restricted Share Unit Scheme (RSU), and the 2021 A-share Option Incentive Scheme. The Remuneration and Appraisal Committee considered these proposals by taking into account the factors such as remuneration packages and benefits offered by comparable companies, the respective contribution of each of the Directors and senior management to the Group and the business objectives of the Group. The Remuneration and Appraisal Committee also considered the performance based structures of the remuneration of Executive Directors and senior management.

The Remuneration and Appraisal Committee has adopted the model that it will review the proposals made by the Management on the remuneration of Executive Directors and senior managements with reference to the Board's corporate policies and objectives, and make recommendations to the Board. The remuneration plans or proposals mainly include but not limited to performance appraisal criteria, procedures and key appraisal system, and major incentive and penalty plans and systems. The Board will have final authority to approve the recommendations made by the Remuneration Committee.

BOARD OF DIRECTORS (continued)

Board Committees (continued)

(2) Remuneration and Appraisal Committee (continued)

The following table shows the attendance of members of the Remuneration and Appraisal Committee during the year ended 31 December 2021:

	No. of Remuneration and Appraisal Committee meetings attended/held
Executive Director:	
Mr. LIANG Haishan	4/4
Non-executive Director:	
Ms. TAN Lixia (retired as member with effect from 30 March 2021)	1/1
Mr. WU Changqi (appointed as a member with effect from 25 June 2021)	2/2
INEDs:	
Mr. DAI Deming (retired as a member with effect from 25 June 2021)	2/2
Mr. CHIEN Da-chun	4/4
Mr. WONG Hak Kun (retired as a member with effect from 25 June 2021)	2/2
Mr. LI Shipeng (appointed as a member with effect from 25 June 2021)	2/2
Mr. WU Qi (appointed as a member with effect from 25 June 2021)	2/2

(3) Nomination Committee

The Nomination Committee currently comprises six members including:

Mr. LIANG Haishan;
Mr. WU Changqi (retired as a member with effect from 25 June 2021);
Mr. DAI Deming (retired as a member with effect from 25 June 2021);
Mr. CHIEN Da-chun;
Mr. WONG Hak Kun;
Mr. YU Hon To, David (appointed as a member with effect from 25 June 2021);
Mr. LI Shipeng (appointed as a member with effect from 25 June 2021); and
Mr. WU Qi (appointed as a member with effect from 25 June 2021).

The Nomination Committee was chaired by Mr. WONG Hak Kun (an INED) till 25 June 2021 and was then chaired by Mr. WU Qi (an INED). The terms of reference of the Nomination Committee (as revised) are available on the respective websites of the Company and the Hong Kong Stock Exchange.

The Nomination Committee is responsible for formulating nomination policy and making recommendations to the Board on nomination and appointment of Directors, senior management and Board succession. It also develops selection procedures of candidates for nomination, reviews the structure, size and composition of the Board and assesses the independence of the INEDs. The Company has provided the Nomination Committee sufficient resources to perform its duties.

BOARD OF DIRECTORS (continued)

Board Committees (continued)

(3) Nomination Committee (continued)

Nomination procedures include identification and acknowledgement of qualified individuals by the Nomination Committee and review and approval of such nomination by the Board. The Nomination Committee shall proactively communicate with the Company's relevant departments, examine the Company's demand for new directors and senior managers. The selection criteria for Directors are that the candidates must have substantial experience in business relevant to the Company, or in corporate management, or in relevant profession and must be able to contribute effectively to the objectives of the Company. In identifying suitable candidates for appointment to the Board, the Nomination Committee will consider candidates on merit against objective criteria (such as professional expertise, relevant experience, personal ethics etc.) and with due regard for the benefits of diversity on the Board. Any committee member may propose suitable candidates for directorship for discussion and approval by the Nomination Committee, after which the Board will consider and, if proper, approve such nomination. Director thus selected is subject to election by the Company's shareholders in the next general meeting or next annual general meeting, as appropriate, according to the Articles of Association of the Company.

The Nomination Committee monitors the execution of the Board diversity policy of the Company. Selection will be based on a range of diversity perspectives, including but not limited to, professional experience, business experience and insight, skills, know-how, gender, age, cultural and educational background, ethnic and length of services. It will review the Board diversity policy as appropriate and recommend any revisions to the policy to the Board for consideration and approval if necessary.

During the year ended 31 December 2021, the Nomination Committee held two meetings. At the meetings, members of the Nomination Committee have identified and recommended qualified individual to the Board for the appointment of a director, reviewed the composition of the Board and diversity of the Board.

The Nomination Committee discussed and agreed the measurable objectives for achieving diversity on the Board and recommended them to the Board for adoption. During the year, two directors (Ms. TAN Lixia and Mr. DAI Deming) retired and five directors (Mr. XIE Juzhi, Mr. YU Hon To, David, Ms. Eva LI Kam Fun, Mr. LI Shipeng and Mr. WU Qi) have been appointed. The Nomination Committee assessed the candidates on objectives of offering relevant industry experience and business skill to the Board for the Company's strategic business developments, while maintaining diversity of perspectives appropriate to the requirements of the Group's business. The Committee reviewed the existing composition of the Board and received and accepted the report from the management in relation to identified business skills and experience required and their ranking and the action plan for recruiting new Board members. It also monitored the review of the Company's recruitment process to reinforce its commitment to the principle of equal opportunity. With these measures in place, therefrom five new Board members have been appointed during the year.

BOARD OF DIRECTORS (continued)

Board Committees (continued)

(3) Nomination Committee (continued)

The following table shows the attendance of members of the Nomination Committee during the year ended 31 December 2021:

	No. of Nomination Committee meetings attended/held
Executive Director:	
Mr. LIANG Haishan	2/2
Non-executive Director:	
Mr. WU Changqi (retired as a member with effect from 25 June 2021)	2/2
Mr. YU Hon To, David (appointed as a member with effect from 25 June 2021)	0/0
INEDs:	
Mr. DAI Deming (retired as a member with effect from 25 June 2021)	2/2
Mr. CHIEN Da-chun	2/2
Mr. WONG Hak Kun	2/2
Mr. LI Shipeng (appointed as a member with effect from 25 June 2021)	0/0
Mr. WU Qi (appointed as a member with effect from 25 June 2021)	0/0

(4) Strategy Committee

The Strategy Committee currently comprises six members including:

Mr. LIANG Haishan;
Ms. TAN Lixia (retired as a member with effect from 5 March 2021);
Mr. LI Huagang;
Mr. XIE Juzhi (appointed as a member with effect from 5 March 2021)
Mr. WU Changqi (retired as a member with effect from 25 June 2021);
Mr. LIN Sui;
Mr. DAI Deming (retired as a member with effect from 25 June 2021);
Mr. CHIEN Da-chun (retired as a member with effect from 25 June 2021);
Mr. WONG Hak Kun (retired as a member with effect from 25 June 2021);
Mr. LI Shipeng (appointed as a member with effect from 5 March 2021); and
Mr. WU Qi (appointed as a member with effect from 25 June 2021).

The Strategy Committee is chaired by Mr. LIANG Haishan.

The purpose of the Strategy Committee shall be to prepare recommendations for the Board in fulfilling its responsibilities relating to the study of the Company's long-term development strategy, major investment decisions and shareholders' return plan.

BOARD OF DIRECTORS (continued)

Board Committees (continued)

(4) Strategy Committee (continued)

The primary responsibilities and authorities of the Strategy Committee include:

(I) to study the Company's long-term development strategy plans and make recommendations;

(II) to study major investment financing programs which requires to be approved by the Board of Directors as stated in the Articles of Association and make recommendations;

(III) to study major capital operation and assets management projects which requires to be approved by the Board of Directors as stated in the Articles of Association and make recommendations;

(IV) to study shareholders' return plan of the Company and make recommendations;

(V) to study other important matters affecting the Company's development and make recommendations;

(VI) to review the implementation of the above matters;

(VII) to handle other matters as authorized by the Board.

During the year ended 31 December 2021, the Strategy Committee held three meetings. At the meetings, members of the Strategy Committee have discussed and reviewed the strategic transactions, such as other assets restructure plans, and made recommendations to the Board.

The following table shows the attendance of members of the Strategy Committee during the year ended 31 December 2021:

	No. of Strategy Committee meetings attended/held
Executive Directors:	
Mr. LIANG Haishan	3/3
Mr. LI Huagang	2/2
Mr. XIE Juzhi (appointed as a member with effect from 5 March 2021)	3/3
Non-executive Directors:	
Ms. TAN Lixia (retired as a member with effect from 5 March 2021)	0/0
Mr. WU Changqi (retired as a member with effect from 25 June 2021)	1/1
Mr. LIN Sui	3/3
INEDs:	
Mr. DAI Deming (retired as a member with effect from 25 June 2021)	1/1
Mr. CHIEN Da-chun (retired as a member with effect from 25 June 2021)	1/1
Mr. WONG Hak Kun (retired as a member with effect from 25 June 2021)	1/1
Mr. LI Shipeng (appointed as a member with effect from 5 March 2021)	3/3
Mr. WU Qi (appointed as a member with effect from 25 June 2021)	2/2

BOARD OF DIRECTORS (continued)

Board Committees (continued)

(5) Environmental, Social and Governance Committee

To better implement the ecological brand strategy of the Company in the age of the Internet of Things, integrate the idea of "Social, Environmental and Corporate Governance" into the corporate strategy, promote sustainable development, generate long-term value for all stakeholders and build a green, intelligent and mutual beneficial eco system of the Internet of Things, the Company has established the Environmental, Social and Governance Committee ("ESG Committee") on 5 March 2021.

The ESG Committee currently comprises four members including Ms. Eva LI Kam Fun, Mr. LI Huagang, Mr. LIN Sui and Mr. CHIEN Da-Chun (all were appointed on 5 March 2021). Ms. Eva LI Kam Fun serves as the chairwoman of the ESG Committee.

The ESG Committee serves as the specific working body for evaluating the Company's working progress on the environmental, social and governance (ESG) responsibilities and the risks and opportunities it faces, and for formulating the Company's ESG vision, goals and strategies. The ESG Committee strives to improve and enhance the Company's capabilities of managing environment and social responsibilities, and to promote the sustainable development of the Company. The ESG Committee also promotes the ESG risk management practices and internal control enhancements, and provides direction for the work of the Company's ESG task force.

During the year ended 31 December 2021, the ESG Committee held one meeting. At the meeting, members of the ESG Committee have discussed and reviewed the Company's 2020 ESG report, discussed ESG goals and strategies and other related matters, and made recommendations to the Board.

The following table shows the attendance of members of the ESG Committee during the year ended 31 December 2021:

	No. of ESG Committee meetings attended/held
Executive Directors:	
Mr. LI Huagang	1/1
Non-executive Directors:	
Ms. Eva LI Kam Fun	1/1
Mr. LIN Sui	1/1
INEDs:	
Mr. CHIEN Da-chun	1/1

BOARD OF DIRECTORS (continued)

Corporate Governance Function

The primary corporate governance duties of the Board are to develop and review the Company's policies and practices on corporate governance; to review and monitor the training and continuous professional development of Directors and senior management; to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and to review the Company's compliance with the code and disclosure in the Corporate Governance Report.

During the year, the Board have developed and reviewed the Company's corporate governance practices, including the review of the recent changes of regulatory requirements, review of the Articles of Association of the Company, review of terms of reference of the various committees of the Board, and the review of the process in upgrading the internal controls and risk management.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company has maintained different communication channels with its shareholders through the publication of annual, interim and quarterly reports, circulars and announcements. Such information is also available on the websites of the Hong Kong Stock Exchange and the Company.

It is the Company's practice to provide an explanation to shareholders of the details of the voting by poll procedures in the general meetings in accordance with the Articles of Association and the relevant listing rules of the places where it securities are listed. The poll results of the general meetings are also published on the websites of the Company and of the stock exchanges where the securities are listed. The Board regards general meetings as one of the principal channels of communication with our shareholders and the Directors provide detailed and complete answers to questions raised by the shareholders in the general meetings.

During the year ended 31 December 2021, the Company held twelve general meetings, including the annual general meeting and two special general meetings, three A-shares class meetings, three D-shares class meetings, and three H-shares class meetings. In these general meetings and class meetings, various resolutions were passed.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS (continued)

The following table shows the attendance of the Directors at the general meetings held during the year ended 31 December 2021:

	No. of the General meetings attended/held
Executive Directors:	
Mr. LIANG Haishan *(Chairman)*	8/12
Mr. LI Huagang *(Chief Executive Officer)*	8/12
Mr. XIE Juzhi *(Vice Chairman)* (appointed with effect from 5 March 2021)	4/8
Non-executive Directors:	
Ms. TAN Lixia *(Vice Chairwoman)* (retired with effect from 30 March 2021)	4/4
Mr. WU Changqi	4/12
Mr. LIN Sui	0/12
Mr. YU Hon To, David (appointed with effect from 5 March 2021)	8/8
Ms. Eva LI Kam Fun (appointed with effect from 5 March 2021)	8/8
INEDs:	
Mr. DAI Deming (retired with effect from 25 June 2021)	0/8
Mr. CHIEN Da-chun	4/12
Mr. WONG Hak Kun	8/12
Mr. LI Shipeng (appointed with effect from 5 March 2021)	4/8
Mr. WU Qi (appointed with effect from 25 June 2021)	0/4

During the year ended 31 December 2021, there have been changes in the Company's constitutional documents, principally for the Company to adapt to the issuance of H-Shares and their listing in the Hong Kong Stock Exchange, for the establishment of ESG Committee of the Board, for clarification of member composition of various Board committees.

SHAREHOLDERS' RIGHTS

Procedures by which Shareholders may convene a special general meeting

Shareholders requesting the convening of an extraordinary general meeting or a class shareholders' meeting shall proceed in accordance with the procedures set forth below (note*):

(1) Two or more shareholders who hold, in aggregate, 10% or more of the shares carrying the right to vote at the proposed meeting may sign one or several written requisitions of the same format and contents, requesting the Board of Directors to convene an extraordinary general meeting or a class shareholders' meeting. The agenda of the proposed meeting shall be stated therein. The Board of Directors shall convene the extraordinary general meeting or a class shareholders' meeting responsively after receipt of the aforesaid written requisition(s). The number of the aforesaid shares shall be calculated as of the date on which the requisition(s) is/are made.

(2) Where the Board of Directors gives consent for convening of an extraordinary general meeting, a notice on convening of the extraordinary general meeting or the class shareholders' meeting shall be issued within 5 days from such decision, and the changes made to the original request in the notice shall be approved by relevant shareholders.

(3) Where the Board of Directors does not give consent for convening of an extraordinary general meeting or does not issue a feedback within 10 days upon the receipt of the requisition(s), the shareholders holding 10% or more of the Company's shares separately or in aggregate shall have the right to propose to the Board of Supervisors on convening of an extraordinary general meeting and such proposal shall be made to the Board of Supervisors in writing.

Where the Board of Supervisors gives consent for convening an extraordinary general meeting, a notice on convening of the extraordinary general meeting shall be issued within 5 days upon the receipt of the requisition(s) and the changes made to the original request in the notice shall be approved by relevant shareholders.

Where the Board of Supervisors fails to issue a notice of a shareholders' general meeting within the stipulated period, the Board of Supervisors shall be deemed as not convening and chairing the shareholders' general meeting, and the shareholders who hold 10% or more of the Company's shares individually or jointly for 90 or more consecutive days may proceed to convene and chair a shareholders' general meeting on their own initiative.

If the shareholders' general meeting is convened by the Board of Supervisors or shareholders on their own, a written notice shall be issued to the Board of Directors, and such meeting shall be filed with the stock exchange of the place where the securities of the Company are listed.

Prior to the announcement of the resolutions passed by the shareholders' general meeting, the shareholding percentage of the shareholders who convene the meeting shall not be less than 10%. Shareholders who convene the meeting shall publish an announcement no later than the issuance of notice of the shareholders' general meeting and undertake that their shareholding percentage shall not be less than 10% during the period from the date of proposing the convening of the shareholders' general meeting to the convening date of the shareholders' general meeting. The shareholders who convene the meeting shall submit the relevant supporting materials to the stock exchange of the place where the securities of the Company are listed at the time of the issuance of notice of the shareholders' general meeting as well as of the announcement of the resolutions passed by such meeting.

SHAREHOLDERS' RIGHTS (continued)

Procedures by which enquiries may be put to the Board

Shareholders may put forward enquiries to the Board through the Board Secretary, Company Secretary and the representative of our office in Germany who will direct the enquiries to the Board for handling. Such enquiries can be made by the following means:

Mail:	Board Secretary Haier Smart Home Co., Ltd. Board of Directors Building, Haier Industrial Park, 1 Haier Road, Laoshan District, Qingdao City, the PRC
Email:	finance@haier.com
Mail:	Company Secretary Haier Smart Home Co., Ltd. Unit 3513, 35/F, The Center, 99 Queen's Road Central, Hong Kong
E-mail:	ir@haier.hk

Procedures for putting forward proposals at a Shareholders' meeting

When the Company decides to convene a shareholders' general meeting, the Board of Directors, the Board of supervisors and shareholders severally or jointly holding 3% or more of the shares of the Company shall be entitled to put forward proposals to the Company.

The shareholders severally or jointly holding 3% or more of the shares of the Company may raise interim proposals and submit them in writing to the convener 10 days prior to the convening of the shareholders' general meeting. Where shareholders subject to the conditions as mentioned above raise interim proposals before the convening of the shareholders' general meeting, their shareholding proportions shall not be less than 3% during the period from the date of the issuance of notice on proposals to the announcement of the resolutions. The convener shall, within 2 days after the receipt of such proposals, issue a supplemental notice of the shareholders' general meeting and announce the contents of the interim proposals (note*).

Note*: Certain proposed amendments on the Company's Articles of Association as stated in the Company's relevant announcement dated 30 March 2022 have been reflected herein, which are subject to the approval of the annual general meeting to be held on June 2022.

SHAREHOLDERS' RIGHTS (continued)

Procedures for Shareholders to propose a person for election as a Director

When the Company needs to elect a director, the shareholders of the Company may nominate a person for election as a director of the Company at the shareholders' general meeting (including annual general meeting and extraordinary general meeting) to be convened then according to the Articles of Association of the Company ("Articles of Association").

1. According to Article 84 of the Articles of Association, the shareholders' general meeting may exercise the following functions and powers: (II) to elect and replace directors and supervisors who are not employee representatives, and to decide on the remuneration matters of the relevant directors and supervisors; (X) to amend the Articles of Association and deliberate proposals put forward by shareholders who represent 3% or more of the Company's voting shares.

2. According to Article 96 of the Articles of Association, when the Company decides to convene a shareholders' general meeting, the Board of Directors, the Board of Supervisors and shareholders that severally or jointly hold 3% or more of the shares of the Company shall be entitled to put forward proposals to the Company. The shareholders that severally or jointly hold more than 3% of the Company's shares may raise interim proposals and submit them in writing to the convener 10 days prior to the convening of the shareholders' general meeting. The convener shall, within 2 days after the receipt of such proposals, issue a supplemental notice of the shareholders' general meeting and announce the contents of the interim proposals.

3. According to Article 101, Article 138 and Article 196 of the Articles of Association, the election of directors and supervisors shall comply with the following provisions:

   (I) The list of candidates for directors and supervisors shall be presented in the form of a proposal at a shareholders' general meeting for voting.

   (II) Upon the expiration of the term of office of the Board of Directors or the Board of Supervisors or in need of replacement of directors or supervisors due to vacancies within the Board of Directors or the Board of Supervisors, the shareholders, individually or jointly, holding 3% or more of the total number of the outstanding shares with voting rights of the Company may recommend candidates for directors or supervisors to the Board of Directors in writing. Upon the Board of Directors' or the Board of Supervisors' review and examination, if the candidates comply with the provisions by law and the Articles of Association, the Board of Directors or the Board of Supervisors shall submit the candidate list, curriculum vitae and basic information in the form of a proposal to the shareholders' general meeting for deliberation and election. Upon the expiration of the term of office of the Board of Supervisors or in need of replacement of supervisors due to vacancies within the Board of Supervisors, supervisors previously held by the employee representatives of the Company shall still be replaced or by-elected through democratic election among the Company's staff and workers.

SHAREHOLDERS' RIGHTS (continued)

Procedures for Shareholders to propose a person for election as a Director (continued)

3. According to Article 101, Article 138 and Article 196 of the Articles of Association, the election of directors and supervisors shall comply with the following provisions: (continued)

    (III) Where a shareholders' general meeting proposes to discuss election matters of directors and supervisors, the notice of the shareholders' general meeting shall fully disclose the detailed information of the proposed candidates for directors and supervisors.

    (IV) The Company's Board of Directors, Board of Supervisors and shareholders who hold 1% or more of the issued shares of the Company, individually or jointly, may nominate candidates for independent directors, who will be decided through election by the shareholders' general meeting. The agreement of the nominee shall be obtained before the nominator nominates him/her as an independent director. The nominator shall be fully aware of such details of the nominee as occupation, educational background, title, work experience, all concurrent positions etc., and shall express his/her/its opinions on the nominee's qualifications for holding the position of independent director and his/her/its independence. The nominee shall make a public statement that no relationship exists between himself/herself/itself and the Company that could affect his/her/its independent and objective judgments. The Board of Directors of the Company shall make the aforementioned information public in accordance with regulations before the holding of the shareholders' general meeting at which the independent director is to be elected.

    (V) When a shareholders' general meeting votes on the election of directors and supervisors, the cumulative voting method may be implemented pursuant to the provisions of the Articles of Association or the resolution of a shareholders' general meeting. The cumulative voting system referred to in the preceding paragraph shall mean that when a shareholders' general meeting elects directors or supervisors, each share shall have the same number of voting rights as the number of directors or supervisors to be elected and the voting rights held by a shareholder may be used together. The Board of Directors shall announce the curriculum vitae and basic information of candidates for directors and supervisors to the shareholders before the holding of the shareholders' general meeting.

    (VI) Where the shareholders' general meeting has passed the proposal on the election of the relevant directors and supervisors, the newly-elected directors and supervisors shall take office on the date when the resolution is passed at the shareholders' general meeting, unless otherwise resolved by the shareholders' general meeting.

INSURANCE

The Group has arranged appropriate directors' and officers' liability insurance to indemnify the Directors and senior staff of the Group for their potential liabilities incurred by them in discharging their duties. The Group reviews the insurance coverage for the Directors and the Group's senior staff on an annual basis.

POLICY ON PAYMENT OF DIVIDENDS

The Company has implemented a proactive and flexible dividend policy. Future profit distributions may be carried out in the form of cash dividends or stock dividends or by interim cash profit distributions. The dividend policy shall maintain consistency and stability. In case that the legal conditions as mentioned below for both cash dividends and stock dividends are satisfied, cash dividends shall prevail.

The Company's dividend policy shall be determined by the Board of Directors based on the business development and performance of our Company and will be subject to the approval of the shareholders' general meeting.

Subject to the satisfaction of conditions for cash dividend distribution provided in the PRC Company Law, the Company shall in principle pay cash dividend once each fiscal year. The Board of Directors may propose to pay an interim profit distribution depending on the profitability and capital reserve of our Company. In addition, the Board of Directors may put forward a stock dividend distribution proposal in addition to cash dividend after considering factors such as our Company's performance, share price, share capital scale and debt structure.

The Company expects that, in the future, the principal source of profits for the payment of dividends will be income from its operating business, and dividends and other payments received from current and future direct and indirect subsidiaries. The determination of each subsidiary's ability to pay dividends is subject to applicable law.

On the basis of the unconsolidated financial statements of the Company and subject to PRC law, the Articles of Association and the Company's capital needs for normal production and operation, planned investments and other significant capital outlays, the annual cash dividends shall, in principle, account for at least 20%, and contingent upon each year's performance, not less than 15% of the Company's net profits for the prior fiscal year which are available for distribution and attributable to the ordinary equity holders of the Company, calculated in accordance with PRC GAAP.

After the completion of the Privatisation Proposal of Haier Electronics Group Co., Ltd. and with the improvement in the efficiency of capital use and operating capacity, the Company plans to gradually increase the dividend rate to 33%, 36% and 40% for 2021, 2022 and 2023 to enhance the return of all shareholders.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for preparing financial statements of the Group in accordance with relevant statutory requirements and generally accepted accounting principles and ensuring that the financial statements give a true and fair view of the Group's financial position. In preparing the financial statements of the Group for the year ended 31 December 2021, the Directors have adopted suitable accounting policies and applied them consistently; made judgments and estimates that are prudent and reasonable; and prepared the financial statements on a going concern basis.

ACCOUNTABILITY AND AUDIT (continued)

The responsibilities of the external auditor with respect to the financial reporting are set out in the Independent Auditor's Report of this Annual Report.

The Board aims to present a comprehensive, balanced and understandable assessment of the Group's development and prospects in all corporate communications, including but not limited to annual, interim and quarterly reports, any price sensitive announcements and financial disclosures required under the relevant listing rules of the places where it securities are listed and other regulations, any reports to regulators as well as to information required to be disclosed pursuant to other statutory requirements.

RISK MANAGEMENT AND INTERNAL CONTROL

The Group is committed to implementing and maintaining effective risk management and internal controls procedures to identify and manage the risks faced by the Group, as well as to safeguard the interests of the Group and our shareholders as a whole. The Board would ensure that adequate resources and management attention will be devoted to strengthen its internal controls and risk management procedures.

The Board is responsible for overseeing adequate internal controls and risk management procedures in the Group, reviewing their effectiveness on an on-going basis, and ensuring the Management has clearly defined the authorities and key responsibilities of each business and operational unit for adequate checks and balances. The Board has delegated to the Management the design, implementation and monitoring of the Group's risk management and internal control systems covering all material aspects, including financial, operational, risk management functions and in compliance with all relevant regulations. Such systems are designed to manage the risk of failure to achieve business objectives, and provide reasonable, but not absolute assurance against material misstatement or loss.

The Board is also responsible for ensuring that the Management has discharged its duty to have an effective internal control system in terms of the adequacy of resources, qualification and experience of staff of the Company's finance and internal audit functions, and their training programme and budget.

Control Environment

- Risk awareness and control responsibility are built into the company culture and are regarded as the foundation of risk management and internal control systems;
- An effective internal audit function is maintained which is independent from operational management;
- Whistleblowing Guideline of the Company is in place.

Internal Auditing Function

In response to the broadening of the Group's scope of business activities and the increase in geographical locations in which it operates, to face the challenges of the fast growing trend of new business and the related financial and operational risks, the Group has continuously strengthened the functions of its Internal Audit Department which provides independent and objective assurance and consulting activity designed to add value and improve Company's operations. It helps the Group in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

RISK MANAGEMENT AND INTERNAL CONTROL (continued)

Internal Auditing Function (continued)

The Internal Audit Department also provides independent and reasonably assurance that the internal controls system is effective and efficient. In order to carry out its functions, the Internal Audit Department is given unrestricted access to all business operations and personnel, all business files and accounting records. The head of the Department reports directly and regularly to the Audit Committee and CEO respectively on the findings of audit matters. The work schedule of the Internal Audit Department is based on an annual audit program reviewed and approved by the Audit Committee.

Risk Management

An enterprise-wide risk assessment with the Management and key-process owners had been institutionalised to identify major risks of all levels and to review the effectiveness of the key controls and mechanisms in place. It is intended that the risk management framework would be able to raise risk-awareness within senior management such that a safeguarding culture of the Group's business and assets is to be developed and implemented.

The Internal Audit Department of the Company plays a significant role in the risk management execution. Major risks of all levels facing the Group are identified and evaluated, and the management ultimately reviewed the identification and evaluation of these risks. Based on these measures, mitigation strategies and plans with respect to each key risk identified are developed and implemented, which include establishing or enhancing internal controls, with regular review and update so as to mitigate the risks to controllable range. The process of the work performed are reported regularly to the Audit Committee and the Board.

Control Process

The Company recognizes that the assessment of the internal control system is an on-going process, and management enhancements are required to address deficiencies in internal controls over operations, compliance and financial and non-financial reporting.

There is a clearly-defined management structure with specified authority limits and segregated responsibilities to achieve business control objectives and safeguard of assets. Guidelines and approval limits for operating and capital expenditures are set clearly in advance, with division of operations and financial personnel responsible for the different approval processes. An internal budget system as well as expense system have been used to enhance the controls and effectiveness embedded in the approval process. Detective controls are also in place as safeguards for the business and operational processes.

The Internal Audit Department establishes an annual internal control review plan for major internal control systems covering areas including operational control, financial control and compliance control (including review of controls on continuing connected transactions). The review tasks on various internal controls are prioritized in accordance with the risk level assessed, or where significant changes have been taken place, or where new businesses have been set up.

During the year ended 31 December 2021, the Internal Audit Department has conducted a review of the effectiveness of Group's internal control system's procedures on the major business and operational processes. Recommendations for further improvements have been reported to the Audit Committee as well as Board, together with its findings. Such recommendations have been or are being implemented by the Management with regular review.

RISK MANAGEMENT AND INTERNAL CONTROL (continued)

Review of Control Effectiveness

The Audit Committee reviewed the effectiveness of the risk management and internal control systems by reviewing the internal control assessment report of the Internal Audit Department. The Board has, through the Audit Committee, reviewed and considered that for the year ended 31 December 2021, the Group's risk management and internal control systems were effective and adequate.

As part of the audit of the financial statements, the external auditor has issued its standard unqualified report on their audit of the Company's internal control on financial reporting system.

Inside Information

The Company has adopted the following procedures and internal controls for the handling and dissemination of inside information:

(i) the Company keeps updated on the obligations under the Securities and Futures Ordinance, the applicable listing rules and other statutory regulations with regard to the timely and proper disclosure of inside information and authorizes the disclosure through the publication of announcements as required;

(ii) the Company implemented an Inside Information Disclosure Policy which the Company's spokespersons have to strictly follow in communicating with the public;

(iii) the Company adopted a Model Code for securities transactions by Directors, and by employees who are likely to be in possession of unpublished inside information of the Company on no less exacting terms than that for the Directors; and

(iv) the Company included in the employee conduct code that unauthorised uses of confidential and inside information are strictly prohibited.

REMUNERATION OF EXTERNAL AUDITORS

The domestic and overseas auditors of the Company for 2021 were Hexin Certified Public Accountants LLP and HLB Hodgson Impey Cheng Limited.

During the year ended 31 December 2021, the annual audit fees and non-audit fee payable/paid by the Group to Hexin Certified Public Accountants LLP was RMB7.15 million and RMB2.85 million, respectively. The non-audit services mainly included internal control review service.

The audit fees and non-audit fee payable/paid by the Group to HLB Hodgson Impey Cheng Limited were RMB3.74 million and RMB0.15 million, respectively. The non-audit services mainly included review of the continuing connected transactions.

30 March 2022

The Directors present their report and the audited financial statements of the Group for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

During the year, the Company and its subsidiaries continued to be engaged in smart home business in China and overseas, evolving around a comprehensive portfolio of home appliances established over the years, covering primarily refrigeration appliances, kitchen appliances, air-conditioners, laundry appliances and water appliances, with value-added consumer services. There was no significant changes in the nature of the Group's principal activities during the year. The principal activity of the Company also includes investment holding.

Further discussion and analysis of these activities as required by Schedule 5 to the Companies Ordinance, including a discussion of the principal risks and uncertainties faced by the Group and an indication of the Group's likely future developments, can be found in the Chairman's Letter to Shareholders and Business Review and Financial Review set out on pages 5 to 13 and 25 to 74 of this Annual Report. Such information forms part of the Report of The Directors.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2021 and the Group's financial position as at that date are set out in the financial statements on pages 140 to 307.

The Directors of the Company recommend the payment of a final dividend for the year ended 31 December 2021 of RMB4.60 (2020: RMB3.66) in cash for every 10 shares (inclusive of tax).

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 308. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment, and investment properties of the Group during the year ended 31 December 2021 are set out in notes 14 and 15 to the financial statements, respectively.

SHARE CAPITAL

Details of movements in the Company's share capital during the year ended 31 December 2021 are set out in notes 36 to the financial statements.

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

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

The gross proceeds and net proceeds from the placing amounted to approximately HK$1,159.58 million and approximately HK$1,149.98 million respectively. The net proceeds of the placing will be used as to (i) 70% for production capacity expansion of overseas industrial parks; (ii) 15% for investment in ESG (Environmental, Social, Governance) related areas; (iii) 10% for further digitalization of overseas industrial parks; and (iv) 5% for overseas channel expansion and promotion, and is expected to be fully utilised by December 2024.

CONVERTIBLE BONDS

On 21 November 2017, Harvest International Company (the "Issuer"), an indirect wholly owned subsidiary of the Company, issued the HK$8,000,000,000 Zero Coupon Guaranteed Exchangeable Bonds due on 21 November 2022 (the "HSH Exchangeable Bonds") which are listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") (stock code: 5024). The holders of the HSH Exchangeable Bonds (the "Bondholders") are entitled to exchange their HSH Exchangeable Bonds into shares of Haier Electronics Group Co. Ltd (HEG) (the "HEG Shares") during the period specified under the terms and conditions of the HSH Exchangeable Bonds (the "HSH Exchangeable Bonds Terms and Conditions"). In connection with the privatization of HEG, to provide Bondholders with an alternative investment option in their HSH Exchangeable Bonds outside the various options available under the HSH Exchangeable Bonds Terms and Conditions, the Company has proposed to amend the HSH Exchangeable Bonds Terms and Conditions, such that, subject to the satisfaction of certain conditions precedent, after listing of the H shares of the Company, the HSH Exchangeable Bonds will not be exchangeable into the HEG Shares but will instead be convertible into the H Shares of the Company (the "EB-to-CB Proposal"). The HSH Exchangeable Bonds with such amended terms and conditions (the "HSH Convertible Bonds Terms and Conditions") are hereafter referred to as the "HSH Convertible Bonds". The EB-to-CB Proposal has became effective upon listing of H Shares of the Company on 23 December 2020 and HK$7,993,000,000 in aggregate principal amount of the HSH Convertible Bonds was outstanding initially. The initial conversion price per share of the HSH Convertible Bonds was approximately HK$19.5961. One time repayment of principal and interest (105.11% on remaining par value) will be made upon maturity.

During the year, in accordance with the HSH Convertible Bonds Terms and Conditions, the conversion price per share has been adjusted to approximately HK$18.8369 on 12 January 2021 in connection with the cash payment by HEG. The conversion price has been further adjusted to approximately HK$18.58 on 23 August 2021 in connection with the declaration and payment of the dividend of the Company.

During the year, a cumulative amount of HK$7,594,000,000 HSH Convertible Bonds were converted into H Shares of the Company, and the cumulative number of H Shares issued as a result of the conversion was 403,210,889 shares.

Subsequent to the balance sheet date, a cumulative amount of HK$7,713,000,000 HSH Convertible Bonds were converted into H Shares of the Company, and the cumulative number of H Shares issued as a result of the conversion was 409,615,623 shares.

PRE-EMPTIVE RIGHTS

There are no provisions in the relevant PRC laws and the Company's Articles of Association for granting pre-emptive rights to the Company's existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Repurchase of H-Share

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

Months	Number of H-Share repurchased	Price per share Highest HK$	Price per share Lowest HK$	Total price paid 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 year was effected by the directors, pursuant to the mandate from shareholders sought at the extraordinary general meeting and the class meetings held on 5 March 2021 regarding the repurchases of H-Shares. The total amounts to be repurchased within one year from the effective date of the repurchase mandate would not be less than HK$1 billion, and such plan of repurchase of H-Share has been completed by June 2021.

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY (continued)

Repurchase of A-Share

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

Months	Number of A-Share repurchased	Price per share Highest RMB	Price per share Lowest RMB	Total price paid 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
July 2021	8,762,400	27.10	24.89	227
November 2021	7,653,400	27.74	25.39	208
	79,492,366			2,202

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

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

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 53 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2021, the Company's reserves available for distribution, calculated in accordance with the provisions of the Company Law of the PRC, amounted to approximately RMB4.47 billion, of which RMB4.32 billion has been proposed as a final dividend for the year.

ENVIRONMENTAL AND SOCIAL POLICIES AND PERFORMANCE

We believe good ESG management is of vital importance for us to maintain stable enterprise operations, deal with sudden threats, and seize development opportunities. The Group has established the ESG management structure covering overseas systems at the levels of governance, management, and implementation. During the year, the Company's Board of Directors has established ESG Committee, which fully supervises matters related to ESG and performs relevant ESG management duties on behalf of the Board of Directors. Meanwhile, we have issued the Code of Commercial Conduct of Haier to guide the relevant tasks related to ESG. The Company also officially joined United Nations Global Compact (UNGC), which aims to promote sustainable development and social responsibility. The Company is committed to the ten principles of the Global Compact, which cover the human rights, labour standards, environment and anti-corruption based on United Nation Convention, to further enhance the Company's sustainable development. Centering on the five dimensions including "commercial ethics, sustainable products, sustainable operation, inclusiveness and diversity, and community participation", we have formulated the ESG strategy to guide us to carry out ESG management in global operations.

The Group would gradually incorporate impact of climate change into the Company's strategic considerations and risk management processes. To support the achievement of the national "double carbon" target, the Company has established an internal carbon target management system covering the entire industry chain. In combination with the business development goals and previous annual emission level and resource usage, the Group would set clear quantitative emission and resource goals, and actively cooperate with upstream and downstream industrial chain units, from raw material manufacturers to logistics enterprises, from consumers to recycling and dismantling factories, to achieve carbon reduction throughout the product lifecycle. The Group would integrate global user and supply chain resources to create and develop an environmental-friendly and society-harmonious green value chain. The Group would actively uphold corporate responsibility and protect employees' rights and interests, while giving back to the society, by carrying out public welfare activities and bringing warmth to the society.

We strive to minimise any material adverse impact on the environment resulting from our business activities and create a healthy and safe environment for our employees and communities. We have comprehensive environmental, health and safety management policies and systems, formulated with the involvement of our directors, in respect of environmental protection and conservation and the safety and health of our employees and the communities in which we operate, to ensure that we meet compliance requirements on environment, social and governance.

We constantly improve the modern enterprise governance structure, continue to standardise the internal governance structure and actively create a good external governance environment, and effectively safeguarded the interests of all shareholders.

Further discussions of these activities are in the Environmental, Social and Governance Report which are issued separately.

COMPLIANCE WITH LAWS AND REGULATIONS

The Board is responsible for reviewing and monitoring the Group's policies and practices on compliance with legal and regulatory requirements, with the assistance of the Internal Audit Department, the Legal Department and the Board Secretary office of the Company. The Company has in place compliance procedures to ensure adherence to the laws and regulations that are relevant to the Group.

The Group's staff are regularly briefed and updated from time to time on the relevant changes in laws and regulations so as to enhance their awareness of compliance obligations.

We are of the view that, the Group had complied, in all material respects, with all relevant laws and regulations in the jurisdictions we operate in during the year. Particularly, our business operated in the PRC territory complied with relevant PRC laws and regulations in all material respects, and no material administrative penalties imposed on us have been found that may have a material adverse effect on our Group's business operations. We have formed a culture of compliance by implementing various measures and processes to ensure that the behaviour of our employees meets compliance requirements and our compliance culture is embedded into our everyday workflow.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for less than 30% of the total sales for the year. Purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year.

During the year ended 31 December 2021, Haier Group Corporation, the substantial shareholders of the Company, had beneficial interests in one of the Group's five largest suppliers.

Save as disclosed above, none of the Directors or any of their close associates or any shareholders of the Company which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital had any beneficial interest in the Group's five largest customers or suppliers.

DIRECTORS

The Directors of the Company during the year were:

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)*

Ms. TAN Lixia retired as Non-executive Director and Vice Chairwoman of the Company with effect from 30 March 2021. Ms. TAN had taken this decision due to working reason that she intends to devote more time and effort on other business she is responsible.

Mr. DAI Deming retired as an Independent Non-executive Director of the Company with effect from 25 June 2021 as his term of office has expired.

The Company has received an annual confirmation of independence from each of Mr. CHIEN Da-chun, Mr. WONG Hak Kun, Mr. LI Shipeng and Mr. WU Qi, and as at the date of this report, the Board still considers them independent on the basis of such confirmations.

DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and Supervisors of the Company and the senior management of the Group are set out on pages 14 to 24 of the annual report.

CHANGES OF INFORMATION OF DIRECTORS

Below are the changes of Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the publish of the Company's 2021 interim report:

Mr. YU Hon To, David has retired as an independent non-executive director of New Century Asset Management Limited (the manager of New Century Real Estate Investment Trust (Hong Kong listed stock code: 1275) with effect from 1 September 2021. Mr. YU has also retired as an independent non-executive director of China Renewable Energy Investment Limited (Hong Kong listed stock code: 987) with effect from 1 January 2022.

CHANGES OF INFORMATION OF DIRECTORS (continued)

Mr. WONG Hak Kun was appointed as an independent non-executive director of Hangzhou SF Intra-City Industrial Co., Ltd (Hong Kong listed Stock code: 9699) with effect from 30 November 2021.

Mr. WU Changqi has resigned as an independent non-executive director of Beijing Media Corporation Limited (a company listed on the Hong Kong listed stock code: 01000) with effect from 25 November 2021.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

During the year, no Director or Supervisors had a service contract with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

PERMITTED INDEMNITY

A Directors' and Officers' Liability Insurance is in place to protect the Directors and officers of the Group against any potential liability arising from the Group's activities which such directors and officers may be held liable.

DIRECTORS' REMUNERATION

The Directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's Board with reference to Directors' duties, responsibilities and performance and the results of the Group. Details of directors' remuneration are set out in notes 8 and 13 to the financial statements.

DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Except executive positions and related interests in the Haier Group, no director or supervisor nor a connected entity of a director or supervisor had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company, the holding companies of the Company or any of the Company's subsidiaries or fellow subsidiaries was a party during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Except executive positions and related interests in the Haier Group, none of the Directors is interested in any businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 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:

Names	Positions	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	16,411,209	Beneficial owner	0.2601%	0.1746%
Mr. LI Huagang	Executive Director and Chief Executive Officer	A Shares H Shares	764,145 812,145	Beneficial owner Beneficial owner	0.0121% 0.0288%	0.0081% 0.0086%
Mr. XIE Juzhi	Vice Chairman of the Board and Executive Director	H Shares	715,444	Beneficial owner	0.0254%	0.0076%
Mr. YU Hon To, David	Non-Executive Director	H Shares	810,000	Beneficial owner	0.0287%	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%
Ms. MA Yingjie	Supervisor	A Shares	3,904	Beneficial owner	0.0001%	0.0000%

* The percentage is calculated on the basis that the share capital of the Company as at 31 December 2021 totalling 9,398,704,530 comprise 6,308,552,654 A Shares, 271,013,973 D Shares and 2,819,137,903 H Shares, representing approximately 67.12%, 2.88% and 29.99% of the total share capital of the Company, respectively.

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

Long positions in shares of the Company: (continued)

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

Names	Positions	Class of Shares	Number of outstanding shares of ESOP	Approximate percentage* of shareholding interest in the relevant class of Shares	Approximate percentage* of shareholding interest in the total share capital of the Company
Mr. LIANG Haishan	Chairman of the Board and Executive Director	A Shares	972,132	0.0154%	0.0103%
		H Shares	1,129,344	0.0401%	0.0120%
Mr. LI Huagang	Executive Director and Chief Executive Officer	A Shares	137,400	0.0022%	0.0015%
		H Shares	159,620	0.0057%	0.0017%
Mr. XIE Juzhi	Vice Chairman of the Board and Executive Director	A Shares	94,011	0.0015%	0.0010%
		H Shares	109,214	0.0039%	0.0012%
Mr. LIU Dalin	Chairman of the Board of Supervisors	A Shares	31,406	0.0005%	0.0003%
Ms. MA Yingjie	Supervisors	A Shares	7,886	0.0001%	0.0001%
Mr. YU Miao	Supervisor	A Shares	6,225	0.0001%	0.0001%

* The percentage is calculated on the basis that the share capital of the Company as at 31 December 2021 totalling 9,398,704,530 comprise 6,308,552,654 A Shares, 271,013,973 D Shares and 2,819,137,903 H Shares, representing approximately 67.12%, 2.88% and 29.99% of the total share capital of the Company, respectively.

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

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

Names	Positions	Class of Shares	Number of share options granted and not yet exercised	Approximate percentage* of shareholding interest in the relevant class of Shares upon exercise of share options	Approximate percentage* of shareholding interest in the total share capital of the Company upon exercise of share options
Mr. LIANG Haishan	Chairman of the Board and Executive Director	A Shares	913,900	0.0145%	0.0097%
Mr. LI Huagang	Executive Director and Chief Executive Officer	A Shares	913,900	0.0145%	0.0097%
Mr. XIE Juzhi	Vice Chairman of the Board and Executive Director	A Shares	913,900	0.0145%	0.0097%

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

* The percentage is calculated on the basis that the share capital of the Company as at 31 December 2021 totalling 9,398,704,530 comprise 6,308,552,654 A Shares, 271,013,973 D Shares and 2,819,137,903 H Shares, representing approximately 67.12%, 2.88% and 29.99% 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%

Save as disclosed above, as at 31 December 2021, none of the Directors and chief executive had any interests or short positions in the shares or underlying shares of the Company or its associated corporation (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

SHARE AWARD SCHEMES

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 Share Award Schemes are funded by the internal incentive funds established by the Company. The Shares under the Share Award Schemes shall be purchased from secondary markets. The Share Award Schemes are also entitled to subscribe the Shares to be issued under non-public issuance or placings of the Company from time to time on a fair basis.

SHARE AWARD SCHEMES (continued)

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 vest with 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 vest with 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 participants 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 year (A-Shares)

During the year, according to the results of personal assessment, 1,783,038 shares of 2016 Share Award Scheme were vested in 33 participants; 1,132,832 shares of 2017 Share Award Scheme were vested in 116 participants; 179,351 shares of 2018 Share Award Scheme were 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 (A-Shares) vested during year 2021
LIANG Haishan	Director	647,127
TAN Lixia	Director	517,702
WANG Peihua	Supervisor	21,334
MING Guoqing	Supervisor	13,938

During the year, 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.

SHARE AWARD SCHEMES (continued)

Vesting during the year (A-Shares) (continued)

During the year, 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 these share award schemes are monetary funds. In accordance with the relevant provisions, the aforementioned schemes have been implemented and terminated.

During the year, 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 (A-Shares) vested during year 2021
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 (ESOP) (2021–2025), the H Share Core Employee Stock Ownership Plan (ESOP) (2021–2025) and the H Share Restricted Share Unit Scheme (RSU) at the 2020 annual general meeting held on 25 June 2021 (AGM).

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

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

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

SHARE AWARD SCHEMES (continued)

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

A Share ESOP (2021)

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

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

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

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

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

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

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

SHARE AWARD SCHEMES (continued)

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

A Share ESOP (2021) (continued)

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

Names	Positions	Number of A Shares	As a percentage of A Share ESOP (2021)
LIANG Haishan	Director	972,132	3.82%
LI Huagang	Director	137,400	0.54%
XIE Juzhi	Director	94,011	0.37%
LIU Dalin	Supervisor	31,406	0.12%
MA Yingjie	Supervisor	7,886	0.03%
YU Miao	Supervisor	6,225	0.02%
Subtotal		1,249,060	4.91%
Other Employees (1,593 persons)		24,191,747	95.09%
Total		25,440,807	100%

H Share ESOP (2021)

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

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

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

SHARE AWARD SCHEMES (continued)

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

H Share ESOP (2021) (continued)

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

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

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

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

Names	Positions	Number of H Shares	As a percentage of H Share ESOP (2021)
LIANG Haishan	Director	1,129,344	30.06%
LI Huagang	Director	159,620	4.25%
XIE Juzhi	Director	109,214	2.91%
Subtotal		1,398,178	37.22%
Other Employees (32 persons)		2,358,822	62.78%
Total		3,757,000	100%

SHARE AWARD SCHEMES (continued)

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

H Share Restricted Share Unit Scheme (2021)

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

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

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

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

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

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

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

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

SHARE AWARD SCHEMES (continued)

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

H Share Restricted Share Unit Scheme (2021) (continued)

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

		Number of H Share RSU						
Name or category of Participants	At 1 January 2021	Granted during the year	Vested during the year	Cancelled during the year	Lapsed during the year	At 31 December 2021	Date of grant of RSU	Vesting period of RSU
Other employees								
In aggregate	–	4,438,027	–	–	–	4,438,027	30/7/2021, 1/9/2021, 15/12/2021	1/8/2022-1/8/2024
	–	4,438,027	–	–	–	4,438,027		

The fair values of the RSU granted during the year were approximately HK$116 million (HK$26.1 each), of which the Group recognised a restricted share expense of RMB17 million during the year.

At the date of approval of these financial statements, the Company had 4,438,027 H Share RSU outstanding under the RSU Scheme, which represented approximately 0.16% of the Company's total number of H Shares in issue as at that date.

The particulars regarding dilution effect of the H Share RSU are set out in note 12 to the financial statements.

A-SHARE OPTION SCHEME

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

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

The participants of the A Share Option Incentive Scheme are core management staff that have made significant contribution to the Company's overall performance and long-term development, specifically including Directors and senior management of the Company; the general manager and department manager of business divisions of the Company. The participants under the A Share Option Incentive Scheme exclude the Company's Independent Directors, Supervisors, the Shareholders individually or in aggregate holding 5% or more of the Shares of the Company.

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

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

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

A-SHARE OPTION SCHEME (continued)

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

	Number of A-Share options								
Name or category of Participants	At 1 January 2021	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	At 31 December 2021	Date of grant of share options (note 1)	Exercise period of share options	Exercise price of share options per share (note 2) RMB
Executive directors									
Mr. LIANG Haishan	–	913,900	–	–	–	913,900	15/09/2021	15/09/2022 to 15/09/2027	25.63
Mr. LI Huagang	–	913,900	–	–	–	913,900	15/09/2021	15/09/2022 to 15/09/2027	25.63
Mr. XIE Juzhi	–	913,900	–	–	–	913,900	15/09/2021	15/09/2022 to 15/09/2027	25.63
Other employees									
In aggregate	–	43,258,300	–	–	–	43,258,300	15/09/2021	15/09/2022 to 15/09/2027	25.63
In aggregate	–	4,525,214	–	–	–	4,525,214	15/12/2021	15/12/2022 to 15/12/2027	25.63
	–	50,525,214	–	–	–	50,525,214			

Notes

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

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

The closing price of the Company's A Share immediately before the two grant dates of the A Share options were RMB28 per share and RMB33 per share, respectively.

As at 31 December 2021, the Company had 50,525,214 A Share options outstanding under the A Share Option Scheme. Should the share options be fully exercised, the Company will receive approximately RMB1,295,000,000 (before issue expenses).

The particulars regarding dilution effect of the share options are set out in note 12 to the financial statements.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES IN OR DEBENTURES OF THE COMPANY

Save as the share awards (ESOPs and RSU scheme) and share options granted and vested to the Directors and supervisors, at no time during the year ended 31 December 2021 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors, supervisors or their respective spouses or minor children, or were any such rights exercised by them, or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors and supervisors to acquire such rights in any other body corporate.

CONTRACT OF SIGNIFICANCE

The Group has contracts with Haier Corp and their subsidiaries and/or associates (collectively referred to as "Haier Affiliates") for the transactions include those for Property Leasing Framework Agreement, Services Supply Framework Agreement, Services Procurement Framework Agreement, Products and Materials Sales Framework Agreement, Products and Materials Procurement Framework Agreement, and Financial Services Framework Agreement (and renewed agreement). Further details of the transactions undertaken in connection with these contracts during the year are included in the section "CONNECTED TRANSACTIONS".

EQUITY-LINKED AGREEMENT

Save as (i) the convertible bonds issued under the EB-to-CB Proposal, and (ii) the A-Share option incentive scheme, the Company has not engaged in any equity-linked agreement during the year ended 31 December 2021.

Subsequent to the balance sheet date, on 11 January 2022, the Company entered into a placing agreement with a placing agent for a placing of new H Shares of the Company under general mandate. A total of 41,413,600 H Shares have been placed to five placees, who and whose ultimate beneficial owners are third parties independent of and not connected with the Company and/or its connected persons. The placing price is HK$28.00 per H Share.

Certain directors and supervisor of the Company have invested indirectly in the structured notes issued by Golden Sunflower, one of the places, through the trusts and asset management schemes. The details of their capital contribution are as follows:

Name	Position	Amount contributed (In HK$ million)	Relevant number of placing shares
Mr. LIANG Haishan	Director	18.35	655,305
Mr. LI Huagang	Director	18.35	655,305
Mr. XIE Juzhi	Director	11.01	393,183
Mr. LIU Dalin	Supervisor	4.89	174,629

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 December 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	2,608,458,364	Beneficial owner Interest in controlled corporation Interest through voting rights entrustment arrangement	41.35%	27.75%
	H Share	538,560,000	Interest in controlled corporation	19.10%	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%	13.39%
HCH (HK) Investment Management Co., Limited[Note 3]	H Share	538,560,000	Beneficial owner	19.10%	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 31 December 2021 totally 9,398,704,530 comprise 6,308,552,654 A Shares, 271,013,973 D Shares and 2,819,137,903 H Shares, representing approximately 67.12%, 2.88% and 29.99% of the total share capital of the Company, respectively.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES (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) 104,910,216 A Shares through Qingdao Haichuangzhi Management Consulting Enterprise (Limited Partnership), a party acting in concert with Haier Group Corporation. (note: Qingdao Haichuangzhi Management Consulting Enterprise (Limited Partnership) also engaged in refinancing and securities lending business, involving a total of 1,700,000 A Shares, whilst the ownership of which had not been transferred.)

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

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

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

5. JPMorgan Chase & Co. held 254,907,602 H Shares, representing approximately 9.04% of the total number of H Shares. BlackRock, Inc. held 150,907,093 H Shares, representing approximately 5.35% 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 23,121,466 D Shares, representing approximately 8.53% of the total number of D Shares.

Short positions and Lending pools:

JPMorgan Chase & Co. had a short position of 4,949,290 H Shares, representing approximately 0.18% of the total number of H Shares; and had a lending pool of 49,132,982 H Shares, representing approximately 1.74% of the total number of H Shares. BlackRock, Inc. had a short position of 476,600 H Shares, representing approximately 0.02% of the total number of H Shares.

Morgan Stanley had a short position of 22,625,142 D Shares, representing approximately 8.35% of the total number of D Shares.

Save as disclosed above, as at 31 December 2021, no person, other than the Directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

CONNECTED TRANSACTIONS

Haier Group directly and indirectly own 34.10% of the voting rights of the Company. Haier Group, together with its associates as defined under Rule 14A.13 of the Listing Rules, are therefore the Company's connected persons by virtue of Rules 14A.07(1) and 14A.07(4) of the Listing Rules.

The Board of the Company approved on 29 October 2021 that, the Company acquired 10.00% equity interest in Dalian Haier Refrigerator Co., Ltd. (大連海爾電冰箱有限公司), 3.94% equity interest in Qingdao Haier Special Freezer Co., Ltd. (青島海爾特種電冰櫃有限公司), and 100% equity interest in Qingdao Haier Quality Testing Co., Ltd. (青島海爾質量檢測有限公司), all the equity interests were held by the Haier Group, for the considerations of RMB39.6 million, RMB28.85 million and RMB36.3 million, respectively, amounting to RMB104.75 million in cash. As at the end of the reporting period, the transactions were completed. These transactions constitute connected transactions of the Company under Chapter 14A of the Listing Rules, and have complied with the disclosure requirements of Chapter 14A of the Listing Rules.

Continuing Connected Transactions

Following the listing of the Company by way of introduction on the Main Board of the Hong Kong Stock Exchange (in the form of H Shares) for the privatisation of Haier Electronics Group Co., Ltd. by the Company, the transactions between members of the Group and Haier Group constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. These connected transactions have complied with the disclosure requirements of Chapter 14A of the Listing Rules.

The non-exempt continuing connected transactions include those for Property Leasing Framework Agreement, Services Supply Framework Agreement, Services Procurement Framework Agreement, Products and Materials Sales Framework Agreement, Products and Materials Procurement Framework Agreement, and Financial Services Framework Agreement. These continuing connected transaction agreements shall remain in force from the listing date of H-shares to 31 December 2022 (except that the Financial Services Framework Agreement remained in force for the period from the listing date of H-Shares of the Company to 25 June 2021 (date of the 2020 Annual General Meeting of the Company) and has been renewed and the Renewed Financial Services Framework Agreement shall remain in force up to 31 December 2023). Further details and reasons of these transactions are as follows:

CONNECTED TRANSACTIONS (continued)

During the year ended 31 December 2021, the Group had the following material transactions with Haier Group:

	Notes	Cap Amounts 2021 RMB'000	Transaction Amounts 2021 RMB'000	2020 RMB'000
Property Leasing Framework Agreement	(i)	**180,000**	**106,000**	114,000
Services Supply Framework Agreement	(ii)	**349,000**	**214,000**	308,000
Services Procurement Framework Agreement	(iii)	**5,608,000**	**5,477,000**	4,808,000
Products and Materials Sales Framework Agreement	(iv)	**4,963,000**	**2,955,000**	3,153,000
Products and Materials Procurement Framework Agreement	(v)	**22,550,000**	**19,197,000**	19,115,000
Financial Services Framework Agreement	(vi)			

	Notes	Cap Amounts 2021 RMB'000	Transaction Amounts 2021 RMB'000	2020 RMB'000
Deposit Services	(vi)			
(a) Maximum daily outstanding balance		**29,000,000**	**28,655,000**	24,987,000
(b) Interest income		**870,000**	**340,000**	86,000
Loan Services	(vi)			
(a) Maximum daily outstanding balance		**5,000,000**	**557,000**	3,628,000
(b) Interest expense		**200,000**	**8,000**	86,000
Other Financial Services	(vi)			
(a) Maximum daily trading balance of Foreign exchange derivative products		**5,500,000**	**2,612,000**	4,418,000
(b) Service fee		**80,000**	**23,000**	18,000

CONNECTED TRANSACTIONS (continued)

Notes:

(i) The Group rents certain properties from Haier Group and its associates from time to time for the Group offices and business uses, for which Haier Group charges the Group rental and other charges. The purpose is that our Group has historically occupied certain properties owned by Haier Group and its associates for our offices and business uses. Since the relocation of such entities of our Group to other premises would result in unnecessary interruptions to our business and would incur unnecessary additional expenses, our Group entered into the Property Leasing Framework Agreement with Haier Group to ensure continuing smooth operation of our Group and to save costs.

The pricing policy (including but not limited to the rental and services fees to be paid by our Group to Haier Group and its associates, payment progress and method) would be negotiated between Haier Group and its associates and our Group at arm's length basis, with reference to market prices or normal commercial terms of this type of transactions with independent third parties.

(ii) The Group has provided certain sales-related services mainly comprising after-sale services and value-added consumer services, such as installation, calibration, consultation, repair and maintenance and technical support and other services to Haier Group and its associates on a non-exclusive basis from time to time.

The purpose is that our Group has also entered into the Products Sales Framework Agreement with Haier Group, pursuant to which our Group would provide certain Products and Materials for Sale to Haier Group and its associates from time to time. The provision of sales-related services under the Services Supply Framework Agreement provides Haier Group with a one-stop solution in relation to its demands for Products and Materials for Sale from us. The enhancement of purchase experience of Haier Group through provision of sales-related services helps our Group maintain a stable and quality business relationship with Haier Group.

Pricing for the after-sale and value-added services provided by our Group to Haier Group and its associates pursuant to the Services Supply Framework Agreement varies taking into account the type and nature of each type of services, and pricing increases when a higher degree of technicality or costs are involved for the required service. Each type of services would be provided on terms no less favourable to our Group than those prevailing in the PRC market for the services of the same or comparable type, nature and quality and at similar time, with reference to market prices or normal commercial terms of this type of transactions with independent third parties.

(iii) The Group would purchase certain services mainly include logistics services, advertising, promotional and marketing services and other comprehensive services from Haier Group and its associates on a non-exclusive basis from time to time.

The purpose is that the Group and Haier Group have a long-term and stable business relationship. Haier Group is familiar with our business process and needs, quality standards and operational requirements, and is able to supply relevant services we needed on a constant basis. Based on our previous experience in business dealings with Haier Group and its associates, we believe that Haier Group and its associates are capable of effectively satisfying our demands for the relevant services in a stable and quality manner.

The fees to be paid by our Group to Haier Group and its associates pursuant to the Services Procurement Framework Agreement would be determined with reference to market prices or normal commercial terms of this type of transactions with independent third parties, or negotiated by the parties on an arm's-length basis by taking into consideration factors including but not limited to actual costs and expenses and market conditions. The prices and terms shall be no less favourable than those offered to our Group by independent third parties.

(iv) The Group has to provide certain products and materials mainly include products for internal consumption, components and raw materials for production use and full-suite smart home solutions, including ancillary products and services to Haier Group and its associates on a non-exclusive basis from time to time.

The purpose is that the Group is familiar with Haier Group's business process and needs, quality standards and operational requirements, and is able to supply the Products and Materials for Sale needed by Haier Group on a constant basis and provides our Group with a stable income. Our Directors believe that maintaining a stable and quality business relationship with Haier Group will facilitate our current and future business operations. In addition, our Group is able to leverage on the centralised procurement platforms to source the components and materials requested by Haier Group from time to time at a relatively lower cost and profit from the spread offered, thereby enjoying benefits from economies of scale.

CONNECTED TRANSACTIONS (continued)

Notes: (continued)

(iv) (continued)

The fees to be charged for the Products and Materials for Sale to be sold by our Group to Haier Group and its associates pursuant to the Products and Materials Sales Framework Agreement would be at such prices to be agreed between the parties, in particular:

- The prices of sales of products and the smart home solutions would be determined taking into account the type of products and solutions, retail volume, market conditions and others, and would be not lower than the price of products and solutions of the similar nature, type and quality provided by our Group to comparable independent third parties in the market.

- The prices of sales of components and materials would be determined based on actual sales prices of the components and materials plus a commission fee rate (which is for the purpose of covering the relevant operational and administrative expenses of the members of our Group in providing the components and materials) of no more than 1.25%.

The sales (including the applied discount rates and commission fee rates) would be on terms no less favourable to our Group than those prevailing in the PRC market for products, components and materials of the same or comparable type, nature and quality and at similar time as well as those offered by our Group to independent third parties.

(v) The Group has to procure certain products and materials mainly comprising products for internal consumption and resale uses, production and experimental equipment used, idled, procured and/or tailor-made by Haier Group and its associates for the Group internal consumption use, and raw materials and parts required for production use from Haier Group and its associates on a non-exclusive basis, from time to time.

The purpose is that Haier Group is familiar with our business process and needs, quality standards and operational requirements, and is able to supply the Products and Materials to Procure needed by us on a constant basis. Our Group is allowed to leverage on the scale and efficiency of the centralised procurement platform of Haier Group and its associates for its production operations of different segments thereby lowering our Group's procurement costs. Based on our previous experience in business dealings with Haier Group and its associates, we believe that Haier Group and its associates are capable of effectively satisfying our demands for relevant stable and quality products, equipment and materials.

The procurement amount to be charged by Haier Group and its associates for the products to procure would be negotiated by the parties at arm's length basis on terms no less favourable than those offered to our Group by independent third parties. In the event that there are no appropriate independent third parties providing products and materials of same or similar quality, our Group will refer to the fees and terms of products of same or similar quality provided by Haier Group and its associates to independent third parties, cost of products and materials, estimated value and market price for comparison and referencing purpose.

The procurement amount to be charged by Haier Group and its associates for the equipment to procure would be determined based on arm's length negotiation after taking into account various factors such as the sources, depreciation, and net asset values of such equipment, relevant cost and expense (such as purchase price of such equipment, relevant operational and administrative expenses, etc.), with reference to the estimated values and market prices, which is determined based on the historical prices paid by our Group to independent third parties in procuring the equipment of similar type and quality.

The procurement amount to be charged by Haier Group and its associates for the materials to procure would be determined based on the actual cost (for example, prices obtained by Haier Group and/or its associates through bidding process (if applicable) or other actual purchase prices) plus a commission fee rate (which is for the purpose of covering the relevant operational and administrative expenses of Haier Group and its associates in providing the materials) of no more than 1.25%, or based on market prices.

CONNECTED TRANSACTIONS (continued)

Notes: (continued)

(vi) Haier Group and its associates mainly Haier Group (Qingdao) Financial Holdings Limited and Haier Group Finance Co., Ltd. (collectively "Haier Group Finance") etc., provided financial services mainly comprising deposit services, Loan services and entrusted loan services and other financial services to the Group on a non-exclusive basis from time to time.

The purpose is that Haier Group Finance, as enterprise group finance companies specialising in home appliance industry, can, subject to the supervision of the China Banking and Insurance Regulatory Commission provide a chain of various financial solutions to our Group in a more efficient and flexible manner than independent commercial banks. The benefits to our Group to use the financial services of Haier Group Finance include: (i) Haier Group Finance's better understanding of the operations and development needs of our Group which should allow more expedient and efficient provision of various tailor-made packaged financial services to our Group than other external banks in the PRC; and (ii) the enhanced cost savings by reducing the amount of finance fees and charges payable to external banks when Haier Group Finance can offer more favourable terms than those offered by external banks.

In terms of deposit services, pursuant to the Financial Services Framework Agreement, in respect of domestic RMB deposits, Haier Group and its associates provides deposit services to our Group, referring to the benchmark deposit interest rate announced by the PBOC on its official website for the same period from time to time, at an interest rate no less favourable than the highest interest rate for the same type of deposits as quoted by Industrial and Commercial Bank of China, Agricultural Bank of China, China Construction Bank, Bank of China and all the listed national joint stock banks in the PRC. Overseas deposits in RMB and foreign currencies are implemented in accordance with market principles, and the interest rate of similar deposits is more favourable than the highest interest rate of commercial banks available to the Group.

In terms of loan services, Haier Group and its associates would provide loans to our Group at a price no less favourable than the market prices determined at arm's length basis with reference to the borrowing rate for the same type of loans charged by other two to three major financial institutions/commercial banks. The entrusted loan services provided by Haier Group and its associates as a financial service institution for our Group are provided on a free-of-charge basis. Our Group may use the internet banking system of Haier Group and its associates for settlement on a free-of-charge basis.

In terms of provision of Other Financial Services, the fees charged by Haier Group and its associates would be determined based on relevant market prices with reference to the benchmark rates published by the PBOC on its official website from time to time; if there is no such benchmark rates published by the PBOC for that kind of financial service, the fee would be determined with reference to, amongst other factors, the rates charged by other major financial institutions/commercial banks for the same types of services and on terms no less favourable than those offered by independent commercial banks/financial institutions in the PRC to our Group. Haier Group and its associates pools its resource advantages to obtain the lowest service fees and the best services from external financial institutions, and agrees that Haier Group and its associates would not charge any intermediate fees except those charged by external banks. In addition, Haier Group and its associates agrees to waive all the service fees to be paid by our Group to Haier Group and its associates, including without limitation, POS fees, account management fees, online banking activation fees, inquiry fees, deposit certificate fees, credit certificate fees, and internal settlement fees.

The internal audit department of the Company reviewed the continuing connected transactions and the adequacy and effectiveness of the internal control procedures, and provided the findings to the independent non-executive Directors to assist them in performing their annual reviews. The independent non-executive Directors also made appropriate enquiries with the management to ensure that they have sufficient information to review the transactions and the internal control procedures. The INEDs have reviewed the continuing connected transactions set out above and have confirmed that these continuing connected transactions were entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or on terms no less favorable to the Group than terms available to or from independent third parties; and

(iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

CONNECTED TRANSACTIONS (continued)

The amounts of the continuing connected transactions have not exceeded the caps disclosed in (i) the listing document for the Company's H Shares, or (ii) other previous announcements published by the Company.

HLB Hodgson Impey Cheng Limited, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to *Practice Note 740 Auditor's Letter on Continuing Connected Transactions* under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. HLB Hodgson Impey Cheng Limited, have issued their unqualified letter to the Board containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules as follows:

a. nothing has come to their attention that causes the auditors to believe that the disclosed continuing connected transactions have not been approved by the Company's board of directors.

b. for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes the auditors to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group.

c. nothing has come to their attention that causes the auditors to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.

d. with respect to the aggregate amount of each of the continuing connected transactions set out in the above list of continuing connected transactions, nothing has come to their attention that causes the auditors to believe that the disclosed continuing connected transactions have exceeded the annual caps as set by the Company.

A copy of the auditor's letter will be provided by the Company to the Hong Kong Stock Exchange in April 2022.

Save as disclosed in this chapter, none of the related party transactions set out in note 13 to the financial statements constitute connected transactions under Chapter 14A of the Listing Rules.

MANAGEMENT CONTRACTS

No contracts concerning the management and/or administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

DONATIONS

During the year, the Company's expenditure on charitable donation was approximately RMB37.79 million.

TAXATION POLICIES FOR DIVIDEND

Taxation policies applicable to the shareholders in respect of the cash dividend received for the shares held by them in the Company shall follow the laws and regulations as revised from time to time by the state, details in relation thereto will be otherwise announced by the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, at least 25% of the Company's total issued share capital was held by the public, and the H Shares was more than 15% of our Company's total number of issued shares. Therefore, the Company is able to meet the minimum public float requirement under the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events of the Group after the reporting period are set out in note 54 to the financial statements.

AUDITORS

There have been no changes of auditors in the preceding three years, and Hexin Certified Public Accountants LLP audited the 2021 annual financial statements prepared by the Company in accordance with Accounting Standards for Business Enterprises (PRC Accounting Standards).

HLB Hodgson Impey Cheng Limited audited the 2021 annual financial statements prepared by the Company in accordance with International Financial Reporting Standards.

On behalf of the Board

Liang Haishan
Chairman

Qingdao, the PRC
30 March 2022

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

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

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

OPINION

We have audited the consolidated financial statements of Haier Smart Home Co., Ltd. (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 140 to 307, which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board (the "**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter

Provision for impairment of goodwill and other intangible assets

Refer to Notes 2.3, 17 and 18 to the consolidated financial statements

The Group had goodwill and other intangible assets with carrying amounts of approximately RMB21,827 million and RMB8,498 million respectively as at 31 December 2021.

This impairment assessment conclusion was arrived at based on estimation of the recoverable amount of individual cash generating unit to which the goodwill and other intangible assets were allocated as at 31 December 2021 using the value-in-use model, which required exercise of management judgment with respect to the determination of appropriate discount rate and estimation of forecasted cash flows for the financial projection period, in particular future revenue growth.

We focused on this area due to the size of the balances and the impairment assessment required significant management's judgements. Independent external valuation obtained in order to support management's impairment assessment as at 31 December 2021.

Our procedures in relation to the management's impairment assessment included:

- Evaluating the competency, capabilities and objectively of the independent professional external valuer;
- Assessing the appropriateness of the methodology and key assumptions and inputs used based on our knowledge of the business and of the relevant industry and using our valuation experts;
- Challenging management about the valuation reasonableness of key assumptions and inputs used, based on our knowledge of the business and industry; and
- Checking, on sampling basis, the accuracy and relevance of the input data used.

Based on the procedures performed, we found the management judgement and estimates used in impairment assessment were supported by the available evidence.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Provision for obsolete and slow-moving inventories **Refer to Notes 2.3 and 24 to the consolidated financial statements** As at 31 December 2021, the Group had inventories of approximately RMB39,863 million and recognised provision for obsolete and slow-moving inventories of approximately RMB1,058 million to statement of profit or loss during the year ended 31 December 2021. The provision against obsolete and slow-moving inventories was estimated based on the net realisable value of the inventories with reference to the latest selling prices and current market conditions. Management judgement was involved in estimate the selling price for inventories, the costs of completion and the costs necessary to make the sale. We focused on this area due to the size of the balances and the judgement exercised by management in determining value of provision for the obsolete and slow-moving inventories.	Our procedures in relation to the management's assessment on the valuation of the inventories included: • Evaluating the estimates made by management and used to determine the value of provision for obsolete and slow-moving inventories during the year and compare to the provisions made in prior year; • Performing a recalculation, on a sample basis, of the inventory provision made on individual inventories; • Sample checking on the subsequent selling price of finished goods; and • Checking the ageing profile of inventories, the historical sales and usage records of the inventories. Based on the procedures performed, we considered management's judgement and estimates in the provision assessment against obsolete and slow-moving inventories, to be supported by the available evidence.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Provision for product warranties **Refer to Notes 2.3 and 33 to the consolidated financial statements** As at 31 December 2021, the Group had provision. for product warranties of approximately RMB3,681 million. Product warranty provisions were made with reference to the sales volume and the expected unit costs for warranty services. The assessment of the provision amount involved management assumptions, judgements and estimates. We focused on this area due to the size of the balances and the management's judgements were required in determining the value of provision for product warranties.	Our procedures in relation to the management's assessment on provision for product warranties included: • Evaluating the estimates made by management and used to determine the provision for product warranties during the year and comparing to the provisions made in prior year; • Performing a recalculation, on a sample basis, of the provision made; • Sample checking on the subsequent costs of warranty services; and • Comparing the provision made by the Group and the operation result of the Group. Based on the procedures performed, we considered management's judgement and estimates in the provision assessment for product warranties, to be supported by the available evidence.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon (the "**Other Information**").

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion solely to you, as a body, in accordance 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement director on the audit resulting in this independent auditors' report is Tien Sun Kit, Jack.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Tien Sun Kit, Jack
Practising Certificate Number: P07364

Hong Kong, 30 March 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

	Notes	2021 RMB'M	2020 RMB'M (Restated)
REVENUE	5	**227,531**	209,701
Cost of sales		**(158,059)**	(148,867)
Gross profit		**69,472**	60,834
Other gains or losses	5	**2,056**	3,994
Selling and distribution expenses		**(36,554)**	(33,641)
Administrative expenses		**(20,230)**	(17,924)
Finance costs	7	**(714)**	(1,321)
Share of profits and losses of associates		**1,886**	1,620
PROFIT BEFORE TAX	6	**15,916**	13,562
Income tax expenses	10	**(2,699)**	(2,233)
PROFIT FOR THE YEAR		**13,217**	11,329
OTHER COMPREHENSIVE (LOSS)/INCOME			
Items that may be reclassified to profit or loss in subsequently periods:			
Share of other comprehensive loss of associates		**(50)**	(342)
Effective portion of changes in fair value of hedging instrument for cashflow hedges, net of tax		**101**	(97)
Exchange differences on translating foreign operations		**(1,400)**	(2,004)
		(1,349)	(2,443)
Items that will not be reclassified to profit or loss in subsequent periods:			
Changes arising from re-measurement of defined benefit plans		**36**	(23)
Change in fair value of equity investments designated at fair value through other comprehensive income ("**FVTOCI**"), net of tax		**1,165**	(110)
		1,201	(133)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		**(148)**	(2,576)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**13,069**	8,753

	Notes	2021 RMB'M	2020 RMB'M (Restated)
Profit for the year attributable to:			
Owners of the Company		**13,067**	8,883
Non-controlling interests		**150**	2,446
		13,217	11,329
Total comprehensive income attributable to:			
Owners of the Company		**12,935**	6,346
Non-controlling interests		**134**	2,407
		13,069	8,753
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
— Basic (RMB per share)	12	**1.41**	1.34
— Diluted (RMB per share)	12	**1.40**	1.31

Consolidated Statement of Financial Position

As at 31 December 2021

	Notes	2021 RMB'M	2020 RMB'M (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	14	**26,981**	24,845
Investment properties	15	**25**	28
Right-of-use assets	16(a)	**3,785**	3,901
Goodwill	17	**21,827**	22,518
Other intangible assets	18	**8,498**	8,957
Interests in associates	19	**23,232**	21,569
Equity investments designated at FVTOCI	20	**4,849**	2,659
Financial assets measured at amortised cost	22	**309**	331
Derivative financial instruments	23	**47**	47
Long-term prepayments	26	**1,860**	1,404
Deferred tax assets	35	**1,855**	2,208
Other non-current assets		**578**	760
Total non-current assets		**93,846**	89,227
CURRENT ASSETS			
Inventories	24	**39,863**	29,447
Trade and bills receivables	25	**27,986**	30,066
Contract assets	31(a)	**304**	263
Prepayments, deposits and other receivables	26	**6,415**	5,214
Financial assets measured at fair value through profit or loss ("**FVTPL**")	21	**2,786**	2,165
Financial assets measured at amortised cost	22	**317**	554
Derivative financial instruments	23	**80**	78
Pledged deposits	27	**755**	822
Other deposit with limited use	27	**145**	4
Cash and cash equivalents	27	**44,958**	45,641
		123,609	114,254
Assets and disposal group held for sale	28	**5**	17
Total current assets		**123,614**	114,271
CURRENT LIABILITIES			
Trade and bills payables	29	**67,368**	57,545
Other payables and accruals	30	**25,305**	23,308
Contract liabilities	31(b)	**10,017**	6,270
Interest-bearing borrowings	32	**17,968**	12,643
Lease liabilities	16(b)	**687**	671
Tax payable		**1,305**	1,372
Bonds	43	**—**	5,535
Provisions	33	**2,190**	1,881
Derivative financial instruments	23	**80**	239
Financial liabilities measured at FVTPL	42	**6**	27
Total current liabilities		**124,926**	109,491

	Notes	2021 RMB'M	2020 RMB'M (Restated)
NET CURRENT (LIABILITIES)/ASSETS		**(1,312)**	4,780
TOTAL ASSETS LESS CURRENT LIABILITIES		**92,534**	94,007
NON-CURRENT LIABILITIES			
Interest-bearing borrowings	32	**3,075**	11,858
Lease liabilities	16(b)	**1,961**	2,073
Convertible bonds	44	**335**	6,714
Deferred income	34(a)	**723**	551
Deferred tax liabilities	35	**2,122**	1,900
Provisions for pensions and similar obligations	49	**1,173**	1,246
Provisions	33	**1,949**	1,443
Other non-current liabilities		**112**	89
Total non-current liabilities		**11,450**	25,874
Net assets		**81,084**	68,133
EQUITY			
Share capital	36	**9,399**	9,028
Reserves	38(a)	**70,413**	57,810
Equity attributable to owners of the Company		**79,812**	66,838
Non-controlling interests	38(b)	**1,272**	1,295
Total equity		**81,084**	68,133

The consolidated financial statements were approved and authorised for issue by the board of directors on 30 March 2022 and signed on its behalf by:

Mr. Liang Haishan
Chairman

Mr. Li Huagang
Executive Director

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

Consolidated Statement of Changes in Equity

As at 31 December 2021

	Notes	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 (Note 38(a)(i)) RMB'M	Convertible bonds reserves RMB'M	Retained profits RMB'M	Exchange differences on translation reserve (Note 38 (a)(iii)) RMB'M	Other reserves RMB'M	Treasury shares reserve RMB'M	Total reserves RMB'M	Total RMB'M	Non-controlling interests RMB'M	Total equity RMB'M
		Attributable to owners of the Company															
			Reserves														
At 1 January 2020, as previously reported		6,580	3,637	60	4	(29)	18	2,654	431	32,469	1,265	798	–	41,307	47,887	17,103	64,990
Effect of business combination under common control (Note 2)		–	(1)	–	–	–	–	–	–	16	–	–	–	15	15	–	15
At 1 January 2020 (Restated)		6,580	3,636	60	4	(29)	18	2,654	431	32,485	1,265	798	–	41,322	47,902	17,103	65,005
Profit for the year (Restated)		–	–	–	–	–	–	–	–	8,883	–	–	–	8,883	8,883	2,446	11,329
Other comprehensive income/(loss) for the year																	
– Share of other comprehensive income of associates		–	–	–	–	–	(369)	–	–	–	–	–	–	(369)	(369)	27	(342)
– Effective portion of changes in fair value of hedging instrument for cashflow hedges, net of tax		–	–	–	(104)	–	–	–	–	–	–	–	–	(104)	(104)	7	(97)
– Exchange differences on translating foreign operations		–	–	–	–	–	–	–	–	–	(1,991)	–	–	(1,991)	(1,991)	(13)	(2,004)
– Changes arising from re-measurement of defined benefit plans		–	–	(23)	–	–	–	–	–	–	–	–	–	(23)	(23)	–	(23)
– Change in fair value of equity investments designated at FVTOCI		–	–	–	–	(50)	–	–	–	–	–	–	–	(50)	(50)	(60)	(110)
Total comprehensive income/(loss) for the year		–	–	(23)	(104)	(50)	(369)	–	–	8,883	(1,991)	–	–	6,346	6,346	2,407	8,753
Dividend paid to owners of the Company		–	–	–	–	–	–	–	–	(2,467)	–	–	–	(2,467)	(2,467)	–	(2,467)
Dividend paid to non-controlling interests		–	–	–	–	–	–	–	–	–	–	–	–	–	–	(726)	(726)
Cash payment paid to scheme shareholders under the privatization proposal (Note 38(b))		–	–	–	–	–	–	–	–	–	–	–	–	–	–	(2,513)	(2,513)
Transfer to reserves fund		–	–	–	–	–	–	390	–	(390)	–	–	–	–	–	–	–
Disposal of subsidiaries		–	–	–	–	–	2	–	–	–	12	(25)	–	(11)	(11)	(1,277)	(1,288)
Changes in ownership interests in subsidiaries that do not result in a loss of control		–	(835)	–	–	(80)	57	–	–	–	179	–	–	(679)	(679)	2,362	1,683
Acquisition of non-controlling interests		–	–	–	–	–	–	–	–	–	–	–	–	–	–	(16,061)	(16,061)
Privatisation of a subsidiary by issue of new shares, net of transaction costs		2,448	13,372	–	–	–	–	–	–	–	–	–	–	13,372	15,820	–	15,820
Purchase of treasury shares		–	–	–	–	–	–	–	–	–	–	–	(29)	(29)	(29)	–	(29)
Exchanged from exchangeable bonds to Convertible bonds		–	(1,937)	–	–	–	–	–	1,934	–	–	–	–	(3)	(3)	–	(3)
Other changes		–	–	–	–	–	–	–	–	(41)	–	–	–	(41)	(41)	–	(41)
At 31 December 2020 (Restated)		9,028	14,236	37	(100)	(159)	(292)	3,044	2,365	38,470	(535)	773	(29)	57,810	66,838	1,295	68,133

	Notes	Issued equity RMB'M	Capital reserve RMB'M	Share-based payments reserve RMB'M	Remeasurement of defined benefit plans reserve RMB'M	Cash flow hedges reserve (Note 38(a)(iv)) RMB'M	FVTOCI reserve (Note 38(a)(v)) RMB'M	Equity method investments reserve RMB'M	Reserve funds (Note 38(a)(i)) RMB'M	Convertible bonds reserves (Note 38(a)(ii)) RMB'M	Retained profits RMB'M	Exchange differences on translation reserve (Note 38 (a)(iii)) RMB'M	Other reserves RMB'M	Treasury shares reserve (Note 38(a)(vi)) RMB'M	Total reserves RMB'M	Total RMB'M	Non-controlling interests RMB'M	Total equity RMB'M
		Attributable to owners of the Company																
			Reserves															
At 1 January 2021 (Restated)		9,028	14,236	–	37	(100)	(159)	(292)	3,044	2,365	38,470	(535)	773	(29)	57,810	66,838	1,295	68,133
Profit for the year		–	–	–	–	–	–	–	–	–	13,067	–	–	–	13,067	13,067	150	13,217
Other comprehensive income/(loss) for the year																		
– Share of other comprehensive income of associates		–	–	–	–	–	–	(50)	–	–	–	–	–	–	(50)	(50)	–	(50)
– Effective portion of changes in fair value of hedging instrument for cashflow hedges, net of tax		–	–	–	–	103	–	–	–	–	–	–	–	–	103	103	(2)	101
– Exchange differences on translating foreign operations		–	–	–	–	–	–	–	–	–	–	(1,386)	–	–	(1,386)	(1,386)	(14)	(1,400)
– Changes arising from re-measurement of defined benefit plans		–	–	–	36	–	–	–	–	–	–	–	–	–	36	36	–	36
– Change in fair value of equity investments designated at FVTOCI		–	–	–	–	–	1,165	–	–	–	–	–	–	–	1,165	1,165	–	1,165
Total comprehensive income/(loss) for the year		–	–	–	36	103	1,165	(50)	–	–	13,067	(1,386)	–	–	12,935	12,935	134	13,069
Dividend payable to owners of the Company		–	–	–	–	–	–	–	–	–	(3,411)	–	–	–	(3,411)	(3,411)	–	(3,411)
Dividend payable to non-controlling interests (Note 41)		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(63)	(63)
Transfer to reserves fund		–	–	–	–	–	–	–	393	–	(393)	–	–	–	–	–	–	–
Recognition of equity settled share-based payment		–	–	262	–	–	–	–	–	–	–	–	–	–	262	262	–	262
Changes in ownership interests in subsidiaries that do not result in a loss of control		–	(100)	–	–	–	–	–	–	–	–	–	–	–	(100)	(100)	(94)	(194)
Business combination under common control		–	(36)	–	–	–	–	–	–	–	–	–	–	–	(36)	(36)	–	(36)
Purchase of treasury shares		–	–	–	–	–	–	–	–	–	–	–	–	(3,221)	(3,221)	(3,221)	–	(3,221)
Share repurchased and cancelled (Note 36)		(32)	(794)	–	–	–	–	–	–	–	–	–	–	826	32	–	–	–
Issue of shares upon conversion of convertible bonds (Note 44)		403	8,211	–	–	–	–	–	–	(2,246)	–	–	–	–	5,965	6,368	–	6,368
Other changes		–	(2)	–	–	–	–	1	–	–	176	2	–	–	177	177	–	177
At 31 December 2021		9,399	21,515	262	73	3	1,006	(341)	3,437	119	47,909	(1,919)	773	(2,424)	70,413	79,812	1,272	81,084

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	Notes	2021 RMB'M	2020 RMB'M (Restated)
Cash flows from operating activities			
Profit before tax		**15,916**	13,562
Adjustments for:			
Finance costs	7	**714**	1,321
Interest income	5	**(625)**	(574)
Share of profits and losses of associates		**(1,886)**	(1,620)
Dividends income from equity investment designated at FVTOCI	5	**(59)**	(21)
Gain on disposal of financial assets/liabilities measured at FVTPL, net	5	**(393)**	(70)
Gain on disposal of associates and subsidiaries, net		**(5)**	(2,261)
(Gain)/loss on disposal of non-current assets, net		**(90)**	111
Fair value gain on financial assets/liabilities at FVTPL, net	5	**(119)**	(62)
Depreciation of property, plant and equipment	14	**3,433**	3,413
Depreciation of investment properties	15	**1**	2
Depreciation of right-of-use assets	16(a)	**759**	715
Amortisation of other non-current assets	6	**37**	36
Amortisation of other intangible assets	18	**830**	929
Provision for obsolete and slow-moving inventories, net	6	**1,058**	1,015
Impairment of trade and bills receivables, net	25	**418**	131
Impairment of prepayments, deposits and other receivables and long-term prepayments, net	26	**428**	265
Impairment of property, plant and equipment	14	**4**	1
Impairment of interests in associates	19	**—**	44
Impairment of other intangible assets	18	**30**	46
Equity-settled share-based expense	6	**262**	289
Operating cash inflow before movements in working capital		**20,713**	17,272
Increase in inventories		**(11,474)**	(3,118)
Decrease/(increase) in trade, bills and other receivable		**5,028**	(5,383)
Increase in trade, bills and other payable		**10,764**	10,284
Change in other working capital		**100**	142
Cash generated from operations		**25,131**	19,197
Interest received		**566**	438
Income tax paid		**(2,567)**	(2,026)
Net cash generated from operating activities		**23,130**	17,609

	Notes	2021 RMB'M	2020 RMB'M (Restated)
Cash flows from investing activities			
Payment for purchases of non-current assets		**(7,372)**	(7,602)
Proceeds from disposal of non-current assets		**290**	324
Payment for acquisition of subsidiaries, net of cash acquired		**(263)**	(323)
Cash (outflow)/inflow from disposal of subsidiaries, net of cash disposed		**(220)**	861
Payment and proceeds for acquisition and disposal of associate		**(140)**	(215)
Payment and proceeds for purchases and disposal of equity investments designated at FVTOCI		**(736)**	(5)
Dividends received from associates, equity investment designated at FVTOCI, interest received from financial assets measured at amortised cost and financial assets at FVTPL		**611**	523
Net (payments for acquisition)/proceeds from financials assets measured at amortised cost and financial assets at FVTPL		**(237)**	1,163
Net cash flows used in investing activities		**(8,067)**	(5,274)
Cash flows from financing activities			
Contribution from shareholders of the company		**–**	24
Repurchases of shares		**(3,221)**	–
Transaction costs attributable to issue of new shares		**(178)**	(49)
Proceed from borrowings		**12,053**	23,232
Repayment of borrowings		**(14,050)**	(23,509)
Proceeds from bonds		**–**	5,500
Repayment of bonds		**(5,500)**	–
Redemption of convertible and exchangeable bond		**–**	(6)
Dividends paid to shareholders		**(3,411)**	(2,467)
Dividends paid to non-controlling interests		**(51)**	(820)
Cash payment paid to scheme shareholders under the privatization proposal		**–**	(2,513)
Lease payments		**(769)**	(728)
Interest paid for borrowings		**(555)**	(989)
Net proceed of changes in ownership interests in subsidiaries		**41**	1,299
Net cash flows used in financing activities		**(15,641)**	(1,026)

	Notes	2021 RMB'M	2020 RMB'M (Restated)
Net (decrease)/increase in cash and cash equivalents		**(578)**	11,309
Cash and cash equivalents at beginning of the year		**45,641**	34,969
Effect of foreign exchange rate changes, net		**(105)**	(637)
Cash and cash equivalents at end of the year		**44,958**	45,641
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Non-pledged cash and bank balances		**24,051**	22,757
Time deposits		**20,907**	22,884
Cash and cash equivalents as stated in the statement of financial position		**44,958**	45,641

1. GENERAL INFORMATION OF THE GROUP

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

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

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

The Company is mainly engaged in research, development, production and sales of home appliances covering refrigerator/freezers, kitchen appliances, air-conditioners, laundry appliances, water appliances and other smart home business, as well as offering complete sets smart home solutions.

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

1. GENERAL INFORMATION OF THE GROUP (continued)

Name	Place of Incorporation/ registration of business	Issued ordinary/ registered share capital 'M	Percentage of equity attributable to the company As at 31 December 2021		2020		Principal activities	Type of legal status	Note
			Direct	Indirect	Direct	Indirect			
Wonder Global (BVI) Investment Limited	The United State of America ("**USA**")/ British Virgin Islands ("**BVI**")	RMB18,596	**–**	**100**	–	100	Manufacture and sale of household appliances and logistics service	Limited liability Company	(i)
Haier U.S. Appliance Solutions, Inc.	USA/USA	United States Dollars ("**USD**") 2,307	**–**	**100**	–	100	Home appliances production	Limited liability company	(i)
Haier Singapore Investment Holding Co., Ltd.	Singapore and other overseas areas/ Singapore	USD896	**–**	**100**	–	100	Manufacture and sale of household appliances	Limited liability company	(ii)
Haier Electronic Group Co., Ltd.	Mainland China/ Bermuda	Hong Kong Dollar ("**HKD**") 3,107	**100**	**–**	68.26	31.74	Investment holding, manufacturing and sale of washing machines and water heaters, distribution and logistics service	Limited liability company	(iv)
Qingdao Haier Air Conditioner Gen. Corp., Ltd	Mainland China/ Mainland China	RMB918	**100**	**–**	100	–	Manufacture and operation of household air-conditioners	Limited liability company	(iv)
Guizhou Haier Electronics Co., Ltd	Mainland China/ Mainland China	RMB141	**59**	**–**	59	–	Manufacture and sale of refrigerator	Limited Liability company	(iii)
Hefei Haier Air-conditioning Co., Limited	Mainland China/ Mainland China	RMB12	**99.22**	**–**	99.22	–	Manufacture and sale of air-conditioners	Limited Liability company	(iii)
Wuhan Haier. Electronics Co., Ltd	Mainland China	RMB62	**60**	**–**	60	–	Manufacture and sale of air-conditioners	Limited Liability company	(iii)
Qingdao Haier Air-Conditioner Electronics Co., Ltd	Mainland China/ Mainland China	RMB956	**100**	**–**	99.54	–	Manufacture and sale of air-conditioners	Limited Liability company	(iii)
Qingdao Haier Information Plastic company Development Co., Ltd	Mainland China/ Mainland China	RMB78	**100**	**–**	100	–	Manufacture of plastic product	Limited Liability	(iii)
Dalian Haier Precision Products Co., Ltd	Mainland China/ Mainland China	RMB48	**90**	**–**	90	–	Manufacture and sale of precise plastics	Limited Liability company	(iii)
Hefei Haier Plastics Co., Ltd.	Mainland China/ Mainland China	RMB34	**77.36**	**4.83**	77.36	4.83	Manufacture and sale of plastic parts	Limited Liability company and product	(iii)
Qingdao Meier Plastic Powder Co., Ltd.	Mainland China/ Mainland China	RMB12	**40**	**60**	40	60	Manufacture of plastic powder, plastic sheet and high-performance coatings	Limited Liability company	(iii)
Chongqing Haier Precision Plastic Co., Ltd.	Mainland China/ Mainland China	RMB65	**90**	**10**	90	10	Plastic products, sheet metal work, electronics and hardware	Limited liability company	(iii)

1. GENERAL INFORMATION OF THE GROUP (continued)

Name	Place of Incorporation/ registration of business	Issued ordinary/ registered share capital 'M	Percentage of equity attributable to the company As at 31 December 2021		2020		Principal activities	Type of legal status	Note
			Direct	Indirect	Direct	Indirect			
Qingdao Haier Refridertor Co., Ltd.	Mainland China/ Mainland China	RMB207	**100**	**–**	100	–	Manufacture and production of fluorine-free refrigerators	Limited liability company	(iii)
Qingdao Haier Refrigerator (International) Co., Ltd.	Mainland China/ Mainland China	RMB260	**100**	**–**	100	–	Manufacture and production of refrigerators	Limited liability company	(iii)
Qingdao Haier Whole Set Home Appliance Service Co., Ltd.	Mainland China/ Mainland China	RMB120	**98.33**	**–**	98.33	–	Research, development and sales of health series of small home appliance	Limited liability company	(iii)
Qingdao Haier Special Refrigertor Co., Ltd.	Mainland China/ Mainland China	RMB166	**100**	**–**	100	–	Manufacture and sales of fiuorine-free refrigerators	Limited liability company	(iii)
Qingdao Haier Dishwasher Co., Ltd	Mainland China/ Mainland China	RMB180	**100**	**–**	100	–	Manufacture and production of dish washing machine and gas stove	Limited liability company	(iii)
QingdaoHaier Special Freezer Co., Ltd.	Mainland China/ Mainland China	RMB388	**100**	**–**	96.06	–	Research, manufacture and sales of freezer	Limited liability company	(iii)
Dalian Haier Air-conditioning Co., Ltd.	Mainland China/ Mainland China	RMB110	**90**	**–**	90	–	Manufacture and production of air-conditioners	Limited liability company	(iii)
Dalian Haier Refrigerator Co., Ltd.	Mainland China/ Mainland China	RMB110	**100**	**–**	90	–	Manufacture and production of refrigerators	Limited liability company	(iii)
Qingdao Haier Electronic Plastic Co., Ltd.	Mainland China/ Mainland China	RMB60	**100**	**–**	80	–	Development, assembling and sales of plastics, electronics and product	Limited liability company	(iii)
Wuhan Haier Freezer Co., Ltd.	Mainland China/ Mainland China	RMB50	**95**	**5**	95	5	Research, manufacture and sales of freezer and other refrigeration products	Limited Liability company	(iii)
Qingdao Haidarui Procurement Service Co., Ltd	Mainland China/ Mainland China	RMB110	**98**	**2**	98	2	Development, purchase and sales of electrical product and components	Limited Liability company	(iii)
Qingdao Haier Intelligent Home Appliance Technology Co., Ltd.	Mainland China/ Mainland China	RMB330	**98.91**	**1.09**	98.91	1.09	Development and application of household appliances, communication, electronics and network engineering technology	Limited Liability company	(iii)
Chongqing Haier Air-conditioning Co., Ltd.	Mainland China/ Mainland China	RMB130	**76.92**	**23.08**	76.92	23.08	Manufacture and sales of air conditioners	Limited Liability company	(iii)

1. GENERAL INFORMATION OF THE GROUP (continued)

Name	Place of Incorporation/ registration of business	Issued ordinary/ registered share capital 'M	Percentage of equity attributable to the company As at 31 December 2021 Direct	2021 Indirect	2020 Direct	2020 Indirect	Principal activities	Type of legal status	Note
Qingdao Haier Precision Products Co., Ltd.	Mainland China/ Mainland China	RMB10	–	70	–	70	Development and manufacture of precise plastic, metal plate, mould and electronic products for household appliances	Limited Liability company	(iii)
Qingdao Haier Air Conditioning Equipment Co., Ltd.	Mainland China/ Mainland China	RMB20	–	100	–	70	Manufacture of household appliances and electronics	Limited Liability company	(iii)
Dalian Free Trade Zone Haier Air-conditioning Trading Co., Ltd.	Mainland China/ Mainland China	RMB1	–	100	–	100	Domestic trade	Limited Liability company	(iii)
Dalian Free Trade Zone Haier Refrigerator Trading Co., Ltd.	Mainland China/ Mainland China	RMB1	–	100	–	100	Domestic trade	Limited Liability company	(iii)
Chongqing Haier Electronic Sales Co., Ltd.	Mainland China/ Mainland China	RMB10	95	5	95	5	Household appliance sales	Limited Liability company	(iii)
Chongqing Haier Refrigeration Appliance Co., Ltd.	Mainland China/ Mainland China	RMB108	84.95	15.05	84.95	15.05	Manufacture and production of refrigerator	Limited Liability company	(iii)
Hefei Haier Refrigerator Co., Ltd.	Mainland China/ Mainland China	RMB49	100	–	100	–	Manufacture and production of refrigerator	Limited Liability company	(iii)
Qingdao Haier HVAC Engineering Co., Ltd.	Mainland China/ Mainland China	RMB8	–	100	–	100	Air-conditioning	Limited Liability company	(iii)
Chongqing Gooddaymart Electric Appliance Sale Co., Ltd.	Mainland China/ Mainland China	RMB5	–	51	–	51	Sales of household appliance and electronics	Limited Liability company	(iii)
Qingdao Haier (Jiaozhou) Air-conditioning Co., Ltd.	Mainland China/ Mainland China	RMB119	–	100	–	100	Manufacture and sale of air-conditioners	Limited Liability company	(iii)
Qingdao Haier Component Co., Ltd.	Mainland China/ Mainland China	RMB80	–	100	–	100	Manufacture and sales of plastic and precise sheet metal products	Limited Liability company	(iii)
Haier Shareholdings (Hong Kng) Limited	Mainland China/ Mainland China	HKD28,029	100	–	100	–	Investment holding	Limited Liability company	(iii)
Shenyang Haier Refrigerator Co., Ltd.	Mainland China/ Mainland China	RMB100	100	–	100	–	Manufacture and sales of refrigerator	Limited Liability company	(iii)
Foshan Haier Freezer Co., Ltd.	Mainland China/ Mainland China	RMB100	100	–	100	–	Manufacture and sales of freezer	Limited Liability company	(iii)
Zhengzhou Haier Air-conditioning Co., Ltd.	Mainland China/ Mainland China	RMB100	100	–	100	–	Manufacture and sales of air conditioner	Limited Liability company	(iii)

1. GENERAL INFORMATION OF THE GROUP (continued)

Name	Place of Incorporation/ registration of business	Issued ordinary/ registered share capital 'M	Percentage of equity attributable to the company As at 31 December 2021 Direct	2021 Indirect	2020 Direct	2020 Indirect	Principal activities	Type of legal status	Note
Qingdao Haidayuan Procurement Service Co., Ltd.	Mainland China/ Mainland China	RMB20	**100**	**–**	100	–	Development, purchase and sales of electrical product and components	Limited Liability company	(iii)
Qingdao Haier Intelligent Technology Development Co., Ltd.	Mainland China/ Mainland China	RMB130	**100**	**–**	100	–	Development and research of household appliances	Limited Liability company	(iii)
Qingdao Hai Ri High-Tech Model Co., Ltd.	Mainland China/ Mainland China	RMB7	**–**	**100**	–	100	Design, manufacture and sales of product model and mould	Limited Liability company	(iii)
Qingdao Hai Gao Design and Manufacture Co., Ltd.	Mainland China/ Mainland China	RMB1	**–**	**75**	–	75	Industrial design and prototype production	Limited Liability company	(iii)
Beijing Haier Guangke Digital Technology Co., Ltd.	Mainland China/ Mainland China	RMB6	**–**	**55**	–	55	Development, promotion and transfer of technology	Limited Liability company	(iii)
Shanghai Haier Medical Technology Co., Ltd.	Mainland China/ Mainland China	RMB28	**–**	**100**	–	100	Wholesale and retail of medical facility	Limited Liability company	(iii)
Qingdao Haier Technology Co., Ltd.	Mainland China/ Mainland China	RMB80	**100**	**–**	100	–	Development and sales of software and information product	Limited Liability company	(iii)
Qingdao Haier Technology Investment Co., Ltd.	Mainland China/ Mainland China	RMB302	**100**	**–**	100	–	Entrepreneurship investment and consulting	Limited Liability company	(iii)
Qingdao Casarte Smart Living Appliances Co., Ltd.	Mainland China/ Mainland China	RMB10	**–**	**100**	–	100	Development, production and sales of appliances	Limited Liability company	(iii)
Qingdao Haichuangyuan Appliances Sales Co., Ltd.	Mainland China/ Mainland China	RMB10	**–**	**100**	–	100	Sales of household appliances and digital products	Limited Liability company	(iii)
Haier Overseas Electric Appliance Co., Ltd.	Mainland China/ Mainland China	RMB40	**100**	**–**	100	–	Sales of household appliances, international freight Forwarding	Limited Liability company	(iii)
Haier Group (Dalian) Electrical Appliances Industry Co., Ltd.	Mainland China/ Mainland China	RMB5	**100**	**–**	100	–	Sales of household appliances, international freight forwarding	Limited Liability company	(iii)
Qingdao Haier Central Air-conditioner Co., Ltd.	Mainland China/ Mainland China	RMB110	**–**	**100**	–	100	Production and sales of air conditioners and refrigeration equipment	Limited Liability company	(iii)
Chongqing Haier Home Appliance Sale Hefei Co., Ltd.	Mainland China/ Mainland China	RMB5	**–**	**100**	–	100	Household appliance sales	Limited Liability company	(iii)

1. GENERAL INFORMATION OF THE GROUP (continued)

Name	Place of Incorporation/ registration of business	Issued ordinary/ registered share capital 'M	Percentage of equity attributable to the company As at 31 December 2021		2020		Principal activities	Type of legal status	Note
			Direct	Indirect	Direct	Indirect			
Beijing Haier Zhongyou Netmedia Co., Ltd.	Mainland China/ Mainland China	RMB15	**–**	**51**	–	51	Radio and television program	Limited Liability company	(iii)
Qingdao Weixi Smart Technology Co., Ltd.	Mainland China/ Mainland China	RMB4	**–**	**71.43**	–	71.43	Intelligent bathroom	Limited Liability company	(iii)
Haier U+smart Technology (Beijing) Co., Ltd.	Mainland China/ Mainland China	RMB143	**100**	**–**	100	–	Software development	Limited Liability company	(iii)
Qingdao Haier Smart Kitchen Appliances Co., Ltd.	Mainland China/ Mainland China	RMB180	**–**	**100**	–	100	Smart kitchen appliances sales	Limited Liability company	(iii)
Haier New Zealand Investment Holding Company Limited	New Zealand/ New Zealand	New Zealand Dollars ("**NZD**") 477	**–**	**100**	–	100	Production and distribution of home appliances	Limited Liability company	(ii)
Candy S.p.A	Europe/Italy	Euro ("**EUR**") 42	**–**	**100**	–	100	Manufacture and sales of household appliances	Limited Liability company	(v)
Fisher&Paykel Appliances Limited	New Zealand/ New Zealand	NZD246	**–**	**100**	–	100	Research, development, manufacture, sale and distribution of home appliances business	Limited Liability company	(ii)
Qingdao Haidacheng Procurement Service Co., Ltd.	Mainland China/Mainland China	RMB100	**100**	**–**	100	–	Develop, purchase and sell electrical products and components	Limited Liability company	(iii)
Guangdong Heilong Intelligent Technology Co. Ltd	Mainland China/Mainland China	RMB33	**–**	**76.72**	–	76.72	Scientific research and technical service industry	Limited Liability company	(iii)
Beijing Haixianghui Technology Co., Ltd.	Mainland China/Mainland China	RMB8	**–**	**100**	–	100	Scientific research and technical service industry	Limited Liability company	(iii)
Haier Smart Home Experience Cloud Ecological Technology Co., Ltd.	Mainland China/Mainland China	RMB1,000	**100**	**–**	100	–	Development of smart home products	Limited Liability company	(iii)
Haier Smart Home (Qingdao) Network Co., Ltd.	Mainland China/Mainland China	RMB1,000	**–**	**100**	–	100	Technical service, development, consultation, transfer	Limited Liability company	(iii)
Haier Smart Home (Qingdao) Network Operation Co., Ltd.	Mainland China/Mainland China	RMB1,000	**–**	**100**	–	100	Residential interior decoration, installation, renovation and repair of special equipment	Limited Liability company	(iii)
Qingdao Internet of Wine Technology Co., Ltd.	Mainland China/Mainland China	RMB700	**–**	**100**	–	100	Distribution, import and export of goods and services	Limited Liability company	(iii)

1. GENERAL INFORMATION OF THE GROUP (continued)

Name	Place of Incorporation/ registration of business	Issued ordinary/ registered share capital 'M	Percentage of equity attributable to the company As at 31 December 2021 Direct	2021 Indirect	2020 Direct	2020 Indirect	Principal activities	Type of legal status	Note
Qingdao Linghai Air Conditioning Equipment Co., Ltd.	Mainland China/Mainland China	RMB100	**–**	**100**	–	100	Manufacture and production of air conditioners	Limited Liability company	(iii)
Chongqing Yunshang Yilian Technology Co., Ltd.	Mainland China/Mainland China	RMB160	**–**	**100**	–	100	Distribution, import and export of goods and services	Limited Liability company	(iii)
Shenzhen Yunshang Yilian Technology Co., Ltd.	Mainland China/Mainland China	RMB10	**–**	**100**	–	100	Distribution, import and export of goods and services, Development, promotion and transfer of information products	Limited Liability company	(iii)
Qingdao Hairuijiejing Electronics Co., Ltd.	Mainland China/Mainland China	RMB60	**–**	**51**	–	51	Development, promotion and transfer of technology	Limited Liability company	(iii)
Qingdao Haixiangxue Human Resources Co., Ltd.	Mainland China/Mainland China	RMB50	**100**	**–**	100	–	Agency business	Limited Liability company	(iii)

* The English names of Mainland China companies referred to above in this note represents management's best efforts in translating the Chinese names of these companies as no English name have been registered or available.

** The above table is a list of the Group's principal subsidiaries, which in the opinion of the directors, contribute significantly to the Group's results for the year and represent a substantial portion of the net assets of the Group. Presenting particulars of other subsidiaries would involve excessive length.

Notes:

(i) The statutory financial statements for the years ended 31 December 2021 and 2020 prepared in accordance with International Financial Reporting standards have been audited by Mazars LLP, a certified public accounting firm registered in USA.

(ii) The statutory financial statements for the years ended 31 December 2021 and 2020 prepared in accordance with International Financial Reporting standards have been audited by PricewaterhouseCoopers New Zealand, a certified public accounting firm registered in New Zealand.

(iii) The statutory financial statements for the years ended 31 December 2021 and 2020 prepared in accordance with Chinese accounting standards have been audited by Hexin Certified Public Accountants LLP, registered in the Mainland China.

(iv) The statutory financial statements for the years ended 31 December 2021 and 2020 prepared in accordance with International Financial Reporting standards have been audited by Ernst & Young, a certified public accounting firm registered in Hong Kong.

(v) The statutory financial statements for the years ended 31 December 2021 and 2020 prepared in accordance with International Financial Reporting standards have been audited by Mazars Italia S.p.A, a certified public accounting firm registered in Italy.

All companies comprising the Group have adopted December 31, as their financial year end.

2.1 BASIS OF PREPARATION

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

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

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

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

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

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

2.1 BASIS OF PREPARATION (continued)

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

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

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

Merger accounting for business combination involving business under common control

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

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

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

2.1 BASIS OF PREPARATION (continued)

Merger accounting for business combination involving business under common control (continued)

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

2.2 APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

Amendments to IFRSs that are mandatorily effective for the current year

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

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

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

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

2.2 APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

New and amendments to IFRSs in issue but not yet effective

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

IFRS 17	Insurance Contracts and the related Amendments[3]
Amendments to IFRS 3	Reference to the Conceptual Framework[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021[1]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to IAS 8	Definition of Accounting Estimates[3]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
Amendments to IAS 16	Property, Plant and Equipment — Proceeds before Intended Use[2]
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract[2]
Amendments to IFRSs	Annual Improvements to IFRSs 2018–2020[2]

1 Effective for annual periods beginning on or after 1 April 2021.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for annual periods beginning on or after 1 January 2023.
4 Effective for annual periods beginning on or after a date to be determined.

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 Financial Instruments or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations or asset acquisitions

Optional concentration test

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Asset acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations or asset acquisitions (continued)

Business combinations

Acquisitions of businesses, other than business combination under common control are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the International Accounting Standards Committee's Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting issued in September 2010).

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based payment at the acquisition date (see the accounting policy below);

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations or asset acquisitions (continued)

Business combinations (continued)

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under IFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Merger accounting for business combination involving businesses under common control

The consolidated financial statements incorporate the financial statements items of the combining businesses in which the common control combination occurs as if they had been combined from the date when the combining businesses first came under the control of the controlling party.

The net assets of the combining businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where this is a shorter period.

The comparative amounts in the consolidated financial statements are presented as if the businesses had been combined at the beginning of the previous reporting period or when they first came under common control, whichever is shorter.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill (continued)

The Group's policy for goodwill arising on the acquisition of an associate and a joint venture is described below.

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is or the portion so classified is accounted for in accordance with IFRS 5 Non-current Assets Held for sales and Discounted operations. Any retained portion of an investment in an associate that has not been classified as held for sale continues to be accounted for using the equity method. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. The associate uses accounting policies that differ from those of the Group for like transactions and events in similar circumstances. Appropriate adjustments have been made to conform the associate's accounting policies to those of the Group. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates (continued)

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of IFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Non-current assets held for sale

Non-current assets (and disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in the relevant subsidiary after the sale.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-current assets held for sale (continued)

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale from the time when the investment (or a portion of the investment) is classified as held for sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell which continue to be measured in accordance with the accounting policies as set out in respective sections.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (continued)

Contracts with multiple performance obligations (including allocation of transaction price)
For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis, except for the allocation of discounts and variable consideration.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation
Output method
The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

As a practical expedient, if the Group has a right to consideration in an amount that corresponds directly with the value of the Group's performance completed to date, the Group recognises revenue in the amount to which the Group has the right to invoice.

Input method
The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

(a) Sale of goods
Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of goods.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (continued)

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation (continued)

Input method (continued)

(a) Sale of goods (continued)

(i) Rights of return

For contracts which provide a customer with a right to return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a refund liability is recognised. A right-of-return asset (and the corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

(ii) Sales rebates

Retrospective sales rebates may be provided to certain customers once the value of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the most likely amount method is used for contracts with a single- threshold and the expected value method for contracts with more than one threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the thresholds contained in the contract. The requirements on constraining estimates of variable consideration are applied and a refund liability for the expected future rebates is recognised.

(b) Other income

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (continued)

Variable consideration

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Notwithstanding the above criteria, the Group shall recognise revenue for a sales-based or usage-based royalty promised in exchange for a licence of intellectual property only when (or as) the later of the following events occurs:

- the subsequent sale or usage occurs; and
- the performance obligation to which some or all of the sales-based or usage-based royalty has been allocated has been satisfied (or partially satisfied).

Refund liabilities

A refund liability is recognised for the obligation to refund some or all of the consideration received (or receivable) from a customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

Right-of-return assets

A right-of-return asset is recognised for the right to recover the goods expected to by returned by customers. The asset is measured at the former carrying amount of the goods to be returned, less any expected costs to recover the goods and any potential decreases in the value of the returned goods. The Group updates the measurement of the asset for any revisions to the expected level of returns and any additional decreases in the value of the returned goods.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (continued)

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Contract costs

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group recognises such costs eg. sales commissions as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (continued)

Contract costs (continued)

Costs to fulfil a contract

The Group incurs costs to fulfil a contract in its sales of household electrical appliances. The Group first assesses whether these costs qualify for recognition as an asset in terms of other relevant standards, failing which it recognises an asset for these costs only if they meet all of the following criteria:

(a) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;

(b) the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

(c) the costs are expected to be recovered.

The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is subject to impairment review.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, including contract for acquisition of ownership interests of a property which includes both leasehold land and non-lease building components, unless such allocation cannot be made reliably.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Definition of a lease (continued)

Allocation of consideration to components of a contract (continued)

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of land and buildings, machinery and equipment, motor vehicles and furniture, fixtures that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight- line basis or another systematic basis over the lease term.

The Group as a lessee

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

When the Group obtains ownership of the underlying leased assets at the end of the lease term, upon exercising purchase options, the cost of the relevant right-of-use assets and the related accumulated depreciation and impairment loss are transferred to property, plant and equipment.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee (continued)

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period in which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/ expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee (continued)

Lease liabilities (continued)

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

Except for Covid-19-related rent concessions in which the Group applied the practical expedient, the Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Changes in the basis for determining the future lease payments as a result of interest rate benchmark reform

For changes in the basis for determining the future lease payments as a result of interest rate benchmark reform, the Group applies the practical expedient to remeasure the lease liabilities by discounting the revised lease payments using the unchanged discount rate, unless the change in lease payments results from a change in floating interest rates. In that case, the Group uses the revised discount rate that reflects change in the interest rate and makes a corresponding adjustment to the related right-of-use assets. A lease modification is required by interest rate benchmark reform if, and only if, both of these conditions are met:

- the modification is necessary as a direct consequence of interest rate benchmark reform; and

- the new basis for determining the lease payments is economically equivalent to the previous basis (i.e. the basis immediately preceding the modification).

If lease modifications are made in addition to those lease modifications required by interest rate benchmark reform, the Group applies the applicable requirements in IFRS 16 to account for all lease modifications made at the same time, including those required by interest rate benchmark reform.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee (continued)

Covid-19-related rent concessions

In relation to rent concessions that occurred as a direct consequence of the Covid-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying IFRS 16 if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs (other than those incurred by manufacturer or dealer lessors) are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee (continued)

Classification and measurement of leases (continued)

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model. Upon application of IFRS 16 on 1 January 2019, variable lease payments for operating leases that depend on an index or a rate are estimated and included in the total lease payments to be recognised on a straight-line basis over the lease term. Variable lease payments that do not depend on an index or a rate are recognised as income when they arise.

Interest and rental income which are derived from the Group's ordinary course of business are presented as revenue.

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies IFRS 15 *Revenue from Contracts with Customers* ("**IFRS 15**") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Foreign currencies

In preparing the consolidated financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non- monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. Renminbi) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of Exchange differences on translation of financial statements reserve (attributed to non- controlling interests as appropriate).

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Employee benefits

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained profits and will not be reclassified to profit or loss.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Retirement benefit costs (continued)
Past service cost is recognised in profit or loss in the period of a plan amendment or curtailment and a gain or loss on settlement is recognised when settlement occurs. When determining past service cost, or a gain or loss on settlement, an entity shall remeasure the net defined benefit liability or asset using the current fair value of plan assets and current actuarial assumptions, reflecting the benefits offered under the plan and the plan assets before and after the plan amendment, curtailment or settlement, without considering the effect of asset ceiling (i.e. the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan).

Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. However, if the Group remeasures the net defined benefit liability or asset before plan amendment, curtailment or settlement, the Group determines net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement using the benefits offered under the plan and the plan assets after the plan amendment, curtailment or settlement and the discount rate used to remeasure such net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period resulting from contributions or benefit payments.

Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);

- net interest expense or income; and

- remeasurement.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group’s defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

Discretionary contributions made by employees or third parties reduce service cost upon payment of these contributions to the plan.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Retirement benefit costs (continued)

When the formal terms of the plans specify that there will be contributions from employees or third parties, the accounting depends on whether the contributions are linked to service, as follows:

- If the contributions are not linked to services (for example contributions are required to reduce a deficit arising from losses on plan assets or from actuarial losses), they are reflected in the remeasurement of the net defined benefit liability or asset.

- If contributions are linked to services, they reduce service costs. For the amount of contribution that is dependent on the number of years of service, the entity reduces service cost by attributing the contributions to periods of service using the attribution method required by IAS 19 paragraph 70 for the gross benefits. For the amount of contribution that is independent of the number of years of service, the entity reduces service cost in the period in which the related service is rendered in accordance with IAS 19 paragraph 70.

Termination benefits

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another IFRS requires or permits their inclusion in the cost of an asset.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for certain of its employees. Under the MPF Scheme, each of the Group and the employees are required to make contributions to the MPF Scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000, and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in trustee-administered funds independently. There are no forfeited contributions for the MPF Scheme as the Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme (the "**PRC Pension Scheme**") operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the PRC Pension Scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the PRC Pension Scheme. Under the PRC Pension Scheme, no forfeited contributions will be used by the employers to reduce the existing level of contributions.

Share-based payments

Equity-settled share-based payment transactions

Shares/Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve. For shares/share options that vest immediately at the date of grant, the fair value of the shares/share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share-based payments reserve will be transferred to capital reserve. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payments reserve will be transferred to retained profits.

When shares granted are vested, the amount previously recognised in share-based payments reserve will be transferred to capital reserve.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit/loss before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than freehold lands and properties under construction as described below). Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Freehold lands are not depreciated and are measured at cost less subsequent accumulated impairment losses.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Buildings in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Costs include professional fees and borrowing costs capitalised for qualifying assets in accordance with the Group's accounting policy. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets other than freehold land and properties under construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The principal annual rates used for this purpose are as follows:

Freehold land	Not depreciated
Buildings	2% to 19%
Leasehold improvements	10% to 50%
Machinery and equipment	5% to 50%
Furniture, fixtures and equipment	5% to 33%
Motor vehicles	9% to 35%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Intangible assets

Intangible assets acquired separately
Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

Internally-generated intangible assets — research and development expenditure
Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

Internally-generated intangible assets — research and development expenditure (continued)
Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

Intangible assets acquired in a business combination
Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

The following useful lives are used in the calculation of amortisation as follows:

Proprietary technology	10 years
Patents and licences	40 years
Trademarks	Indefinite
Software & Others	not exceeding than 10 years

Proprietary technology
Accordance with the contractual agreements and the Company historical experience, proprietary technology with finite lives are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 10 years.

Patents and licences
Accordance with the contractual agreements and the Company historical experience, purchase patents and licences with finite lives are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 40 years.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

Trademarks

The trademark has different legal life at different jurisdiction, and can renewable at minimal cost. The directors of the Company are of the opinion that the Group would renew the trademark continuously and has the ability to do so. Various studies including product life cycle studies, market, competitive and environmental trends, and brand extension opportunities have been performed by management of the Group, which supports that the trademark has no foreseeable limit to the period over which the trademarked products are expected to generate net cash flows for the Group.

As a result, the trademark is considered by the management of the Group as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The trademark will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired.

Software & Others

Accordance with the contractual agreements and the Company historical experience, Software & Others are amortised on a straight-line basis over an estimate useful life of not exceeding than 10 years. The useful of the software is estimated based on the expected usage of the software and its authorised periods for use.

Impairment on property, plant and equipment, right-of-use assets, contract costs and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, intangible assets with finite useful lives and contract costs to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment on property, plant and equipment, right-of-use assets, contract costs and intangible assets other than goodwill (continued)

Before the Group recognises an impairment loss for assets capitalised as contract costs under IFRS 15, the Group assesses and recognises any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalised as contract costs is recognised to the extent the carrying amounts exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services that have not been recognised as expenses. The assets capitalised as contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions for the expected cost of assurance-type warranty obligations under the relevant contracts with customers for sales of certain products are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

Contingent liabilities

A contingent liability is a present obligation arising from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Where the Group is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability and it is not recognised in the consolidated financial statements.

The Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the consolidated financial statements in the reporting period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("**FVTPL**")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 Business Combinations applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "Other gains or losses" line item in profit or loss.

(iii) Financial assets measured at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets measured at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "Other gains and losses" line item.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

The Group performs impairment assessment under expected credit losses ("**ECL**") model on financial assets (including trade and bills receivables, other receivables and contract assets) which are subject to impairment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and contract assets without significant financing component. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(i) Significant increase in credit risk (continued)

- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the afore going, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

(e) the disappearance of an active market for that financial asset because of financial difficulties; or

(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(v) Measurement and recognition of ECL (continued)

Lifetime ECL for trade and bills receivables, deposits and other receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Except for investments in debt instruments that are measured at FVTOCI, financial guarantee contracts, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and contract assets where the corresponding adjustment is recognised through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in other comprehensive income and accumulated in the FVTOCI reserve without reducing the carrying amount of these debt instruments. Such amount represents the changes in the FVTOCI reserve in relation to accumulated loss allowance.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Derecognition of financial assets (continued)

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is reclassified to profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is not reclassified to profit or loss, but is transferred to retained profits.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Perpetual instruments, which include no contractual obligation for the Group to deliver cash or other financial assets or the Group has the sole discretion to defer payment of distribution and redemption of principal amount indefinitely are classified as equity instruments.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which IFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)
Financial liabilities at FVTPL (continued)
A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. For financial liabilities that contain embedded derivatives, such as convertible bonds, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in other comprehensive income. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained profits upon derecognition of the financial liability.

Financial liabilities measured at amortised cost
Financial liabilities including borrowings, convertible bonds, bonds, trade payables, other payables and lease liabilities are subsequently measured at amortised cost, using the effective interest method.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Convertible and exchangeable bonds

The component parts of the convertible bonds are classified separately as financial liability and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component (including any embedded non-equity derivatives features) is estimated by measuring the fair value of similar liability that does not have an associated equity component.

A conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to capital reserve. Where the conversion option remains unexercised at the maturity date of the convertible bonds, the balance recognised in equity will be transferred to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible bonds notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds notes using the effective interest method.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

The Group accounts for an exchange with a lender of a financial liability with substantially different terms as an extinguishment of the original financial liability and the recognition of a new financial liability. A substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the Group) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Hedge accounting

The Group designates certain derivatives as hedging instruments for fair value hedges, cash flow hedges, or hedges of net investments in foreign operations.

At the inception of the hedging relationship the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

For the purpose of determining whether a forecast transaction (or a component thereof) is highly probable, the Group assumes that the interest rate benchmark on which the hedged cash flows (contractually or non- contractually specified) are based is not altered as a result of interest rate benchmark reform.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Hedge accounting (continued)

Assessment of hedging relationship and effectiveness

For hedge effectiveness assessment, the Group considers whether the hedging instrument is effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

For changes made to the hedged risk, hedged item or hedging instrument required by interest rate benchmark reform, the Group amends the formal designation of a hedging relationship to reflect the changes by the end of the reporting period during which the relevant changes were made. Such an amendment to the formal designation of the hedging relationship constitutes neither the discontinuation of the hedging relationship nor the designation of a new hedging relationship.

Fair value hedges

The fair value change on qualifying hedging instruments is recognised in profit or loss except when the hedging instrument hedges an equity instrument designated at FVTOCI in which case it is recognised in other comprehensive income.

The carrying amount of a hedged item not already measured at fair value is adjusted for the fair value change attributable to the hedged risk with a corresponding entry in profit or loss. For debt instruments measured at FVTOCI, the carrying amount is not adjusted as it is already at fair value, but the hedging gain or loss is recognised in profit or loss instead of other comprehensive income. When the hedged item is an equity instrument designated at FVTOCI, the hedging gain or loss remains in other comprehensive income to match that of the hedging instrument.

Where hedging gains or losses are recognised in profit or loss, they are recognised in the same line as the hedged item.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Hedge accounting (continued)

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

When a hedged item in a cash flow hedge is amended to reflect the changes that are required by the interest rate benchmark reform, the amount accumulated in the cash flow hedge reserve is deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated under the heading of translation reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the "other gains or losses" line item.

Gains or losses on the hedging instrument relating to the effective portion of the hedge accumulated in the Exchange differences on translation reserve are reclassified to profit or loss on disposal of the foreign operation.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Hedge accounting (continued)

Discontinuation of hedge accounting

The Group discontinues hedge accounting prospectively only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. Discontinuing hedge accounting can either affect a hedging relationship in its entirety or only a part of it (in which case hedge accounting continues for the remainder of the hedging relationship).

For fair value hedge of debt instruments at amortised cost or debt instruments at FVTOCI, the fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date. The amortisation is based on a recalculated effective interest rate at the date that amortisation begins. In the case of debt instruments at FVTOCI, amortisation applies in the same manner but to the extent of the cumulative hedging gain or loss previously recognised in profit or loss.

For cash flow hedge, any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transactions is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks and other financial institutions, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to consolidated financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's Bye-Laws grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influence by, that person in their dealings with the entity and include:

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependants of the person or that person's spouse or domestic partner.

A related party transaction is a transfer of resources, services or obligations between reporting entity and a related party, regardless of whether a price is charged.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the application of the Group's accounting policies, which are described in Note 2.3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations, that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Revenue recognition from sales of goods at a point in time
Revenue is recognised over time when the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Significant judgement is required in determining whether the terms of the Group's contracts with customers in relation to products with no alternative use create an enforceable right to payment for the Group. The Group has considered the relevant local laws that apply to those relevant contracts and opinion from external legal counsel. Based on the assessment of the Group's management, the terms of the relevant sales contracts do not create an enforceable right to payment for the Group after taking into consideration indicators. Accordingly, the sales of products with no alternative use is considered to be performance obligation satisfied at a point in time when control of the asset is transferred to the customer, generally on delivery of goods.

Determining the method to estimate variable consideration and assessing the constraint for the sale of goods
Certain contracts for the sale of goods include a right of return that give rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

The Group determined that the expected value method is the appropriate method to use in estimating the variable consideration for the sale of goods with rights of return, given the large number of customer contracts that have similar characteristics.

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are not constrained based on its historical experience, business forecast and the current economic conditions. In addition, the uncertainty on the variable consideration will be resolved within a short time frame.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Deferred tax assets

Deferred tax assets as at 31 December 2021 were approximately RMB1,855 million (2020: RMB2,208 million), in relation to unused tax losses for certain operating subsidiaries has been recognised in the Group's consolidated statement of financial position. No deferred tax assets have been recognised on the tax losses for non-operating subsidiaries due to the unpredictability of future profit streams. The realisability of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

Fair value measurement of financial instruments

The fair value of the unlisted equity investments as at 31 December 2021 were approximately RMB4,828 million (2020: RMB2,640 million), are measured at fair value with fair value being determined based on significant unobservable inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could result in material adjustments to the fair value of these instruments. See Notes 20 and 47 for further disclosures.

Provision of ECL for trade receivables

Trade receivables with significant balances and credit-impaired are assessed for ECL individually. In addition, the Group uses provision matrix to calculate ECL for the trade receivables which are individually insignificant. The provision rates are based on days past due as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. Due to greater financial uncertainty triggered by the Covid-19 pandemic, the Group has increased the expected loss rates in the current year as there is higher risk that a prolonged pandemic could led to increased credit default rates.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in Note 25.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Estimated impairment of property, plant and equipment, right-of-use assets and other intangible assets

Property, plant and equipment, right-of-use assets and other intangible assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash-generating unit to which the assets belong. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test.

Useful lives of items of property, plant and equipment

Management determines the estimated useful lives and related depreciation for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of items of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to industry cycles. The depreciation charge will increase when the useful lives are less than the previously estimated useful lives, or management will write off or write down obsolete or non-strategic assets that have been abandoned or sold. As at 31 December 2021, the carrying amount of the property, plant and equipment were approximately RMB26,981 million (2020: RMB24,845 million).

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit (or a group of cash-generating units) and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows, a material impairment loss may arise. No impairment losses were recognised during the years ended 31 December 2021 and 2020. As at 31 December 2021, the carrying amount of goodwill are approximately RMB21,827 million (2020: RMB22,518 million). Further details are given in Note 17 to the consolidated Financial Statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Estimated impairment of interests in associates

Determining whether impairment loss should be recognised requires an estimation of the recoverable amount of the relevant associate which is the higher of value in use and fair value less costs of disposal. The value in use calculation requires the management of the Group to estimate the present value of the estimated cash flows expected to arise from dividends to be received from the associate and the proceeds from the ultimate disposal of the investment taking into account of factors, including discount rate, dividend payout rate etc. In cases where the actual cash flows are less or more than expected, or change in facts and circumstances which result in revision of future cash flows estimation, a material reversal or further recognition of impairment may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

Impairment losses of interests in associates were recognised for the year ended 31 December 2021 were approximately RMB Nil million (2020: RMB44 million). As at 31 December 2021, the net carrying amount of the investment in associates are approximately RMB23,232 million (2020: RMB21,569 million). Further details are given in Note 19 to Consolidated Financial Statements.

Provision of inventories

Write-down of inventories to net realisable value is made based on the ageing and estimated net realisable value of inventories. The assessment of the write-down amount involves management's judgements and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying value of the inventories and the write-down charge/reversal in the period in which such estimate has been changed. As at 31 December 2021, the net carrying amounts of inventories (after impairment provision) were approximately RMB39,863 million (2020: RMB29,447 million)

Product warranty provisions

Product warranty provisions are made with reference to the retail volume and the expected unit cost for warranties. The assessment of the provision amount involves management's judgements and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying amount of the product warranty provisions and the provision amount charged/reversed in the period in which such estimate has been changed. As at 31 December 2021, the product warranty amounted to approximately RMB3,681 million (2020: RMB2,911 million). Further details are included in Note 33 to Consolidated Financial Statements.

4. OPERATING SEGMENT INFORMATION

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

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

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

(a) Smart Home Business in China

(i) Household Food Solutions

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

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

(ii) Household Air Solutions

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

(iii) Household Clothing Solutions

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

(iv) Household Water Solutions

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

(b) Smart Home Business in Overseas

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

4. OPERATING SEGMENT INFORMATION (continued)

(c) Other Business

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

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

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

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

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

4. OPERATING SEGMENT INFORMATION (continued)

2021

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

4. OPERATING SEGMENT INFORMATION (continued)

2020 (Restated)

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

4. OPERATING SEGMENT INFORMATION (continued)

2021

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

4. OPERATING SEGMENT INFORMATION (continued)

2020 (Restated)

	Smart Home Business in China							
	Household Food Solutions		Household Air Solutions	Household Clothing Solutions	Household Water Solutions			
	Refrigerators/ Freezers RMB'M	Kitchen Appliances RMB'M	Air-conditioners RMB'M	Laundry Appliances RMB'M	Water Appliances RMB'M	Smart Home Business Overseas RMB'M	Other Business RMB'M	Total RMB'M
Segment assets	11,689	2,533	20,925	10,136	4,137	50,763	57,018	157,201
Reconciliation:								
Elimination of segment assets								(54,986)
Goodwill								22,518
Interests in associates								21,569
Equity investments designated at FVTOCI								2,659
Deferred tax assets								2,208
Financial assets measured at FVTPL								2,165
Financial assets measured at amortised cost								554
Derivative financial instruments								78
Pledged deposits								822
Other deposits with limited use								4
Cash and cash equivalents								45,641
Other receivables								2,735
Other non-current financial assets								330
Total assets								203,498
Segment liabilities	29,206	1,539	13,439	8,219	5,108	31,107	60,188	148,806
Reconciliation:								
Elimination of segment liabilities								(54,848)
Tax payable								1,372
Other payable								1,030
Derivative financial instruments								239
Financial liabilities at FVTPL								27
Interest-bearing borrowings								24,501
Deferred tax liabilities								1,900
Convertible and exchangeable bonds								6,714
Other non-current liabilities								89
Bonds								5,535
Total liabilities								135,365

4. OPERATING SEGMENT INFORMATION (continued)

2021

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

2020 (Restated)

	Smart Home Business in China							
	Household Food Solutions		Household Air Solutions	Household Clothing Solutions	Household Water Solutions			
	Refrigerators/ Freezers RMB'M	Kitchen Appliances RMB'M	Air-conditioners RMB'M	Laundry Appliances RMB'M	Water Appliances RMB'M	Smart Home Business Overseas RMB'M	Other Business RMB'M	Total RMB'M (Restated)
Other segment information:								
Product warranty provisions	1,343	98	794	798	636	1,055	–	4,724
Provision for obsolete and slow-moving inventories, net	207	37	417	79	33	191	51	1,015
Allowance for expected credit losses in respect of trade and bills receivable, net	7	–	22	–	3	90	9	131
Impairment of prepayments, deposits and other receivables and other assets, net	132	8	26	47	26	3	23	265
Loss on disposal of non-current assets, net	9	–	2	–	(1)	96	5	111
Depreciation and amortisation	420	98	339	403	151	3,297	387	5,095

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

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

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

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

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information (continued)

(b) Non-current assets

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

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

Information about major customers

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

5. REVENUE, OTHER GAINS OR LOSSES

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

	2021 RMB'M	2020 RMB'M (Restated)
Sale of goods	**227,192**	209,371
Rendering of services	**339**	330
	227,531	209,701

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

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

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

Sale of goods

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

5. REVENUE, OTHER GAINS OR LOSSES (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.

An analysis of other gains or losses is as follows:

	2021 RMB'M	2020 RMB'M (Restated)
Treasury and investment income:		
Interest income from		
Bank	**538**	470
Wealth management products	**60**	88
Other	**27**	17
Cash discount income	**163**	144
Dividend income from equity investment designated at FVTOCI	**59**	21
	847	740
Compensation received from Suppliers	**37**	43
Gain/(loss) on disposal of		
Non-current assets, net	**90**	(111)
Financial assets/liabilities measured at FVTPL, net	**393**	70
Subsidiaries	**2**	2,261
Government grants (Note (a))	**958**	1,151
Rental income from investment properties (Note (b))	**25**	23
Net fair value gain on financial assets/liabilities at FVTPL	**119**	62
Net foreign exchange loss	**(577)**	(385)
Sundry income	**162**	140
	2,056	3,994

5. REVENUE, OTHER GAINS OR LOSSES (continued)

Notes:

(a) 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.

(b) The rental income from investment properties less direct outgoings for the years ended 31 December 2021 and 2020 amounted to approximately RMB12 million and RMB4 million respectively.

6. PROFIT BEFORE TAX

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

	2021 RMB'M	2020 RMB'M (Restated)
Cost of inventories sold	**156,745**	147,628
Provision for obsolete and slow-moving inventories, net (Note (a))	**1,058**	1,015
Cost of services	**256**	224
	158,059	148,867
Depreciation of property, plant and equipment	**3,433**	3,413
Depreciation of investment properties	**1**	2
Depreciation of right-of-use assets	**759**	715
Amortisation of other intangible assets	**830**	929
Amortisation of other non-current assets	**37**	36
	5,060	5,095
Employee benefit expense: (including directors', chief executive and supervisors' remuneration— Note 8):		
Salaries, bonuses, allowances and benefits in kind	**23,773**	22,279
Pension scheme contributions	**1,594**	1,179
Equity-settled share-based expense	**262**	289
	25,629	23,747

6. PROFIT BEFORE TAX (continued)

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

	2021 RMB'M	2020 RMB'M (Restated)
Impairment of trade and bills receivables, net (Note (b))	**418**	131
Impairment of prepayments, deposits and other receivables and long term prepayments, net (Note (b))	**428**	265
Impairment of property, plant and equipment (Note (b))	**4**	1
Impairment of interests in associates (Note (b))	**–**	44
Impairment of other intangible assets (Note (b))	**30**	46
	880	487
Research and development costs	**8,357**	6,853
Auditors' remuneration	**14**	13
Expenses relating to short-term leases and low value leases	**200**	211
Variable lease payments not included in the measurement of lease liabilities	**361**	130
Product warranty provisions	**5,480**	4,724
Net foreign exchange loss	**577**	385
(Gain)/loss on disposal/write-off of non-current assets, net	**(90)**	111
Share-based payment expense	**262**	289

Notes:

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

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

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2021 RMB'M	2020 RMB'M
Interest on borrowings	**368**	789
Interest on bond	**7**	35
Interest on convertible bonds	**50**	177
Interest on lease liabilities	**113**	123
Other finance costs	**176**	197
	714	1,321

8. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' REMUNERATION

Directors', chief executive's and supervisors' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2021 RMB'000	2020 RMB'000
Fees	**1,689**	1,201
Other emoluments:		
Salaries, allowances and benefits in kind	**2,971**	1,887
Discretionary bonuses	**4,500**	2,756
Equity-settled share-based expense (Note)	**58,787**	19,498
Pension scheme contributions	**577**	198
	66,835	24,339
	68,524	25,540

Note: During the year, certain directors were granted share award/options, in respect of their services to the Group under the share award/option of the Company. Details of the share award/option are set out in note 37 to the consolidated financial statements.

8. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' REMUNERATION (continued)

(a) Independent non-executive directors

The remuneration of independent non-executive directors during the years ended 31 December 2021 and 2020 is as follows:

2021

	Notes	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Equity-settled share-based expense RMB'000	Pension scheme contributions RMB'000	Total RMB'000
DAI Deming	(i)	138	–	–	–	–	138
CHIEN Da-chun		225	–	–	–	–	225
WONG Hak Kun		225	–	–	–	–	225
LI Shipeng	(ii)	188	–	–	–	–	188
WU Qi	(iii)	87	–	–	–	–	87
		863	–	–	–	–	863

2020

	Notes	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Equity-settled share-based expense RMB'000	Pension scheme contributions RMB'000	Total RMB'000
DAI Deming		200	–	–	–	–	200
SHI Tiantao	(iv)	138	–	–	–	–	138
CHIEN Da-chun		200	–	–	–	–	200
WONG Hak Kun	(v)	75	–	–	–	–	75
		613	–	–	–	–	613

8. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' REMUNERATION (continued)

(b) Executive directors and the chief executive

The remuneration of executive directors and the chief executive during the years ended 31 December 2021 and 2020 are as follows:

2021

	Notes	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Equity-settled share-based expense RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Executive directors:							
LIANG Haishan		–	967	1,628	35,150	127	37,872
LI Huagang (chief executive)		–	736	1,507	3,861	126	6,230
Xie Juzhi	(vi)	–	728	1,227	2,094	130	4,179
		–	2,431	4,362	41,105	383	48,281

2020

	Notes	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Equity-settled share-based expense RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Executive directors:							
LIANG Haishan		–	942	1,618	7,134	108	9,802
LI Huagang (chief executive)		–	662	1,138	5,434	90	7,324
		–	1,604	2,756	12,568	198	17,126

8. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' REMUNERATION (continued)

(c) Non-executive directors

The remuneration of non-executive directors during the years ended 31 December 2021 and 2020 are as follows:

2021

	Notes	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Equity-settled share-based expense RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Non-executive directors:							
TAN Lixia	(vii)	–	–	–	16,107	–	16,107
WU Changqi		225	–	–	–	–	225
LIN Sui		225	–	–	–	–	225
YU Hon To, David	(viii)	188	–	–	–	–	188
Eva LI Kam Fun	(ix)	188	–	–	–	–	188
		826	–	–	16,107	–	16,933

2020

	Notes	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Equity-settled share-based expenses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Non-executive directors:							
TAN Lixia		–	–	–	6,486	–	6,486
WU Changqi		200	–	–	–	–	200
LIN Sui		200	–	–	–	–	200
YAN, Andrew Y	(x)	188	–	–	–	–	188
		588	–	–	6,486	–	7,074

8. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' REMUNERATION (continued)

(d) Supervisors

The remuneration of supervisors during the years ended 31 December 2021 and 2020 are as follows:

2021

	Notes	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Equity-settled share-based expense RMB'000	Pension scheme contributions RMB'000	Total RMB'000
WANG Peihua	(xi)	–	–	–	694	–	694
MING Guoqing	(xii)	–	–	–	453	–	453
YU Miao		–	290	46	45	85	466
LIU Dalin	(xiii)	–	–	–	228	–	228
MA Yingjie	(xiv)	–	250	92	155	109	606
		–	540	138	1,575	194	2,447

2020

	Notes	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Equity-settled share-based expense RMB'000	Pension scheme contributions RMB'000	Total RMB'000
WANG Peihua		–	–	–	265	–	265
MING Guoqing		–	–	–	179	–	179
YU Miao		–	283	–	–	–	283
		–	283	–	444	–	727

8. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' REMUNERATION (continued)

(d) Supervisors (continued)

Notes:

(i) DAI Deming resigned on 25 June 2021.

(ii) LI Shipeng appointed on 5 March 2021.

(iii) WU Qi appointed on 25 June 2021.

(iv) SHI Tiantao resigned on 3 June 2020.

(v) WONg Hak Kun appointed on 3 June 2020.

(vi) XIE Juzhi appointed on 5 March 2021.

(vii) TAN Lixia resigned on 31 March 2021.

(viii) YU Hon To, David appointed on 5 March 2021.

(ix) Eva LI Kam Fun appointed on 5 March 2021.

(x) YAN, Andrew Y resigned on 3 November 2020.

(xi) WANG Peihua resigned on 25 June 2021.

(xii) MING Guoqing resigned on 25 June 2021.

(xiii) LIU Dalin appointed on 25 June 2021.

(xiv) MA Yingjie appointed on 25 June 2021.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors and one of which is the chief executive (2020: three directors and one of which is the chief executive), details of whose remuneration are set out in Note 8 above. Details of the remuneration for the year of the remaining three (2020: two) highest paid non-director employees who are neither a director nor chief executive of the Company are as follows:

	2021	2020
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**14,840**	1,648
Discretionary bonuses	**1,096**	2,730
Equity-settled share-based expense	**9,351**	25,102
Pension scheme contributions	**380**	200
	25,667	29,680

9. FIVE HIGHEST PAID EMPLOYEES (continued)

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2021	2020
HK$6,500,001 to HK$7,000,000	**2**	—
HK$7,000,001 to HK$7,500,000	**—**	1
HK$17,500,001 to HK$18,000,000	**1**	—
HK$26,500,001 to HK$27,000,000	**—**	1
Total	**3**	2

For share award/option were granted to these non-director and non-chief executive highest paid employees in respect of their services to the Group under the share award/option scheme of the Group. The fair values of share award/option, which have been recognised in the statement of profit or loss over the vesting period, were determined as at the date of grant and the amounts included in the consolidated financial statements for the years ended 31 December 2021 and 2020 are included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

10. INCOME TAX EXPENSES

	2021 **RMB'M**	2020 RMB'M (Restated)
Current tax		
Charge for the year	**2,501**	2,117
Deferred tax (Note 35)	**198**	116
Total tax charge for the year	**2,699**	2,233

Under the Law of the Mainland China on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the Mainland China subsidiaries is 25%. Certain subsidiaries of the Group in the Mainland of China were approved as High and New Technology Enterprise subject to a preferential corporate income tax rate of 15% during the years ended 31 December 2021 and 2020.

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

10. INCOME TAX EXPENSES (continued)

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

	2021 RMB'M	2020 RMB'M (Restated)
Profit before tax	15,916	13,562
Tax at the statutory tax rate	3,979	3,391
Lower tax rates enacted by local authorities	(495)	(477)
Adjustments in respect of current tax of previous periods	(355)	(460)
Tax effect of share of profits or losses to associates	(376)	(351)
Tax effect of income not taxable for tax purpose	(158)	(230)
Tax effect of expenses not deductible for tax purpose	270	270
Tax effect of temporary differences not recognised	(166)	90
Total tax charge for the year	2,699	2,233

11. DIVIDENDS

	2021 RMB'M	2020 RMB'M (Restated)
Proposed final dividend	4,320	3,400
Dividend paid during the year	3,411	2,467

	2021 RMB	2020 RMB
Dividend proposed per share*	0.46	0.366

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

12. 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:

	2021 RMB'M	2020 RMB'M (Restated)
Earnings		
Profit attributable to ordinary equity holders of the Company used in the basic earnings per share calculation	**13,067**	8,883
Effect of dilutive potential ordinary shares:		
Interest on convertible and exchangeable bonds, net of tax	**50**	177
Profit for the year attributable to convertible and exchangeable bonds holders	**–**	(370)
Earnings for the purpose of diluted earnings per share	**13,117**	8,690

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

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

	2021	2020
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**9,275,992,161**	6,639,703,600
Effect of dilutive potential ordinary shares:		
Convertible bond	**107,788,092**	10,434,277
Share award	**14,253,946**	—
Share option	**966,956**	—
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation	**9,399,001,155**	6,650,137,877

Notes:

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

13. RELATED PARTY TRANSACTIONS

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

Relationship	Nature of transactions	2021 RMB'M	2020 RMB'M (Restated)
Associates	Sale of goods and services	**1,645**	1,592
	Purchase of goods and services	**19,107**	17,044
	Interest income	**340**	158
	Interest expenses	**8**	87
Haier Affiliates (Note (i))	Sale of goods and services	**2,385**	2,567
	Purchase of goods and services	**21,499**	22,172
	Other service fee expenses	**106**	114

13. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

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

Note:

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

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

	2021 **RMB'000**	2020 RMB'000
Short term employee benefits	**18,089**	7,323
Post-employment benefits	**1,441**	306
Equity-settled share-based expense	**79,336**	20,913
Total compensation paid to key management personnel	**98,866**	28,542

Further details of directors' and chief executive's emoluments are included in Note 8 to Consolidated Financial Statements.

The number of non-director and non-chief executive, non-supervisors and key management personnel whose remuneration fell within the following bands is as follows:

	Number of key management personnel	
	2021	2020
Number of individuals within the band of		
HK$1,000,001 — HK$1,500,000	**–**	1
HK$2,000,001 — HK$2,500,000	**–**	1
HK$2,500,001 — HK$3,000,000	**1**	—
HK$3,000,001 — HK$3,500,000	**2**	—
HK$3,500,001 — HK$4,000,000	**1**	—
HK$4,500,001 — HK$5,000,000	**1**	—
HK$5,000,001 — HK$5,500,000	**1**	—
HK$6,500,001 — HK$7,000,000	**2**	—
Total	**8**	2

13. RELATED PARTY TRANSACTIONS (continued)

(c) The Group had the following balances with its related parties as at 31 December 2021 and 2020:

	2021 RMB'M	2020 RMB'M
Balance due from related parties:		
Trade related		
— Associates	**866**	581
— Haier Affiliates	**1,038**	1,655
	1,904	2,236
Balance due to related parties:		
Trade related		
— Associates	**1,521**	320
— Haier Affiliates	**5,506**	6,829
	7,027	7,149

(d) Guarantee

Certain of the Group's loans are guaranteed by:

(i) Haier Group, the controlling shareholder of the Company provide a guarantee over the loan with outstanding amount of approximately RMB305 million as at 31 December 2021 (2020: RMB Nil million); and

(e) For the transactions constitute connected transactions under Listing Rules, please refer to "Connected Transactions" under "Report of the Directors".

14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RMB'M	Leasehold improvement RMB'M	Machinery and equipment RMB'M	Motor vehicles RMB'M	Furniture fixture and equipments RMB'M	Construction in progress RMB'M	Total RMB'M
Cost:							
As at 1 January 2020	9,578	465	23,467	157	2,290	2,439	38,396
Additions	141	134	1,228	3	125	4,704	6,335
Acquisition of subsidiaries (Note 39)	–	–	50	1	–	1	52
Disposal of subsidiaries (Note 40)	(597)	(36)	(1,150)	(11)	(171)	(147)	(2,112)
Disposals/write-off	(50)	(8)	(1,071)	(9)	(243)	–	(1,381)
Transfer from construction in progress	941	13	1,843	15	447	(3,293)	(34)
Transfer to investment property (Note 15)	–	–	–	–	–	(2)	(2)
Exchange realignment	(262)	(6)	(998)	(5)	(60)	(91)	(1,422)
As at 31 December 2020 and 1 January 2021 (Restated)	**9,751**	**562**	**23,369**	**151**	**2,388**	**3,611**	**39,832**
Additions	**91**	**377**	**1,006**	**5**	**115**	**5,014**	**6,608**
Disposal of subsidiaries	**–**	**–**	**(7)**	**–**	**–**	**–**	**(7)**
Disposals/write-off	**(56)**	**(13)**	**(872)**	**(12)**	**(200)**	**–**	**(1,153)**
Transfer from construction in progress	**1,413**	**–**	**2,382**	**18**	**456**	**(4,269)**	**–**
Exchange realignment	**(256)**	**(4)**	**(375)**	**(1)**	**(143)**	**(172)**	**(951)**
As at 31 December 2021	**10,943**	**922**	**25,503**	**161**	**2,616**	**4,184**	**44,329**
Accumulated depreciation and impairment:							
As at 1 January 2020	3,043	96	10,253	80	944	34	14,450
Depreciation provided for the year	497	154	2,400	20	342	–	3,413
Eliminated on disposal of subsidiaries (Note 40)	(321)	(16)	(817)	(10)	(105)	–	(1,269)
Eliminated on disposals/write-off	(18)	(8)	(794)	(6)	(218)	–	(1,044)
Reversal of impairment loss	–	–	–	–	–	(34)	(34)
Impairment provided for the year	–	–	–	–	–	1	1
Exchange realignment	(65)	(4)	(440)	(3)	(18)	–	(530)
As at 31 December 2020 and 1 January 2021 (Restated)	**3,136**	**222**	**10,602**	**81**	**945**	**1**	**14,987**
Depreciation provided for the year	**493**	**220**	**2,309**	**19**	**392**	**–**	**3,433**
Eliminated on disposal of subsidiaries	**–**	**–**	**(6)**	**–**	**–**	**–**	**(6)**
Eliminated on disposals/write-off	**(26)**	**(13)**	**(648)**	**(10)**	**(148)**	**–**	**(845)**
Impairment provided for the year	**–**	**–**	**4**	**–**	**–**	**–**	**4**
Exchange realignment	**(62)**	**(2)**	**(82)**	**–**	**(79)**	**–**	**(225)**
As at 31 December 2021	**3,541**	**427**	**12,179**	**90**	**1,110**	**1**	**17,348**
Carrying amounts							
As at 31 December 2021	**7,402**	**495**	**13,324**	**71**	**1,506**	**4,183**	**26,981**
As at 31 December 2020 (Restated)	6,615	340	12,767	70	1,443	3,610	24,845

14. PROPERTY, PLANT AND EQUIPMENT (continued)

As at 31 December 2021, certain of the Group's land and buildings with an aggregate net book value of approximately RMB274 million (2020: RMB858 million) did not have building ownership certificates registered under the names of the respective subsidiaries of the Company.

In the opinion of the directors of the Company, the Group is entitled to lawfully and validly occupy and/or use the buildings and investment properties for its daily operations, notwithstanding the fact that the related building ownership certificates have not yet been obtained.

15. INVESTMENT PROPERTIES

	RMB'M
Cost:	
As at 1 January 2020	48
Transfer from property, plant and equipment (Note 14)	2
Exchange realignment	(1)
As at 31 December 2020 and 1 January 2021	**49**
Disposals	**(12)**
Exchange realignment	**(1)**
As at 31 December 2021	**36**
Accumulated depreciation:	
As at 1 January 2020	19
Depreciation provided for the year	2
As at 31 December 2020 and 1 January 2021	**21**
Depreciation provided for the year	**1**
Disposals	**(11)**
As at 31 December 2021	**11**
Carrying amounts	
As at 31 December 2021	**25**
As at 31 December 2020	28

The Group's investment properties consist of one commercial property in Hong Kong and two industrial properties in Mainland China as at 31 December 2021 (2020: one commercial property in Hong Kong and three industrial properties in Mainland China).

15. INVESTMENT PROPERTIES (continued)

The fair value of the Group's investment properties as at 31 December 2021 has been arrived at on the basis of a valuation carried out on the respective dates by Shanghai Orient Appraisal Co. Ltd., independent qualified professional valuers not connected to the Group.

The valuation technique is the income approach and the significant inputs used in the fair value measurement are the estimated rental value, rent growth and discount rate for investment properties in Hong Kong.

The fair value of the industrial properties in Mainland China and in Hong Kong was determined based on the income approach, where the market rentals of all lettable units of the properties are assessed and discounted at the market yield expected by investors for this type of properties. The market rentals are assessed by reference to the rentals achieved in the lettable units of the properties as well as other lettings of similar properties in the neighbourhood. The discount rate is determined by reference to the yields derived from analysing the sales transactions of similar commercial properties in Mainland China and in Hong Kong adjusted to take into account the market expectation form property investors to reflect factors specific to the Group's investment properties. There has been no change from the valuation technique used in the prior year.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Details of the Group's investment properties and information about the fair value hierarchy as at the end of the reporting period are as follows:

	2021		2020	
	Carrying amount RMB'M	**Fair value at Level 3 hierarchy RMB'M**	Carrying amount RMB'M	Fair value at Level 3 hierarchy RMB'M
Investment properties in Hong Kong	**16**	**26**	19	22
Investment properties outside Hong Kong	**9**	**28**	9	40

The above investment properties are depreciated on a straight-line basis at the following rates per annum:

Investment property	1.9% to 5.0%

As at 31 December 2021, the Group's investment properties in Mainland China with a carrying amount of approximately RMB5 million (2020: RMB7 million) did not have a building ownership certificate registered under the name of the respective subsidiary of the Company. The Group obtained an undertaking from Haier Group in relation to this property title issue, details of which are set out in Note 14 to Consolidated Financial Statements.

16. LEASES

The Group as a leasee

The Group has lease contracts for various items of land use rights, buildings, machinery and equipment, furniture, fixtures and equipment and motor vehicles used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of buildings and plant and machinery generally have lease terms between one and ten years, while machinery and equipment, furniture, fixtures and equipment and motor vehicles generally have lease terms of twelve months or less and/or are individually of low value.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Prepaid land lease payments RMB'M	Land and building RMB'M	Machinery and equipment RMB'M	Motor vehicles RMB'M	Furniture, fixtures and equipment RMB'M	Total RMB'M
As at 1 January 2020	1,047	2,347	26	114	268	3,802
Additions	245	855	15	54	75	1,244
Disposals	(184)	(49)	(6)	(4)	–	(243)
Disposal of subsidiaries (Note 40)	(23)	(19)	–	–	–	(42)
Depreciation provided for the year	(21)	(535)	(9)	(60)	(90)	(715)
Exchange realignment	(3)	(121)	1	1	(23)	(145)
As at 31 December 2020 and 1 January 2021	**1,061**	**2,478**	**27**	**105**	**230**	**3,901**
Additions	**111**	**590**	**6**	**58**	**96**	**861**
Disposals	**(38)**	**(63)**	**–**	**–**	**–**	**(101)**
Depreciation provided for the year	**(76)**	**(532)**	**(13)**	**(53)**	**(85)**	**(759)**
Exchange realignment	**(6)**	**(96)**	**4**	**(9)**	**(10)**	**(117)**
As at 31 December 2021	**1,052**	**2,377**	**24**	**101**	**231**	**3,785**

16. LEASES (continued)

The Group as a lessee (continued)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	RMB'M
Carrying amount as at 1 January 2020	2,575
New leases	999
Interest expenses recognised during the year	123
Payments	(728)
Disposal of subsidiaries (Note 40)	(23)
Early Termination	(83)
Exchange realignment	(119)
Carrying amount as at 31 December 2020 and 1 January 2021	**2,744**
New leases	**750**
Interest expenses recognised during the year	**113**
Payments	**(769)**
Early Termination	**(88)**
Exchange realignment	**(102)**
Carrying amount as at 31 December 2021	**2,648**
Analysed into:	
As at 31 December 2021	
Current portion	**687**
Non-current portion	**1,961**
	2,648
As at 31 December 2020	
Current portion	671
Non-current portion	2,073
	2,744

The maturity analysis of lease liabilities is disclosed in Note 48 to Consolidated Financial Statements.

16. LEASES (continued)

The Group as a leasee (continued)

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2021 RMB'M	2020 RMB'M
Interest on lease liabilities	**113**	123
Depreciation charge of right-of-use assets	**683**	693
Expense relating to:		
Short-term leases	**190**	199
Lease of low value assets	**10**	13
Variable lease payments not included in the measurement of lease liabilities	**361**	130
Total amount recognised in profit or loss	**1,357**	1,158

(e) The total cash outflow for leases is disclosed in Note 41(c) to Consolidated Financial Statements.

	2021 RMB'M	2020 RMB'M
Lease liabilities payable:		
Within one year	**725**	691
Within a period of more than one year but not exceeding two years	**550**	577
Within a period of more than two years but not exceeding five years	**945**	458
Within a period of more than five years	**780**	1,402
Total minimum lease payment	**3,000**	3,128
Less: total future interest expenses	**(352)**	(384)
	2,648	2,744
Less: Amount due for settlement with 12 months shown under current liabilities	**(687)**	(671)
Amount due for settlement after 12 months shown under non-current liabilities	**1,961**	2,073

The weighted average incremental borrowing rates applied to lease liabilities range from 0.01% to 10.12% (2020: 0.12% to 11.45%).

16. LEASES (continued)

The Group as a lessor

The Group leases its investment properties (Note 15) consisting of one commercial property in Hong Kong and two industrial properties in Dalian, the Mainland China, under operating lease arrangements as at 31 December 2021 (2020: one commercial property in Hong Kong and three industrial properties in Hefei and Dalian, the Mainland China,). Rental income recognised by the Group was approximately RMB25 million (2020: RMB23 million) for the years ended 31 December 2021, details of which are included in Note 5 to Consolidated Financial Statements.

At the end of the reporting period, the undiscounted lease payments receivables by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2021 RMB'M	2020 RMB'M
Within one year	**20**	31
In the second to fifth years, inclusive	**11**	18
After five years	**3**	3
	34	52

17. GOODWILL

	2021 RMB'M	2020 RMB'M
Cost:		
At 1 January	**22,518**	23,352
Acquisition of subsidiaries (Note 39)	**–**	465
Disposal of subsidiaries (Note 40)	**–**	(3)
Exchange realignment	**(691)**	(1,296)
At 31 December	**21,827**	22,518
Net carrying amount	**21,827**	22,518

17. GOODWILL (continued)

Goodwill acquired through business combinations are allocated to the following cash-generating units for impairment testing:

Smart Home Business Overseas segment:

- GE Appliances;
- Haier New Zealand Investment Holding Company Limited ("**HNZ**"); and
- Haier Europe Appliance Solutions S.P.A (Formerly know as "**Candy S.p.A**") ("**Candy**")

Other business segment:

- Qingdao Gooday Lejia IOT Technology Co., Ltd. ("**Lejia IOT**")

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	2021 **RMB'M**	2020 RMB'M
GE Appliances (Note)	**18,939**	19,383
HNZ (Note)	**471**	509
Candy (Note)	**1,877**	2,086
Lejia IOT (Note)	**448**	448
Other	**92**	92
Net carrying amount	**21,827**	22,518

Note: The recoverable amounts of GE Appliances, HNZ, Candy and Lejia IOT have been determined by using cash flow projections based on financial budgets approved by senior management.

Assumptions were used in the value-in-use or fair value less cost of disposal calculation of the above cash-generating units as at 31 December 2021 and 2020. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill. The annual growth rates of each CGUs are based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value-in-use calculations relate to the estimation of cash flows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development.

During the years ended 31 December 2021 and 2020, the management of the Group determines that there is no impairment on goodwill.

17. GOODWILL (continued)

Key assumptions used in the calculation the recoverable amount of GE Appliances are as follows:

	Pre-tax discount rate	Annual growth rate	Terminal growth rate	EBIT rate	EBITDA rate	Headroom (in million)
As at 31 December 2021	**10.78%**	**2.16% to 3.36%**	**2.00%**	**6.40% to 7.54%**	**8.92% to 10.04%**	**RMB22,987**
As at 31 December 2020	13.08%	2.50% to 3.40%	2.00%	6.91% to 8.18%	9.91% to 11.18%	RMB13,356

Key assumptions used in the calculation the recoverable amount of HNZ are as follows:

	Pre-tax discount	Annual growth rate	Terminal growth rate	EBIT rate	EBITDA rate	Headroom (in million)
As at 31 December 2021	**17.85%**	**3.08% to 5.22%**	**2.00%**	**6.27% to 9.45%**	**11.39% to 14.24%**	**RMB874**
As at 31 December 2020	13.55%	0.25% to 3.08%	2.00%	3.90% to 8.90%	10.84% to 15.54%	RMB288

Key assumptions used in the calculation the recoverable amount of Candy are as follows:

	Pre-tax discount	Annual growth rate	Terminal growth rate	EBIT rate	EBITDA rate	Headroom (in million)
As at 31 December 2021	**9.43% to 9.52%**	**10.08% to 48.02%**	**2.00%**	**3.01% to 13.95%**	**5.26% to 15.76%**	**RMB18,692**
As at 31 December 2020	10.41% to 10.42%	8.92% to 77.37%	2.11%	2.80% to 7.14%	5.26% to 8.34%	RMB924

17. GOODWILL (continued)

Sensitivity analysis of the recoverable amount are disclosed as below:

	GE Appliances	HNZ	Candy
1% (increase)/decrease in discount rate would result in recoverable amount (decrease)/ increase by:			
31 December 2021 (in million):	**RMB(6,376)/7,651**	**RMB(273)/318**	**RMB(3,495)/4,584**
31 December 2020 (in million):	RMB(4,131)/4,960	RMB(356)/426	RMB(856)/1,093

The below analysis by the management of the Company estimate of a reasonably possible change in a key assumption would cause the carrying amount of the CGU to exceed its recoverable amount:

As at 31 December 2021, if the discount rate increases 1%, while other parameters remain constant, the recoverable amount of the GE Appliances, HNZ and Candy will reduce approximately RMB6,376 million, RMB273 million and RMB3,495 million (2020: approximately RMB4,131 million, RMB356 million and RMB856 million) respectively, and there are no further impairment on goodwill of GE Appliances, HNZ and Candy (2020: RMBNil, RMB80 million and RMBNil) respectively.

Annual growth rate — The basis used to determine the annual growth rate is the average growth rate achieved in the years immediately before the budget year, increased for expected market development.

Discount rates — The discount rates used are before tax and reflect specific risks relating to the relevant units.

EBIT — Projected average earnings before interest and taxes.

EBITDA — Projected average earnings before interest, taxes, depreciation and amortisation.

Terminal growth rate — The constant rate that the Company is expected to grow at forever.

18. OTHER INTANGIBLE ASSETS

	Proprietary technology RMB'M	Patents and licences RMB'M	Trademarks RMB'M	Software & Others RMB'M	Total RMB'M
As at 1 January 2020	1,041	3,760	2,722	2,117	9,640
Additions	109	48	—	402	559
Acquisition of subsidiaries (Note 39)	—	—	—	55	55
Disposal of subsidiaries (Note 40)	—	—	—	(24)	(24)
Disposals	—	—	—	(8)	(8)
Amortisation provided for the year	(169)	(135)	—	(625)	(929)
Impairment loss	—	—	—	(46)	(46)
Exchange realignment	(10)	(226)	(8)	(46)	(290)
As at 31 December 2020 and 1 January 2021	**971**	**3,447**	**2,714**	**1,825**	**8,957**
Additions	**137**	**170**	**—**	**511**	**818**
Disposals	**—**	**—**	**(4)**	**(30)**	**(34)**
Amortisation provided for the year	**(152)**	**(124)**	**—**	**(554)**	**(830)**
Impairment loss	**—**	**—**	**(30)**	**—**	**(30)**
Exchange realignment	**(50)**	**(74)**	**(204)**	**(55)**	**(383)**
As at 31 December 2021	**906**	**3,419**	**2,476**	**1,697**	**8,498**

The carrying amounts of trademarks allocated to each of cash generating unites of the Group is as follows:

	2021 RMB'M	2020 RMB'M
GE Appliances	**606**	620
HNZ	**534**	608
Candy	**1,336**	1,486
Net carrying amount	**2,476**	2,714

18. OTHER INTANGIBLE ASSETS (continued)

The trademark held represented the exclusive right to use of registered trademarks, including Fisher & Paykel, DCS and ELBA for HNZ business. GE Appliances operates under several key brands, including General Electric series (all product lines), Monogram (refrigerator and cooking), and Hotpoint (laundry and cooking), etc. Candy business operates under several key brands, including Candy (mainly oriented to the low-to-mid-end kitchen and bathroom appliances) and Hoover (mainly oriented to the mid-to-high-end kitchen and bathroom appliances and the floor care appliances).

In estimating the fair value of trademark, a variation of the income approach, the Relief from Royalty ("**RfR**") Method, was applied. In the RfR method, the fair value of the intangible asset is estimated to be the present value of the royalties saved because the Company owns the intangible asset. In other words, the owner of the intangible asset realises a benefit from owning the intangible asset rather than pay a rent or royalty for the use of the intangible asset.

Set out below are details of the value of inputs used in the value-in-use or fair value less cost of disposal calculation under IAS 36. The calculation uses cash flow projections based on financial budgets approved by management, and key parameters adopted by the valuer for performing the impairment assessment of the intangible assets belong to GE Appliances, HNZ, Candy, being the cash generating unit of the Group with indefinite useful lives (i.e. trademark) as at 31 December 2021 and 2020 are as follows:

		GE Appliances	HNZ	Candy
	Key parameters on valuation:			
(a)	Annual growth rate			
	31 December 2021:	**5.57%–6.77%**	**2.04%–2.09%**	**12.73%–17.05%**
	31 December 2020:	6.90%–7.33%	8.29%–11.02%	9.21%–29.96%
(b)	Pre-tax discount rate			
	31 December 2021:	**10.4%**	**20.32%**	**10.25%**
	31 December 2020:	12.34%	18.90%	10.25%
(c)	Terminal growth rate			
	31 December 2021:	**2.00%**	**–%**	**2.00%**
	31 December 2020:	2.00%	–%	2.11%
(d)	Royalty rate			
	31 December 2021:	**1.25%**	**2.60%**	**1.25%**
	31 December 2020:	1.25%	2.50%	1.25%

The valuation methodology and assumptions were consistently adopted and applied in the valuations conducted by the respective valuers. The management of the Group considered that the basis and assumptions used for preparing the cash flow projection, the valuation methodology and the valuation report were reasonable and appropriate.

18. OTHER INTANGIBLE ASSETS (continued)

There was no impairment loss recognised during the years ended 31 December 2021 and 2020.

The below sensitivity analysis by management of the Company estimate if a reasonably possible change in a key assumption would cause the intangible assets carrying amount to exceed its recoverable amount:

	GE Appliances	HNZ	Candy
Sensitivity analysis			
1% (increase)/decrease in the discount rate would result in recoverabale amount (decrease)/increase by:			
31 December 2021 (in million):	**RMB(111)/141**	**RMB(37)/41**	**RMB(311)/400**
31 December 2020 (in million):	RMB(9)/9	RMB(43)/49	RMB(271)/351
Headroom			
31 December 2021 (in million):	**RMB400**	**RMB209**	**RMB1,473**
31 December 2020 (in million):	RMB57	RMB149	RMB1,059

19. INTERESTS IN ASSOCIATES

Details of interests in associates of the Group and the Company is as follow:

	2021 RMB'M	2020 RMB'M
Cost of investments in associates	**14,710**	14,552
Share of post-acquisition profits and other comprehensive income, net of dividends received	**8,649**	7,144
Impairment loss	**(127)**	(127)
	23,232	21,569

19. INTERESTS IN ASSOCIATES (continued)

Particulars of the material associates of the Group are as follows:

Name	Place of incorporation/ registration of business	Paid-up capital or registered capital '000	Percentage of equity attributable to the Company 2021	2020	Principal activities	Type of legal activity
Haier Group Finance Co., Ltd	Mainland China/ Mainland China	RMB7,000	**42.00%**	42.00%	Financing	Limited liability company

The following table illustrates summarised financial position of Haier Group Finance Co., Ltd, as at 31 December 2021 and 2020 and summarised financial performance information for the years ended 31 December 2021 and 2020 adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements.

Haier Group Finance Co., Ltd. ("Haier Finance")

	2021 RMB'M	2020 RMB'M
Current assets	**61,295**	62,750
Non-current assets, excluding goodwill	**9,404**	12,907
Current liabilities	**(53,404)**	(59,895)
Non-current liabilities	**(370)**	(223)
Net assets, excluding goodwill	**16,925**	15,539
Reconciliation on to the Group's interest in Haier Finance:		
Net assets of Haier Finance, excluding goodwill	**16,925**	15,539
Proportion of the Group's ownership	**42.00%**	42.00%
The Group's share of net assets of Haier Finance	**7,109**	6,526

19. INTERESTS IN ASSOCIATES (continued)

Haier Group Finance Co., Ltd. ("Haier Finance") (continued)

	2021 RMB'M	2020 RMB'M
Revenue	**2,040**	2,226
Profit for the year	**1,503**	1,551
Other comprehensive (loss)/income	**(38)**	(23)
Total comprehensive income for the year	**1,465**	1,528
Dividends declared	**218**	126
Share of results of Haier Finance	**631**	651

The following table illustrates the aggregate financial information of the Group's and the Company's associates that are not individually material:

	2021 RMB'M	2020 RMB'M
Share of results of the associates for the year	**1,255**	969
Share of the associates' other comprehensive income	**(34)**	(315)

	2021 RMB'M	2020 RMB'M
Aggregate carrying amount of the Group's investments in the associates	**16,123**	15,043

The Group's trade receivable and payable balances with the associates are disclosed in Notes 25 and 29 to Consolidated Financial Statements, respectively.

20. EQUITY INVESTMENTS DESIGNATED AT FVTOCI

	2021 RMB'M	2020 RMB'M
Listed equity investments, at fair value:		
— Qingdao Eastsoft Communication Technology Co., Ltd	**14**	13
— Other	**7**	6
Unlisted equity investments, at fair value:		
— Sinopec Marketing Co, Limited	**1,290**	1,118
— Haier COSMO IoT Ecosystem Technology Co., Ltd. ("**Haier COSMO**")	**2,812**	1,397
— Other	**726**	125
	4,849	2,659

The above equity investments were irrevocably designated at FVTOCI as the Group considers these investments to be strategic in nature. Details of valuation techniques used to estimate the fair values of the above equity investments are set out in Note 47 to Consolidated Financial Statements.

During the year ended 31 December 2021, the Group received dividends in the amount of approximately RMB59 million (2020: RMB21 million) from the above investments.

21. FINANCIAL ASSETS MEASURED AT FVTPL

	2021 RMB'M	2020 RMB'M
Current		
Wealth management products	**2,169**	1,862
Foreign currency forward contracts	**136**	105
Marketable securities	**151**	114
Investment in other equity instruments	**330**	84
	2,786	2,165

As at 31 December 2021 and 2020, included in the Group's wealth management products were products with floating returns which were measured at FVTPL. All wealth management products are principal protected.

22. FINANCIAL ASSETS MEASURED AT AMORTISED COST

	2021 RMB'M	2020 RMB'M
Current		
Wealth management products	**317**	554
Non-current		
Long-term receivables	**309**	331
	309	331
	626	885

As at 31 December 2021 and 2020, included in the Group's wealth management products were products with fixed returns which were stated at amortised cost. All wealth management products are principal protected. The expected credit losses for the wealth management products are immaterial to the Group.

23. DERIVATIVE FINANCIAL INSTRUMENTS

	2021 RMB'M	2020 RMB'M
Non-current assets		
Derivative financial instruments	**47**	47
Derivatives that are designated and effective as hedging instruments carried at fair value:		
Current assets		
Foreign currency forward contracts	**73**	52
Forward commodity contract	**7**	26
	80	78
	127	125
Derivatives that are designated and effective as hedging instruments carried at fair value:		
Current liabilities		
Foreign currency forward contracts	**60**	189
Interest rate swaps	**20**	50
	80	239

24. INVENTORIES

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

25. TRADE AND BILLS RECEIVABLES

	2021 RMB'M	2020 RMB'M
Trade receivables	**15,373**	16,371
Less: Allowance for expected credit losses ("**ECL**")	**(742)**	(442)
Trade receivables, net	**14,631**	15,929
Bills receivables	**13,422**	14,148
Less: Allowance for ECL	**(67)**	(11)
Bills receivables, net	**13,355**	14,137
Total	**27,986**	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.

25. TRADE AND BILLS RECEIVABLES (continued)

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:

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

The movements in the ECL of trade receivables and bills receivable are as follows:

	2021 RMB'M	2020 RMB'M
As at 1 January	**453**	460
Impairment losses, net (Note 6)	**418**	131
Amount written off as uncollectible	**(33)**	(91)
Disposal of subsidiaries	**—**	(21)
Exchange realignment	**(29)**	(26)
As at 31 December	**809**	453

As at 31 December 2021 and 2020, impairment analysis is performed at each reporting date using a provision matrix to measure ECL. The ECL rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type). The calculation reflects the probability-weighted outcome and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

25. TRADE AND BILLS RECEIVABLES (continued)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2021

	Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Average loss rate	**3.37%**	**36.53%**	**32.91%**	**59.56%**	**4.83%**
Gross carrying amount (RMB'M)	**14,783**	**375**	**79**	**136**	**15,373**
Expected credit losses (RMB'M)	**498**	**137**	**26**	**81**	**742**

As at 31 December 2020

	Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Average loss rate	2.0%	8.3%	31.5%	41.0%	2.70%
Gross carrying amount (RMB'M)	15,866	230	92	183	16,371
Expected credit losses (RMB'M)	319	19	29	75	442

Included in the Group's trade and bills receivables are amounts due from Haier Affiliates approximately RMB548 million (2020: RMB1,092 million) and amounts due from associates approximately RMB741 million (2020: RMB471 million) as at 31 December 2021. All of these amounts are repayable on credit terms similar to those offered to the major customers of the Group. Further details of the sales to these related parties are set out in Note 13 to Consolidated Financial Statements.

As at 31 December 2021, certain of the Group's bills receivable of approximately RMB12,449 million (2020: RMB12,562 million) were pledged to secure certain of the Group's bills payable (Note 29); certain of the Group's bills receivable of approximately RMB78 million (2020: RMB Nil million) were pledged to secure certain of the Group's loans

As at 31 December 2021, certain of the Group's trade receivables of approximately RMB1,914 million (2020: RMB1,834 million) were pledged, which included trade receivable of approximately RMB185 million were pledged to secure certain of the Group's loans.

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2021 RMB'M	2020 RMB'M (Restated)
Current		
Dividend receivables (Note a)	**–**	5
Interest receivables (Note a)	**294**	322
Taxes recoverable (Note a)	**3,274**	2,440
Prepayments (Note a)	**857**	765
Deposits (Note a)	**87**	118
Other receivables (Note a)	**1,837**	1,487
Right-of-return assets (Note a)	**585**	418
	6,934	5,555
Less: Allowance for ECL	**(519)**	(341)
	6,415	5,214
Non-current		
Long-term prepayments (Note b)	**1,860**	1,404
	8,275	6,618

Notes:

(a) Included in the Group's prepayments, deposits and other receivables are amounts due from Haier Affiliates of approximately RMB490 million (2020: RMB563 million) and amounts due from associates of approximately RMB125 million (2020: RMB110 million) as at 31 December 2021. All of these amounts are unsecured, interest-free and repayable on demand.

Prepayments, deposits and other receivables mainly represent prepayments and the deposits with suppliers and other parties. The ECL are estimated by applying a general approach with reference to the historical loss record of the Group and is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The average loss rate applied as at the 31 December 2021 were 7.48% (2020: 6.14%). The credit quality of the financial assets included in prepayments, deposits and other receivables is considered to be normal because they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk.

(b) Included in the Group's long-term prepayments are advances made to Haier Affiliates relating to the Group's property, plant and equipment with an aggregate amount of approximately RMB33 million (2020: RMB81 million) as at 31 December 2021. The amounts are unsecured, interest-free and repayable on demand.

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

The movements in the ECL of deposits and other receivables are as follows:

	2021 RMB'M	2020 RMB'M
As at 1 January	**341**	293
Impairment losses, net (Note 6)	**428**	265
Amount written off as uncollectible	**(248)**	(213)
Disposal of subsidiaries	**(1)**	(3)
Exchange realignment	**(1)**	(1)
As at 31 December	**519**	341

27. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

Bank balances carry interest at market rates which range from 0.30% to 3.90% per annum (2020: 0.30% to 0.40% per annum) for the year ended 31 December 2021. The pledged deposits carry interest rate which range from 0.39% to 3.90% per annum (2020: 0.39% to 3.90% per annum) for the year ended 31 December 2021. The pledged bank deposits will be released upon the settlement of relevant bills payables (Note 29).

Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group. Deposits amounting to approximately RMB744 million (2020: RMB720 million) have been pledged to secure bills payables (Note 29) as at 31 December 2021 and are therefore classified as current assets.

	2021 RMB'M	2020 RMB'M (Restated)
Cash and bank balances	**24,951**	23,583
Time deposits	**20,907**	22,884
	45,858	46,467
Less: Cash and bank balances and time deposits pledged for:		
Bills payable (Note 29)	**(744)**	(720)
Bank guarantees	**(11)**	(102)
Pledged deposits	**(755)**	(822)
Other deposit with limited use:	**(145)**	(4)
Cash and cash equivalents	**44,958**	45,641

27. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS (continued)

As at 31 December 2021, the cash and bank balances and time deposits of the Group, denominated in RMB, amounted to approximately RMB35,410 million (2020: RMB34,508 million). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for within three months depending on the immediate cash requirements of the Group, and earn interest at the deposit rates of the respective periods. The bank balances and pledged deposits are deposited with creditworthy banks or financial institutions with no recent history of default.

Included in the Group's cash and cash equivalents are deposits of approximately RMB28,632 million (2020: RMB24,958 million) placed with Haier Finance as at 31 December 2021 which is an associate of the Group and is a financial institution approved by the People's Bank of China. The interest rate on these deposits ranges from 0.39% to 3.30% per annum (2020: 0.39% to 3.90%per annum) for the year ended 31 December 2021. Further details of the interest income attributable to the deposits placed with Haier Finance are set out in Note 13 to Consolidated Financial Statements.

28. ASSET AND DISPOSAL GROUP HELD FOR SALE

	2021 **RMB'M** **(Note a)**	2020 RMB'M (Note b)
Assets	**5**	17

Notes:

(a) During the year ended 31 December 2021, Qingdao Haier Information Plastic & Rubber Manufacture Co., Ltd. signed a demolition compensation agreement, with the carrying amount of approximately RMB5 million with the local government with regards to certain land use rights with the local government. The land use right has been classified as a disposal group held for sale and are presented separately in the consolidated statement of financial position.

(b) During the year ended 31 December 2020, the assets held for sale are mainly included Qingdao Haier Information Plastic & Rubber Manufacture Co., Ltd. and Qingdao Household Appliance Technological Equipment Institute signed a demolition compensation agreement, with the fair value of approximately RMB13 million in total, with the local government with regards to certain land use rights with the local government. The land use right has been classified as disposal group held for sale and are presented separately in the consolidated statement of financial position.

29. TRADE AND BILLS PAYABLES

	2021 RMB'M	2020 RMB'M (Restated)
Trade payables	**42,345**	36,309
Bills payables	**25,023**	21,236
	67,368	57,545

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

	2021 RMB'M	2020 RMB'M (Restated)
Within 1 year	**66,967**	57,070
1 to 2 years	**170**	96
2 to 3 years	**84**	96
Over 3 years	**147**	283
	67,368	57,545

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 RMB4,207 million (2020: 5,248 million) and amounts due to an associate of approximately RMB1,487 million (2020: 316 million) as at 31 December 2021. Further details of the purchases from these related parties are set out in Note 13 to Consolidated Financial Statements.

As at 31 December 2021, certain of the Group's bills payable are secured by the pledge of the Group's bank deposits amounting to approximately RMB744 million (2020: RMB720 million) (Note 27) and the Group's bills receivable amounting to approximately RMB12,449 million (2020: RMB12,562 million) (Note 25).

30. OTHER PAYABLES AND ACCRUALS

	2021 RMB'M	2020 RMB'M (Restated)
Other payables and accruals	**22,937**	21,173
Refund liabilities:		
Volume rebate	**1,582**	1,548
Sales return	**656**	505
Deferred income (Note 34)	**130**	82
	25,305	23,308

Other payables are non-interest-bearing and repayable on demand.

Included in the Group's other payables and accruals are amounts due to Haier Affiliates of approximately RMB1,284 million (2020: RMB1,581 million), amounts due to associates of approximately RMB34 million (2020: RMB4 million) and amounts due to controlling shareholders and their affiliates of approximately RMB15 million (2020: RMB Nil) as at 31 December 2021. All of these amounts are unsecured, interest-free and repayable on demand.

31. CONTRACT ASSETS/CONTRACT LIABILITIES

(a) Contract assets

	2021 RMB'M	2020 RMB'M
Retention for rendering service	**304**	263

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditioned on the Group's future performance. The contract assets are transferred to trade receivables when the rights become unconditional.

The Group also typically agrees to a retention for 5% of the contract value. This amount is included in contract assets until the end of the retention period as the Group's entitlement to this final payment is conditional at the end of warranty period.

The Group classifies these contract assets as current because the Group expects to realise them in its normal operating cycle.

31. CONTRACT ASSETS/CONTRACT LIABILITIES (continued)

(b) Contract liabilities

The Group's sale of products and provision of after-sales and logistics services and other value-added customer services contracts include payment schedules which require stage payments over the services period once certain specified milestones are reached. The Group requires certain customers to provide upfront deposits range from 10% to 20% of total contract sum as part of its credit risk management policies. The Group typically require 10% of total contract sum for credit risk management.

The Group's contract liabilities are analysed as follows:

	2021 RMB'M	2020 RMB'M (Restated)
Receipt in advance/contract liabilities		
Sale of goods	**10,007**	6,265
Rendering of services	**10**	5
As at 31 December	**10,017**	6,270

Contract liabilities mainly include short-term advances received from customers for sales of products and provision of after-sales and logistics services and other value-added customer services.

	2021 RMB'M	2020 RMB'M (Restated)
Contract liabilities		
As at 1 January	**6,270**	4,975
Consideration received from customers over the amounts of revenue recognised	**9,886**	6,296
Less:		
Revenue recognised that was included in the contract during the year	**(6,139)**	(5,001)
As at 31 December	**10,017**	6,270

There were contract liabilities of approximately RMB6,139 million (2020: RMB5,001 million) recognised during the year as revenue from sales of goods and rendering of services.

32. INTEREST-BEARING BORROWINGS

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

	2021 RMB'M	2020 RMB'M
Current		
Bank loans — unsecured	**17,408**	12,171
Bank loans — secured	**560**	472
	17,968	12,643
Non-current		
Bank loans — unsecured	**3,075**	11,858
	21,043	24,501
Unsecured	**20,483**	24,029
Secured	**560**	472
	21,043	24,501
Analysed into:		
Loans repayable:		
Within one year or on demand	**17,968**	12,643
In the second year	**3,036**	6,814
In the third to fifth years, inclusive	**39**	5,044
	21,043	24,501
Effective interest rate		
Current		
Bank loans — unsecured	**0.40% to 7.50%**	0.50% to 12.50%
Bank loans — secured	**0.50% to 4.00%**	0.13% to 5.85%
Non-current		
Bank loans — unsecured	**0.80% to 7.50%**	0.85% to 7.50%

32. INTEREST-BEARING BORROWINGS (continued)

As at 31 December 2021 and 2020, the Group's interest-bearing borrowings were denominated in the following currencies:

	2021 RMB'M	2020 RMB'M
United States dollar	**8,903**	12,848
Renminbi	**174**	363
Other currencies	**11,966**	11,290
	21,043	24,501

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

Included in the Group's interest-bearing borrowings are borrowings of approximately RMB337 million (2020: RMB454 million) from Haier Finance, which is an associate of the Group and is a financial institution approved by the People's Bank of China. The interest rate on these loans ranges from 1.5% to 3.1% per annum (2020: 1.6% to 3.5% per annum) for the years ended 31 December 2021. Further details of the interest expense to these related parties are set out in Note 13 to Consolidated Financial Statement.

Certain of the Group's loans are guaranteed by:

(i) Haier Group, the controlling shareholder of the Company, approximately RMB305 million as at 31 December 2021 (2020: RMB Nil); and

Certain of the Group's loans are secured by:

(i) pledge of the Group's trade and bills receivables with carrying amount of approximately RMB263 million as at 31 December 2021 (2020: RMB552 million)

33. PROVISIONS

	2021 RMB'M	2020 RMB'M
Product warranties	**3,681**	2,911
Legal claim	**29**	32
Others	**429**	381
	4,139	3,324
Portion classified as current liabilities	**(2,190)**	(1,881)
Non-current portion	**1,949**	1,443

The movements in product warranties are as follows:

	2021 RMB'M	2020 RMB'M
As at 1 January	**2,911**	3,058
Additional provision (Note 6)	**5,480**	4,724
Amounts utilised during the year	**(4,678)**	(4,828)
Exchange realignment	**(32)**	(43)
As at 31 December	**3,681**	2,911

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

33. PROVISIONS (continued)

The movements in legal claim are as follows:

	2021 RMB'M	2020 RMB'M
As at 1 January	**32**	20
Additional provision	**12**	11
Amounts utilised during the year	**(12)**	—
Exchange realignment	**(3)**	1
As at 31 December	**29**	32

34. DEFERRED INCOME

The movement of deferred income is set out below:

	2021 RMB'M	2020 RMB'M
As at 1 January	**633**	709
Compensation received during the year	**319**	296
Credit to profit or loss	**(99)**	(372)
As at 31 December	**853**	633
Less: Current portion included in other payables and accruals (Note 30)	**(130)**	(82)
Non-current portion	**723**	551

Government grants mainly include subsidies income received by a subsidiary of the Group which operates in the Mainland China in accordance with the subsidy policies of local government authorities. Subsidies income received by a subsidiary of the Group is recognised in the consolidated statement of profit or loss and other comprehensive income when received and no specific conditions are required. Those government grants recognised are recognised as other income, the government grants recognised during the year are non-recurring. There are no unfulfilled conditions or contingencies relating to these government grants.

35. DEFERRED TAX

The movements in deferred tax assets and deferred tax liabilities during the years ended 31 December 2021 and 2020 are as follows:

Deferred tax assets

	Impairment provisions RMB'M	Accruals and payables RMB'M	Unrealised profits RMB'M	Others RMB'M	Total RMB'M
As at 1 January 2020	330	1,640	648	848	3,466
Deferred tax credited to the statement of profit or loss during the year, net	50	116	21	308	495
Disposal of subsidiaries (Note 40)	(6)	(9)	—	—	(15)
Exchange realignment	—	—	—	13	13
As at 31 December 2020 and 1 January 2021	**374**	**1,747**	**669**	**1,169**	**3,959**
Deferred tax (charged)/credited to the statement of profit or loss during the year, net	**(8)**	**(279)**	**(51)**	**223**	**(115)**
Deferred tax charged to the statement of other comprehensive income during the year	**—**	**—**	**—**	**(48)**	**(48)**
Exchange realignment	**(11)**	**(65)**	**1**	**(77)**	**(152)**
As at 31 December 2021	**355**	**1,403**	**619**	**1,267**	**3,644**

35. DEFERRED TAX (continued)

Deferred tax liabilities

	Withholding taxes RMB'M	Differences of depreciation and amortisation RMB'M	Others RMB'M	Total RMB'M
As at 1 January 2020	78	2,031	932	3,041
Deferred tax charged to the statement of profit or loss during the year, net	16	336	259	611
Deferred tax charged to the statement of other comprehensive income during the year	—	—	15	15
Disposal of subsidiaries (Note 40)	—	(1)	(15)	(16)
As at 31 December 2020 and 1 January 2021	**94**	**2,366**	**1,191**	**3,651**
Deferred tax charged to the statement of profit or loss during the year, net	**—**	**76**	**7**	**83**
Deferred tax charged to the statement of other comprehensive income during the year	**—**	**—**	**316**	**316**
Exchange realignment	**—**	**(124)**	**(15)**	**(139)**
As at 31 December 2021	**94**	**2,318**	**1,499**	**3,911**

For presentation purpose, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balance of the Group for financial reporting purpose:

	2021 RMB'M	2020 RMB'M
Net deferred tax assets recognised in the consolidated statement of financial position	**1,855**	2,208
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(2,122)**	(1,900)
Net deferred tax (liabilities)/assets	**(267)**	308

35. DEFERRED TAX (continued)

Deferred tax liabilities (continued)

Deferred tax assets have not been recognised in respect of certain tax losses as they have arisen in the certain subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

As at 31 December 2021, the Group has recognised deferred tax liabilities of approximately RMB94 million (2020: RMB94 million) in relation to withholding taxes for the earnings of the Mainland China subsidiaries to be remitted in the foreseeable future.

36. SHARE CAPITAL

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

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

Notes:

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

(b) Upon conversion of convertible bonds during current year, a total of 403,210,889 H Shares were issued.

(c) During the year ended 31 December 2021, the Company repurchased a total of 32,352,800 H shares which were subsequently cancelled. The shares were repurchased at total price of approximately HKD1,000 million.

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

37. SHARES-BASED PAYMENTS TRANSACTION

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

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

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

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

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

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

(a) A and H Share ESOP (2021)

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

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

37. SHARES-BASED PAYMENTS TRANSACTION (continued)

(a) A and H Share ESOP (2021) (continued)

A Share ESOP (2021) (continued)

The A Share ESOP (2021) Participants include 14 persons of directors, supervisors and other senior management members, and 1,585 core technical (business) employees.

	2021	
	Weighted average grant date fair value RMB	Number of awarded shares
At 1 January	–	–
Grant during the year	24.9	25,440,807
Outstanding as at 31 December	24.9	25,440,807

During the year ended 31 December 2021, A Share ESOP were granted on 30 July 2021. The estimated fair values of the share granted on dates is RMB632 million.

H Share ESOP (2021)

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

37. SHARES-BASED PAYMENTS TRANSACTION (continued)

(a) A and H Share ESOP (2021) (continued)

H Share ESOP (2021) (continued)

The participants of the H Share ESOP are 35 core senior management staff members of the Company who play an important role in the overall performance and development of the Company.

	2021	
	Weighted average grant date fair value RMB	Number of awarded shares
At 1 January	–	–
Grant during the year	21.6	3,757,000
Outstanding as at 31 December	21.6	3,757,000

During the year ended 31 December 2021, H Share ESOP were granted on 30 July 2021. The estimated fair values of the share granted on dates is RMB81 million (approximately HKD99 million).

The Group recognised the total expense of RMB209 million for the year ended 31 December 2021 in relation to A and H Share ESOP granted by the Company.

(b) H Share Restricted Share Unit Scheme (2021)

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

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

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

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

37. SHARES-BASED PAYMENTS TRANSACTION (continued)

(b) H Share Restricted Share Unit Scheme (2021) (continued)

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

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

	2021	
	Weighted average grant date fair value RMB	Number of awarded shares
At 1 January	–	–
Grant during the year	**21.6**	**4,438,027**
Outstanding as at 31 December	**21.6**	**4,438,027**

During the year ended 31 December 2021, H Share RSU were granted on 30 July 2021, 1 September 2021 and 15 December 2021. The estimated fair values of the H Share RSU granted on those dates are RMB93 million, RMB1 million and RMB2 million respectively.

The Group recognised the total expense of RMB17 million for the year ended 31 December 2021 in relation to H Share RSU granted by the Company.

(c) A-Share Option Scheme

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

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

37. SHARES-BASED PAYMENTS TRANSACTION (continued)

(c) A-Share Option Scheme (continued)

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

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

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

A-Share Option Scheme

	2021	
	Weighted average exercise price per share RMB	Number of awarded shares
At 1 January	–	–
Grant during the year	**25.6**	**50,525,214**
Outstanding as at 31 December	**25.6**	**50,525,214**

The weighted-average remaining contract life for outstanding share options was 3.7 years as at 31 December 2021.

During the year ended 31 December 2021, options were granted on 15 September 2021 and 15 December 2021. The estimated fair values of the options granted on those dates are RMB308 million and RMB41 million respectively.

37. SHARES-BASED PAYMENTS TRANSACTION (continued)

(c) A-Share Option Scheme (continued)

These fair values were calculated using the Black-Scholes pricing model. The inputs into the model were as follows:

	2021
Share price	**26.02 to 29.4**
Exercise price	**25.63**
Expected volatility	**35.68% to 40.98%**
Expected life	**5 Year**
Risk-free rate	**2.3% to 2.74%**
Expected dividend yield	**1.24% to 1.41%**

The Group recognised the total expense of RMB36 million for the year ended 31 December 2021 in relation to share options granted by the Company.

38. RESERVES

(a) Reserves

The amounts of the Group's reserves and the movements therein for the years ended 31 December 2021 and 2020 are presented in the consolidated statement of changes in equity of the consolidated financial statements.

(i) According to the relevant rules and regulations in the People's Republic of China ("**PRC**"), subsidiaries of the Company established in the PRC are required to transfer 10% of their net profit, as determined in accordance with the PRC accounting standards and regulations, to the reserve fund until the balance of the reserve reaches 50% of their respective registered capital. The transfer to this reserve must be made before distribution of dividends to owners of these subsidiaries. Reserve fund can be used to set off previous years' losses, if any, and may be converted into capital in proportion to existing equity owners' equity percentage, provided that the balance after such issuance is not less than 25% of their registered capital.

(ii) Convertible bonds reserves component reserve represent the value of the unexercised equity component of convertible bonds issued by the Company recognised in accordance with the accounting policy adopted for convertible bonds. If the convertible bonds are not converted at the maturity date, the convertible bonds reserves will not be reclassified subsequently to profit or loss.

38. RESERVES (continued)

(a) Reserves (continued)

(iii) Exchange differences on translation of financial statements reserve comprises all foreign exchange differences arising from the translation of the financial statement of operations.

(iv) The cash flow hedge reserve represents the cumulative amount of gains and losses on hedging instruments deemed effective in cash flow hedges. The cumulative deferred gain or loss on the hedging instrument is recognised in profit or loss only when the hedged transaction impacts the profit or loss, or is included directly in the initial cost or other carrying amount of the hedged non-financial items (basis adjustment).

(v) Fair value reserve comprises the cumulative net change in the fair value of equity investments designated at fair value through other comprehensive income ("**FVTOCI**") under IFRS 9 that are held at the end of the reporting period.

(vi) Treasury shares reserve comprises all repurchased and cancelled its own ordinary share.

(b) Cash payment paid to scheme shareholders under the privatization proposal

During the year ended 31 December 2020, upon the completion of the privatisation and the scheme becoming unconditional and effective, the payment of approximately HK$2,984 million (equivalent to approximately RMB2,513 million based on the exchange rate of HK$1.00 to RMB0.8421) is calculated based on the total number of schemes share of 1,530,174,884 at HK$1.95 per scheme share payable in cash to the scheme shareholders.

39. BUSINESS COMBINATIONS

Lejia IOT

On 23 January 2020, the Group entered into acquisition agreements with unrelated third parties to acquire 75.96% of the equity interest in Lejia IOT at a cash consideration of approximately RMB562 million. The Group has elected to measure the non-controlling interests in Lejia IOT at the non-controlling interest's proportionate share of Lejia IOT's identifiable net assets.

39. BUSINESS COMBINATIONS (continued)

Lejia IOT (continued)

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

	RMB'M
Property, plant and equipment	51
Other intangible assets	46
Trade and bill receivables	15
Prepayments, deposits and other receivables	8
Cash and bank balances	224
Trade and bills payables	(79)
Other payables and accruals	(71)
Contract liabilities	(20)
Interest-bearing borrowings	(1)
Tax payable	(1)
Deferred income	(2)
Provision for pensions and similar obligation	(4)
Total identifiable net assets at fair value	166
Non-controlling interests	(36)
	130
Goodwill on acquisition	448
	578
Satisfied by:	
Cash consideration	562
Other non-current liabilities	16
	578

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

	RMB'M
Cash consideration	(562)
Cash and bank balances acquired	224
Net outflow of cash and cash equivalents included in cash flows from investing activities	(338)

Since the acquisition, Lejia IOT contributed approximately RMB236 million to the Group's revenue and approximately RMB40 million profit for the year ended 31 December 2020.

40. DISPOSAL OF SUBSIDIARIES

During the year ended 31 December 2020, the Group disposed certain of subsidiaries. One of the disposals was related that the Group disposed 54.50% shares of Haier COSMO on 29 September 2020. The net assets of Haier COSMO and remaining disposed subsidiaries ("**Others**") at the date of disposal were as follows:

	Haier COSMO RMB'M	Others RMB'M	Total RMB'M
Net assets disposed of:			
Property, plant and equipment	702	141	843
Right-of-use assets	42	—	42
Goodwill	—	3	3
Other intangible assets	20	4	24
Interest in associates	204	—	204
Equity investments designated at FVTOCI	9	—	9
Financial assets measured at amortised cost	926	—	926
Deferred tax assets	12	3	15
Other non-current assets	81	—	81
Inventories	1,542	40	1,582
Trade and bills receivables	3,542	19	3,561
Prepayments, deposits and other receivables	2,083	5	2,088
Cash and bank balances	2,820	—	2,820
Trade and bills payables	(4,259)	(14)	(4,273)
Other payables and accruals	(460)	(17)	(477)
Contract liabilities	(1,082)	—	(1,082)
Interest-bearing borrowings	(1,208)	(81)	(1,289)
Lease liabilities	(23)	—	(23)
Tax payable	(30)	(1)	(31)
Deferred income	(227)	(3)	(230)
Deferred tax liabilities	(8)	(8)	(16)
Provisions for pensions and similar obligations	(3)	—	(3)
Others	(13)	2	(11)
Non-controlling interests	(1,225)	(52)	(1,277)
	3,445	41	3,486
Gain on disposal of subsidiaries, net	2,267	(6)	2,261
	5,712	35	5,747

40. DISPOSAL OF SUBSIDIARIES (continued)

	Haier COSMO RMB'M	Others RMB'M	Total RMB'M
Satisfied by:			
Cash	4,060	35	4,095
Equity investments designated at FVTOCI	1,397	—	1,397
Interests in associates	255	—	255
	5,712	35	5,747

An analysis of the net cash and cash equivalents receivable in respect of the material disposal of disposal of subsidiaries is as follows:

	Haier COSMO RMB'M	Others RMB'M	Total RMB'M
Cash consideration	4,060	35	4,095
Cash and bank balance disposed of	(2,820)	—	(2,820)
Net cash and cash equivalents receivable in respect of the disposal of subsidiaries	1,240	35	1,275

41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year ended 31 December 2021, the Group had non-cash additions to right-of-use assets of approximately RMB861 million (2020:RMB999 million) and lease liabilities of approximately RMB750 million (2020: RMB999 million), in respect of lease arrangements for land and building, machinery and equipment, motor vehicles and furniture, fixtures and equipments.

41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Changes in liabilities arising from financing activities

	Other payables and accruals in relation to financing activities RMB'M	Interest-bearing borrowings RMB'M	Lease liabilities RMB'M	Convertible and exchangeable bonds RMB'M	Bond RMB'M
As at 1 January 20120	193	26,685	2,575	7,005	—
Changes from financing cash flows	(6,805)	(277)	(728)	(6)	5,500
Foreign exchange movement	(64)	(619)	(119)	(433)	—
New leases	—	—	999	—	—
Early Termination	—	—	(83)	—	—
Acquisition of subsidiaries	13	1	—	—	—
Interest paid and payable	990	—	123	177	35
Conversion of convertible bonds	—	—	—	(29)	—
Disposal of subsidiaries	—	(1,289)	(23)	—	—
Dividends payable to the shareholders	2,467	—	—	—	—
Dividends payable to non-controlling interests	3,333	—	—	—	—
As at 31 December 2020 and 1 January 2021	**127**	**24,501**	**2,744**	**6,714**	**5,535**
Changes from financing cash flows	**(3,975)**	**(1,997)**	**(769)**	**—**	**(5,542)**
Foreign exchange movement	**(46)**	**(1,461)**	**(102)**	**(61)**	**—**
New leases	**—**	**—**	**750**	**—**	**—**
Early Termination	**—**	**—**	**(88)**	**—**	**—**
Interest paid and payable	**542**	**—**	**113**	**50**	**7**
Conversion of convertible bonds	**—**	**—**	**—**	**(6,368)**	**—**
Dividends payable to the shareholders	**3,411**	**—**	**—**	**—**	**—**
Dividends payable to non-controlling interests	**63**	**—**	**—**	**—**	**—**
As at 31 December 2021	**122**	**21,043**	**2,648**	**335**	**—**

41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(c) Total cash outflow for leases

	2021 RMB'M	2020 RMB'M
Within operating activities	**(561)**	(341)
Within financing activities	**(769)**	(728)
	(1,330)	(1,069)

42. FINANCIAL LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 RMB'M	2020 RMB'M
Foreign currency forward contracts	**6**	27

43. BONDS

During the year ended 31 December 2021, the Group repaid an ultra-short-term financing bonds at a principal amount of approximately RMB5,500 million.

On 17 July 2020, the Group issued an ultra-short-term financing bonds at a principal amount of approximately RMB3,000 million which is unsecured, bearing a fixed interest rate of 1.45% per annum.

On 28 August 2020, the Group issued an ultra-short-term financing bonds at a principal amount of approximately RMB2,500 million which is unsecured, bearing a fixed interest rate of 1.71% per annum.

Both bonds will mature within one year. The ultra-short-term financing bonds have been approved by National Association of Financial Market Institutional Investors and registered in Shanghai Clearing House.

44. CONVERTIBLE BONDS

On 21 November 2017, Harvest International Company (the "**Issuer**"), an indirect wholly owned subsidiary of the Company, issued the HK$8,000 million Zero Coupon Guaranteed Exchangeable Bonds due on 21 November 2022 (the "**HSH Exchangeable Bonds**"). The holders of the HSH Exchangeable Bonds (the "**Bondholders**") entitled to exchange their HSH Exchangeable Bonds into shares of Haier Electronics Group Co. Ltd (the "**HEG**") during the period specified under the terms and conditions of the HSH Exchangeable Bonds (the "**HSH Exchangeable Bonds Terms and Conditions**"). In connection with the privatization of HEG, to provide Bondholders with an alternative investment option in their HSH Exchangeable Bonds outside the various options available under the HSH Exchangeable Bonds Terms and Conditions, the Company proposed to amend the HSH Exchangeable Bonds Terms and Conditions, such that, subject to the satisfaction of certain conditions precedent, after listing of the H shares of the Company, the HSH Exchangeable Bonds were not exchangeable into the HEG Shares but instead be convertible into the H Shares of the Company (the "**EB-to-CB Proposal**"). The HSH Exchangeable Bonds with such amended terms and conditions (the "**HSH Convertible Bonds Terms and Conditions**") were hereafter referred to as the HSH Convertible Bonds (the "**CB**"). The EB-to-CB Proposal became effective upon listing of H Shares of the Company on 23 December 2020 and HK$7,993 million in aggregate principal amount of the CB was outstanding initially. One-time repayment of principal and interest (105.11% on remaining par value) will be made upon maturity.

The convertible bonds entitle the holders to convert them into ordinary shares of the Company at any time between the date of issue of the notes and their settlement date at a conversion price of HK$18.58 per convertible bond.

The fair value of the CB on the issuance date were recognised into as follows:

	2021 RMB'M	2020 RMB'M
Liability component	**567**	6,747
Equity component (Note 38(a)(ii))	**241**	2,365
	808	9,112

44. CONVERTIBLE BONDS (continued)

The movement of the liability component of CB is as follows:

	2021 RMB'M	2020 RMB'M
As at 1 January	**6,714**	7,005
Conversion (Note 36(b))	**(6,368)**	—
Recognise CB	**—**	6,741
Interest expense	**50**	177
Derecognise CEB	**—**	(6,770)
Redemption of CEB	**—**	(6)
Exchange realignment	**(61)**	(433)
As at 31 December	**335**	6,714

45. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the interest-beaning borrowings, lease liabilities, CB disclosed in Notes 32, 16(b) and 44 respectively, comprising issued share capital, retained profits and other reserves.

The gearing ratio at the end of the reporting period was as follows:

	2021 RMB'M	2020 RMB'M (Restated)
Debt (i)	**24,026**	33,959
Equity (ii)	**81,084**	68,133
Net debt to equity ratio	**29.6%**	49.8%

(i) Debt is defined as long and short-term interest-beaning borrowings, lease liabilities and convertible bonds as detailed in notes 32, 16(b) and 44.

(ii) Equity includes all capital and reserves of the Group.

46. FINANCIAL INSTRUMENTS BY CATEGORY

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

Financial assets

31 December 2021

	Financial assets at FVTPL RMB'M	Financial assets at FVTOCI RMB'M	Derivative designated as hedges RMB'M	Financial assets measured at amortised cost RMB'M	Total RMB'M
Equity investments designated at FVTOCI	–	4,849	–	–	4,849
Trade and bills receivables	–	–	–	27,986	27,986
Financial assets included in deposit and other receivables	–	–	–	4,886	4,886
Financial assets at FVTPL	2,786	–	–	–	2,786
Financial assets measured at amortised cost	–	–	–	626	626
Derivative financial instruments	47	–	80	–	127
Pledged deposits	–	–	–	755	755
Other deposits with limited use	–	–	–	145	145
Cash and cash equivalents	–	–	–	44,958	44,958
	2,833	4,849	80	79,356	87,118

31 December 2020 (Restated)

	Financial assets at FVTPL RMB'M	Financial assets at FVTOCI RMB'M	Derivative designated as hedges RMB'M	Financial assets measured at amortised cost RMB'M	Total RMB'M
Equity investments designated at FVTOCI	–	2,659	–	–	2,659
Trade and bills receivables	–	–	–	30,066	30,066
Financial assets included in deposit and other receivables	–	–	–	3,913	3,913
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	–	–	–	45,641	45,641
	2,212	2,659	78	81,331	86,280

46. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial liabilities

31 December 2021

	Financial liabilities measured at FVTPL RMB'M	Derivative designated as hedges RMB'M	Financial liabilities measured at amortised cost RMB'M	Total RMB'M
Trade and bills payables	—	—	67,368	67,368
Financial liabilities included other Payables and accruals	—	—	22,441	22,441
Financial liabilities at FVTPL	6	—	—	6
Derivative financial instruments	—	80	—	80
Interest-bearing borrowings	—	—	21,043	21,043
CB	—	—	335	335
Other non-current liabilities	—	—	112	112
Lease liabilities	—	—	2,648	2,648
	6	80	113,947	114,033

31 December 2020 (Restated)

	Financial liabilities measured at FVTPL RMB'M	Derivative designated as hedges RMB'M	Financial liabilities measured at amortised cost RMB'M	Total RMB'M
Trade and bills payables	—	—	57,545	57,545
Financial liabilities included other payables and accruals	—	—	23,308	23,308
Financial liabilities at FVTPL	27	—	—	27
Derivative financial instruments	—	239	—	239
Interest-bearing borrowings	—	—	24,501	24,501
CB	—	—	6,714	6,714
Other non-current liabilities	—	—	89	89
Bonds	—	—	5,535	5,535
Lease liabilities	—	—	2,744	2,744
	27	239	120,436	120,702

47. 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 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.

47. 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 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.

Below is a summary of significant unobservable inputs (level 3 inputs of fair value measurement) to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2021 and 2020.

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

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

Assets measured at fair value

31 December 2021

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

31 December 2020

	Level 1 RMB'M	Level 2 RMB'M	Level 3 RMB'M	Total RMB'M
Equity investments designated at FVTOCI	19	—	2,640	2,659
Financial assets at FVTPL	114	1,967	84	2,165
Derivative financial instruments	—	125	—	125
	133	2,092	2,724	4,949

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

Liabilities measured at fair value

31 December 2021

	Level 1 RMB'M	Level 2 RMB'M	Level 3 RMB'M	Total RMB'M
Financial liabilities at FVTPL	**—**	**6**	**—**	**6**
Derivative financial instruments	**—**	**80**	**—**	**80**
	—	**86**	**—**	**86**

31 December 2020

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

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

Financial assets	Fair value as at 31/12/2021	Fair value as at 31/12/2020	Fair value hierarchy	Valuation technique	Range	Significant unobservable input(s)	Sensitivity of fair value
Equity Investment designated at FVTOCI-Sinopec Marketing Co. Limited	**RMB 1,290 million**	RMB 1,118 million	Level 3	Market approach	2021: 27.43-29.43 2020:17.77-18.13	Average P/E multiple of peers	1% increase (decrease) in average P/E multiple of the Comparable Companies would result in increase (decrease) in fair value by 2021: RMB45,300,000 (RMB45,300,000) 2020:RMB11,177,000 (RMB11,177,000)
					2021: 31%-33% 2020: 11%-13%	Discount for lack of marketability	1% increase (decrease) in the lack of marketability would result in decrease (increase) in fair value by 2021: RMB18,900,000 (RMB18,900,000) 2020: RMB12,701,000 (RMB12,701,000)
Equity Investment designated at FVTOCI-Haier Cosmo IOT Ecological Technology Co., Ltd.	**N/A**	RMB 1,397 million	Level 3	Market approach	2020: 2.93-2.99	Average P/B multiple of peers	1% increase (decrease) in average P/B multiple of the Comparable Companies would result in increase (decrease) in fair value by 2020: RMB13,313,000 (RMB 13,313,000)
					2020: 36%-38%	Discount for lack of marketability	1% increase (decrease) in the lack of marketability would result in decrease (increase) in fair value by 2020: RMB21,188,000 (RMB 21,188,000)

Fair value Financial assets/ Financial liabilities	Fair value as at 31/12/2021	Fair value as at 31/12/2020	Value hierarchy	Valuation technique
Equity investment designated at FVTOCI	**Assets – RMB2,812 million**	N/A	Level 2	Recent market an equity financing transaction with independent parties
Financial assets at FVTPL – Foreign currency forward contract	**Assets – RMB136 million and Liabilities – RMB6 million**	Assets – RMB105 million and Liabilities – RMB27 million	Level 2	Discounted cash flow
Financial assets at FVTPL – Wealth management products	**Assets – RMB2,169 million**	Assets – RMB1,862 million	Level 2	Discounted cash flow
Derivative financial Instruments – Foreign currency forward contracts	**Assets – RMB73 million and Liabilities – RMB60million**	Assets – RMB99 million and Liabilities RMB189 million	Level 2	Discounted cash flow
Derivative financial Instruments – Forwards commodity contract	**Assets – RMB7 million**	Assets – RMB26 million	Level 2	Discounted cash flow
Derivative financial Instruments – Interest rate swaps	**Liabilities – RMB20 million**	Liabilities – RMB50 million	Level 2	Discounted cash flows
Equity investment designated at FVTOCI – Listed entity	**Assets – RMB21 million**	Assets – RMB19 million	Level 1	Quoted bid prices in an active market.
Financial assets at FVTPL – Investment fund	**Assets – RMB375 million**	Assets – RMB114 million	Level 1	Quoted bid prices in an active market.

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

Reconciliation of Level 3 fair value measurements

	Equity investments designated FVTOCI RMB'M	Financial assets at FVTPL RMB'000	Derivative financial instruments RMB'000	Total RMB'000
At 1 January 2020	1,374	25	—	1,399
Total gains or losses:				
— in profit or loss	—	4	—	4
— in other comprehensive income	(115)	—	—	(115)
Additions	1,403	55	—	1,458
Settlements	(22)	—	—	(22)
At 31 December 2020 and 1 January 2021	**2,640**	**84**	**—**	**2,724**
Total gains or losses:				
— in profit or loss	**—**	**22**	**—**	**22**
— in other comprehensive income	**56**	**—**	**—**	**56**
Transfers out of level 3 (Note)	**(1,397)**	**—**	**—**	**(1,397)**
Transfers into level 3	**—**	**—**	**47**	**47**
Additions	**717**	**—**	**—**	**717**
At 31 December 2021	**2,016**	**106**	**47**	**2,169**

Note: During the year ended 31 December 2021, Haier COSMO IOT Ecosystem Technology Co., Ltd. ("Haier COSMO") entered into a capital injection agreement with independent third parties to increase share capital of the equity investment designated at FVTOCI at a total consideration of approximately RMB1,175 million. The fair value of this equity investment designated at FVTOCI was determined based on the quoted price of new value of consideration per share and was classified as Level 2 of the fair value hierarchy.

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing borrowings, CEB, lease liabilities and cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade and bills payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Group has transactional currency exposures. These exposures mainly arise from sales or purchases and borrowings by the Group's other than the units' functional currencies (i.e., RMB or Hong Kong dollar).

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the United States dollar, Japan dollars and Euro exchange rate, with all other variables held constant, of the Group's before-tax profit (due to changes in the fair value of monetary assets and liabilities). There is no significant impact on other components of the Group's equity.

	2021		2020	
	Increase/ (decrease) in exchange rates	**Increase/ (decrease) in profit before tax**	Increase/ (decrease) in exchange rates	Increase/ (decrease) in profit before tax
	%	**RMB'M**	%	RMB'M
If RMB strengthens against the United States dollar	**5**	**598**	5	693
If RMB weakens against the United States dollar	**(5)**	**(598)**	(5)	(693)
If RMB strengthens against the Japan dollar	**5**	**3**	5	11
If RMB weakens against the Japan dollar	**(5)**	**(3)**	(5)	(11)
If RMB strengthens against the Euro	**5**	**417**	5	293
If RMB weakens against the Euro	**(5)**	**(417)**	(5)	(293)

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Liabilities		Assets	
	31 Dec 2021 RMB'M	31 Dec 2020 RMB'M	**31 Dec 2021 RMB'M**	31 Dec 2020 RMB'M
United states dollars	**22,588**	24,949	**10,022**	10,405
Japanese dollars	**869**	808	**808**	587
Hong Kong dollars	**2,126**	2,190	**395**	702
Euro	**12,824**	11,083	**4,063**	4,921
Other	**5,918**	5,144	**6,624**	6,541

Credit risk

The carrying amounts of cash and cash equivalents, pledged deposits, trade and bills receivables, other deposits with limited use, and financial assets included in deposits and other receivables and other financial assets represent the Group's maximum exposure to credit risk in relation to financial assets. Substantially all of the Group's cash and cash equivalents and pledged deposits are held in major financial institutions, which management believes are of high credit quality. The Group has policies to control the size of the deposits to be placed with various reputable financial institutions according to their market reputation, operating scale and financial background with a view to limiting the amount of credit exposure to any single financial institution.

The Group trades only with recognised and creditworthy third parties and Haier Affiliates. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's financial assets, which comprise cash and cash equivalents, other deposits with limited use, pledged deposits, and financial assets included in deposits and other receivables and other financial assets, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments and they were all classified as low credit risk from the management's assessment as at 31 December 2021 and 2020, which is mainly based on past due information unless other information is available without undue cost or effort.

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Since the Group trades only with recognised and creditworthy third parties and Haier Affiliates, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors.

The credit risk of the Group's trade and bills receivables arises from default of the counterparty, with a maximum exposure equal to the carrying amounts and the Group applies the simplified approach in calculating ECLs of its trade and bills receivables.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and bills receivables and other receivables are respectively disclosed in Notes 25 and 26 to Consolidated Financial Statements.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to pledged bank deposits, fixed- rate bank borrowings and lease liabilities. The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings. The Group cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances and borrowing rate arising from the Group's RMB denominated borrowings. The Group aims at keeping borrowings at variable rates. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. The sensitivity of 1% (2020: 1%) increase or decrease in bank borrowings are used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. The post-tax profit for the year ended 31 December 2021 would decrease/increase by RMB210 million. Bank balances are excluded from sensitivity analysis as the management considers that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Group monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2021, the Group has available unutilised overdraft and short-term bank loan facilities of RMB91,563 million (2020: RMB82,202 million) in total. Details of which are set out in Note 32.

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

The following table details the Group's remaining contractual maturity for its financial liabilities and derivative instruments. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

31 December 2021

	No fixed terms of repayment RMB'M	Within one year RMB'M	Over one year RMB'M	Total undiscounted cash flows RMB'M	Carrying amount RMB'M
Trade and bills payables	–	67,368	–	67,368	67,368
Other payables	25,305	–	–	25,305	25,305
Interest-bearing borrowings	–	18,120	3,125	21,245	21,043
Financial liabilities at FVTPL	–	6	–	6	6
Derivative financial instruments	–	80	–	80	80
CB	–	–	362	362	335
Other non-current liabilities	–	–	112	112	112
Lease liabilities	–	725	2,275	3,000	2,648
	25,305	86,299	5,874	117,478	116,897

31 December 2020

	No fixed terms of repayment RMB'M	Within one year RMB'M	Over one year RMB'M	Total undiscounted cash flows RMB'M	Carrying amount RMB'M
Trade and bills payables	–	57,545	–	57,545	57,545
Other payables	23,308	–	–	23,308	23,308
Interest-bearing borrowings	–	12,803	12,013	24,816	24,501
Financial liabilities at FVTPL	–	27	–	27	27
Derivative financial instruments	–	239	–	239	239
CEB	–	–	6,903	6,903	6,714
Other non-current liabilities	–	–	89	89	89
Lease liabilities	–	691	2,437	3,128	2,744
Bonds	–	5,535	–	5,535	5,535
	23,308	76,840	21,442	121,590	120,702

49. DEFINED BENEFIT OBLIGATIONS

The Group sponsors a funded defined benefit plan for qualifying employees of its subsidiaries in the United States and Japan. The defined benefit plan is administered by a separate fund that is legally separated from the entity. The board of the pension fund is required by law and by its articles of association to act in the interest of the fund and of all relevant stakeholders in the scheme, i.e. active employees, inactive employees, retirees, employers. The board of the pension fund is responsible for the investment policy with regard to the assets of the fund.

The defined benefit plan requires contributions from employees. Contributions are in the following two forms; one is based on the number of years of service and the other one is based on a fixed percentage of salary of the employees. Employees can also make discretionary contributions to the plan in accordance with the relevant law and regulations in those countries.

The plans expose the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

Investment risk	The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit. Currently the plan has a relatively balanced consist of investment in equity securities and debt instruments. Due to the long-term nature of the plan liabilities, the board of the pension fund considers it appropriate that a reasonable portion of the plan assets should be invested in equity securities and in real estate to leverage the return generated by the fund.
Interest rate risk	A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments.
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

49. DEFINED BENEFIT OBLIGATIONS (continued)

	2021 Current RMB'M	2021 Non-current RMB'M	2021 Total RMB'M	2020 Current RMB'M	2020 Non-current RMB'M	2020 Total RMB'M
Defined pension benefit (Note (a))	**33**	**517**	**550**	38	603	641
Termination benefits	**–**	**453**	**453**	–	430	430
Provision for work-related injury compensation	**–**	**203**	**203**	–	213	213
Total	**33**	**1,173**	**1,206**	38	1,246	1,284

Note:

(a) Defined pension benefit

The Group's major defined benefit plans are in Japan and the United States. The plans are either contributory final salary pension plans or contributory career average pay plans or non-contributory guaranteed return defined contribution plans.

Summary of the (net assets)/net liabilities of the defined pension obligations are as follows:

	2021 RMB'M	2020 RMB'M
Haier Asia Co., Ltd. pension plans	**(58)**	(46)
Roper Corporation pension plans	**129**	151
Haier U.S. Appliances Solutions, Inc. post retirement plan	**222**	293
Haier U.S. Appliances Solutions, Inc. pension plans	**40**	64
Total net liabilities of the defined pension obligations at United States and Japan	**333**	462
Others	**217**	179
	550	641

The summary net liabilities of the defined pension obligations at United States and Japan are as follows:

	2021 RMB'M	2020 RMB'M
Presents value of defined benefit obligation	**796**	992
Fair value of plan assets	**(463)**	(530)
	333	462

49. DEFINED BENEFIT OBLIGATIONS (continued)

The major amounts recognised in the consolidated statement of financial position and the movements in the net defined pension benefit over the years ended 31 December 2021 and 2020 are as follows:

(1) Haier Asia Co., Ltd pension plan

	2021	2020
Discount rates	**0.50%**	0.50%
Compensation increases	**2.00%**	2.00%

Movements in the present value of the defined benefit obligations during the years ended 31 December 2021 and 2020 were as follows:

	2021 **RMB'M**	2020 RMB'M
As at 1 January	**324**	334
Current service cost	**9**	9
Interest cost	**1**	1
Actuarial loss	**—**	2
Exchange realignment on foreign plans	**(40)**	(4)
Benefits paid	**(15)**	(18)
As at 31 December	**279**	324

Movements in the fair value of the plan assets during the years ended 31 December 2021 and 2020 were as follows:

	2021 **RMB'M**	2020 RMB'M
As at 1 January	**370**	368
Interest income	**7**	7
Remeasurement (gains)/losses:		
Return on plan assets (excluding amounts included in net interest expense)	**11**	5
Contributions from the employer	**3**	6
Exchange realignment on foreign plans	**(46)**	(5)
Benefits paid	**(8)**	(11)
As at 31 December	**337**	370

49. DEFINED BENEFIT OBLIGATIONS (continued)

(1) Haier Asia Co., Ltd pension plan (continued)

The net defined benefit liabilities/(asset) are as follows:

	2021 RMB'M	2020 RMB'M
As at 1 January	**(46)**	(34)
Components of defined benefit cost recognised in profit or loss	**3**	3
Components of defined benefit cost recognised in other comprehensive income	**(11)**	(3)
Other reconciling items	**(4)**	(12)
As at 31 December	**(58)**	(46)

The Group operated the pension plan in the Japan. The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 31 December 2021 by Tohru Shimada, a Certified Pension Actuary, of SUMITOMO Life Insurance Company. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the benefit approach method. As at 31 December 2021, the actuarial value represented a funding level of 120.8% (2020: 114.2%) of the pension plan.

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate and compensation increase. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate is 0.50% higher or lower, the defined benefit obligation would decrease by 0.12% or increase by 0.12% (2020: decrease by 0.12% or increase by 0.12%).

- If the compensation increase is 1% higher or lower, the defined benefit obligation would have no change in 2021 and 2020.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the benefit approach method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the consolidated statement of financial position.

49. DEFINED BENEFIT OBLIGATIONS (continued)

(2) Roper Corporation pension plan

	As at 31 December	
	2021	2020
Discount rates	**2.91%**	2.47%

Movements in the present value of the defined benefit obligations during the years ended 31 December 2021 and 2020 were as follows:

	2021 RMB'M	2020 RMB'M
As at 1 January	**151**	138
Current service cost	**6**	6
Interest cost	**3**	4
Remeasurement (gains)/losses:		
Actuarial gains and losses	**(12)**	12
Exchange realignment on foreign plans	**(11)**	(1)
Benefits paid	**(8)**	(8)
As at 31 December	**129**	151

The net defined benefit liabilities/(asset) are as follows:

	2021 RMB'M	2020 RMB'M
As at 1 January	**151**	138
Components of defined benefit cost recognised in profit or loss	**9**	10
Components of defined benefit cost recognised in other comprehensive income	**(12)**	12
Other reconciling items	**(19)**	(9)
As at 31 December	**129**	151

49. DEFINED BENEFIT OBLIGATIONS (continued)

(2) Roper Corporation pension plan (continued)

The Group operated the pension plan in the United States and the employee retired after attainment of age 60 with 10 years of service eligible to participate the plan and applicable of benefit for Medicare. The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 31 December 2021 by John F. Stahl, a Fellow of the Society of Actuaries, and Mark A. Adams, a Fellow of the Society of Actuaries and an Enrolled Actuary, of Willis Towers Watson. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit cost method.

Significant actuarial assumption for the determination of the defined benefit obligation is discount rate. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate is 1% higher or lower, the defined benefit obligation would decrease by 9.8% or increase by 11.9% (2020: decrease by 9.9% or increase by 12.1%).

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit cost method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the consolidated statement of financial position.

(3) Haier U.S. Appliance Solutions, Inc. post retirement plan

	2021	2020
Discount rates	**2.62%**	2.09%

Movements in the present value of the defined benefit obligations during the years ended 31 December 2021 and 2020 were as follows:

	2021 **RMB'M**	2020 RMB'M
As at 1 January	**293**	310
Interest cost	**5**	8
Remeasurement (gains)/losses:		
Actuarial gains and losses	**(30)**	3
Exchange realignment on foreign plans	**(21)**	(4)
Benefits paid	**(25)**	(24)
As at 31 December	**222**	293

49. DEFINED BENEFIT OBLIGATIONS (continued)

(3) Haier U.S. Appliance Solutions, Inc. post retirement plan (continued)

The net defined benefit liabilities/(asset) are as follows:

	2021 RMB'M	2020 RMB'M
As at 1 January	**293**	310
Components of defined benefit cost recognised in profit or loss	**5**	8
Components of defined benefit cost recognised in other comprehensive income	**(30)**	3
Other reconciling items	**(46)**	(28)
As at 31 December	**222**	293

The Group operated the pension plan in the United States and the employee retired after attainment of age 60 with 10 years of service eligible to participate the plan. The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 31 December 2021 by Jason Wilhite, a Fellow of the Society of Actuaries and an Enrolled Actuary, Justin Dietz, a Fellow of the Society of Actuaries and a Member of the American Academy of Actuaries and John D. Morrison, Jr., a Fellow of the Society of Actuaries and an Enrolled Actuary, of Willis Towers Watson. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Cost Method.

Significant actuarial assumption for the determination of the defined benefit obligation is discount rate. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate is 1% higher or lower, the defined benefit obligation would decrease by 6.6% or increase by 7.8% (2020: decrease by 6.9% or increase by 8.2%).

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit cost method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the consolidated statement of financial position.

49. DEFINED BENEFIT OBLIGATIONS (continued)

(4) Haier U.S. Appliance Solutions, Inc. pension plan

	2021	2020
Discount rates	**2.61%**	2.08%

Movements in the present value of the defined benefit obligations during the years ended 31 December 2021 and 2020 were as follows:

	2021 RMB'M	2020 RMB'M
As at 1 January	**224**	257
Interest cost	**4**	6
Remeasurement (gains)/losses:		
Actuarial gains and losses	**(7)**	10
Exchange realignment on foreign plans	**(17)**	(4)
Benefits paid	**(38)**	(45)
As at 31 December	**166**	224

Movements in the fair value of the plan assets during the years ended 31 December 2021 and 2020 were as follows:

	2021 RMB'M	2020 RMB'M
As at 1 January	**160**	184
Remeasurement (gains)/losses:		
Return on plan assets (excluding amounts included in net interest expense)	**1**	10
Contributions from the employer	**14**	14
Exchange realignment on foreign plans	**(11)**	(3)
Benefits paid	**(38)**	(45)
As at 31 December	**126**	160

49. DEFINED BENEFIT OBLIGATIONS (continued)

(4) Haier U.S. Appliance Solutions, Inc. pension plan (continued)

The net defined benefit liabilities/(asset) are as follows.

	2021 RMB'M	2020 RMB'M
As at 1 January	**64**	73
Components of defined benefit cost recognised in profit or loss	**4**	6
Components of defined benefit cost recognised in other comprehensive income	**(8)**	—
Other reconciling items	**(20)**	(15)
As at 31 December	**40**	64

The Group operated the pension plan in the United States and the plan allowed employees' retirement prior to age 60 who eligible to participate the plan. The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 31 December 2021 by Jason Wilhite, a Fellow of the Society of Actuaries and an Enrolled Actuary, and John D. Morrison, Jr., a Fellow of the Society of Actuaries and an Enrolled Actuary, of Willis Towers Watson. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using projected unit credit cost method. As at 31 December 2021, the actuarial value represented a funding level of 75.7% (2020: 71.5%) of the pension plan.

Significant actuarial assumption for the determination of the defined benefit obligation is discount rate. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate is 1% higher or lower, the defined benefit obligation would decrease by 5.6% or increase by 6.6% (2020: decrease by 5.6% or increase by 6.6%).

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit cost method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the consolidated statement of financial position.

50. CONTINGENT LIABILITIES

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

51. COMMITMENTS

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

	2021 RMB'M	2020 RMB'M
Contracted, but not provided for： Property, plant and equipment	**3,159**	3,009

52. PLEDGE OF OR RESTRICTIONS ON ASSETS

Pledge of assets

The Group's borrowings and bill payables had been secured by the pledge of the Group's assets and the carrying amounts of the respective assets are as follows:

	2021 RMB'M	2020 RMB'M
Trade and bills receivables	**14,441**	14,396
Pledge bank deposits	**755**	822

53. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the year ended are as follows:

	2021 RMB'M	2020 RMB'M
NON-CURRENT ASSETS		
Property, plant and equipment	**197**	205
Right-of-use assets	**5**	7
Other intangible assets	**52**	58
Interests in associates	**3,143**	3,066
Investments in subsidiaries	**49,371**	49,224
Equity investments designated at FVTOCI	**1,615**	804
Deferred tax assets	**159**	154
Other non-current assets	**807**	31
Total non-current assets	**55,349**	53,549
CURRENT ASSETS		
Inventories	**1**	74
Trade and bills receivables	**547**	5,492
Prepayments, deposits and other receivables	**16,541**	4,222
Financial assets measured at amortised cost	**317**	439
Cash and cash equivalents	**4,044**	8,287
Total current assets	**21,450**	18,514
CURRENT LIABILITIES		
Trade and bills payables	**184**	248
Other payables and accruals	**34,511**	29,754
Contract liabilities	**13**	9
Interest-bearing borrowings	**–**	20
Bonds	**–**	5,535
Lease liabilities	**1**	1
Tax payable	**–**	41
Total current liabilities	**34,709**	35,608
NET CURRENT LIABILITIES	**(13,259)**	(17,094)
TOTAL ASSETS LESS CURRENT LIABILITIES	**42,090**	36,455

53. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

	2021 RMB'M	2020 RMB'M
NON-CURRENT LIABILITIES		
Lease liabilities	–	1
Deferred income	12	17
Deferred tax liabilities	449	220
Total non-current liabilities	461	238
Net assets	41,629	36,217
EQUITY		
Share capital (Note 36)	9,399	9,028
Reserves (Note)	32,230	27,189
Total equity	41,629	36,217

Note: A summary of the Company's reserves is as follows:

	Contributed surplus RMB'M	Capital redemption reserve RMB'M	Reserve funds RMB'M	Retained profits RMB'M	Other comprehensive income RMB'M	Treasury share RMB'M	Total reserve RMB'M
As at 1 January 2020	6,738	298	2,050	3,308	11	–	12,405
Privatisation of a subsidiary by issue of new shares, net of transaction cost*	13,372	–	–	–	–	–	13,372
Transfer to reserve fund	–	–	390	(390)	–	–	–
Total comprehensive income for the year	–	–	–	3,900	(21)	–	3,879
Dividend payable	–	–	–	(2,467)	–	–	(2,467)
As at 31 December 2020 and 1 January 2021	20,110	298	2,440	4,351	(10)	–	27,189
Issue of shares upon conversion of CB	5,965	245	–	–	–	–	6,210
Transfer to reserve fund	–	–	393	(393)	–	–	–
Total comprehensive income for the year	–	–	–	3,933	631	–	4,564
Purchase of treasury share	–	–	–	–	–	(2,321)	(2,321)
Business combination under common control	(18)	–	–	–	–	–	(18)
Cancellation of treasury share	(794)	–	–	–	–	826	32
Dividend payable	–	–	–	(3,421)	–	–	(3,421)
Other changes	–	(5)	–	–	–	–	(5)
As at 31 December 2021	25,263	538	2,833	4,470	621	(1,495)	32,230

The Company's contributed surplus represents the excess of the fair value of the shares of the subsidiaries acquired, over the nominal value of the Company's shares issued in exchange therefor.

54. EVENTS AFTER THE REPORTING PERIOD

(a) Subsequent to the end of the reporting period, the directors of the Company proposed to declare a cash dividend of RMB4.60 per 10 shares for the year ended 31 December 2021, amounting to a total of approximately RMB4,320 million, subject to the approval of the shareholders at the annual general meeting.

(b) On 11 January 2022, the Company entered into a placing agreement with the placing agent for the issue of 41,413,600 H Shares. On 21 January, 2022, the Company completed the placing agreement and received net proceeds of approximately HK$1,149.98 million from the shareholders.

(c) The Company has subsidiaries in Russia engaged in the production and sales of home appliances. As of the date of this report, the Russia-Ukraine conflict has not yet had a material impact on the Company's production and sales in Russia. The financial impact of the incident on the Company is uncertain, but the Company will continue to assess the impact of the incident in the future as it unfolds.

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

Five Year Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group as extracted from the published audited financial statements is set out below.

	Year ended 31 December				
	2021	2020	2019	2018	2017
	RMB'M	RMB'M	RMB'M	RMB'M	RMB'M
		(Restated)		(Restated)	(Restated)
RESULTS					
REVENUE	**227,531**	209,701	198,006	177,594	154,165
Cost of sales	**(158,059)**	(148,867)	(139,393)	(125,415)	(104,001)
Gross profit	**69,472**	60,834	58,613	52,179	50,164
Other gains or losses	**2,056**	3,994	3,324	2,389	2,228
Selling and distribution expenses	**(36,554)**	(33,641)	(33,843)	(29,076)	(29,979)
Administrative expenses	**(20,230)**	(17,924)	(17,165)	(14,029)	(11,994)
Finance costs	**(714)**	(1,321)	(1,732)	(1,464)	(1,396)
Share of profits and losses of associates	**1,886**	1,620	1,409	1,325	1,189
PROFIT BEFORE TAX	**15,916**	13,562	10,606	11,326	10,212
Income tax expenses	**(2,699)**	(2,333)	(1,584)	(1,793)	(1,421)
PROFIT FOR THE YEAR	**13,217**	11,329	9,022	9,533	8,791
DISCONTINUED OPERATION					
Profit for the year from discontinued operation	**–**	–	3,313	367	353
PROFIT FOR THE YEAR	**13,217**	11,329	12,335	9,900	9,144
Attributable to:					
Owners of the Company	**13,067**	8,883	8,206	7,484	6,944
Non-controlling interests	**150**	2,446	4,129	2,416	2,200
	13,217	11,329	12,335	9,900	9,144

	As at 31 December				
	2021	2020	2019	2018	2017
	RMB'M	RMB'M	RMB'M	RMB'M	RMB'M
		(Restated)		(Restated)	(Restated)
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
TOTAL ASSETS	**217,460**	203,498	187,454	168,092	158,301
TOTAL LIABILITIES	**(136,376)**	(135,365)	(122,464)	(112,284)	(109,906)
NON-CONTROLLING INTERESTS	**(1,272)**	(1,295)	(17,103)	(16,066)	(14,795)
	79,812	66,838	47,887	39,742	33,600

Haier