

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

2023 INTERIM REPORT





CONTENTS

CORPORATE INFORMATION	2
REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	4
INTERIM CONDENSED CONSOLIDATED:	
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	5
STATEMENT OF FINANCIAL POSITION	7
STATEMENTS OF CHANGES IN EQUITY	9
STATEMENTS OF CASH FLOWS	11
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	14
MANAGEMENT DISCUSSION AND ANALYSIS	40
CORPORATE GOVERNANCE PRACTICES	71
DISCLOSURE OF INTERESTS	73
SHARE SCHEMES	79



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 14 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 15 and 14 consecutive years respectively. Currently, our business covered more than 160 countries and regions around the world including China, North America, Europe, South Asia and Southeast Asia, Australia and New Zealand, Japan, Middle East and Africa.

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



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. LI Huagang (*Chairman and Chief Executive Officer*)
Mr. GONG Wei

Non-executive Directors

Ms. SHAO Xinzhi
Mr. YU Hon To, David
Ms. Eva LI Kam Fun

Independent Non-executive Directors

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

SUPERVISORS

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

BOARD SECRETARY

Ms. LIU Xiaomei

PRINCIPAL BOARD COMMITTEES

Audit Committee

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

Remuneration and Assessment Committee

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

Nomination Committee

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

Strategy Committee

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

Environmental, Social and Governance Committee

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

COMPANY SECRETARY

Mr. NG Chi Yin

LEGAL ADVISORS

As to PRC Law

Zhong Lun Law Firm

As to Hong Kong Law

Clifford Chance

PRINCIPAL BANKER

China Construction Bank Corporation

AUDITORS

Hexin Certified Public Accountants LLP
HLB Hodgson Impey Cheng Limited

FINANCIAL CALENDAR

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

REGISTERED OFFICE AND HEADQUARTERS

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

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-SHARE REGISTRAR

Tricor Investor Services Limited

17/F, Far East Finance Centre

16 Harcourt Road

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>

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



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

TO THE BOARD OF DIRECTORS OF
HAIER SMART HOME CO., LTD.

(incorporated in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Haier Smart Home Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 5 to 39, which comprise the condensed consolidated statement of financial position as of 30 June 2023 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Tien Sun Kit, Jack
Practising Certificate Number: P07364

Hong Kong, 30 August 2023

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

For the six months ended 30 June 2023

	Notes	For the six months ended 30 June	
		2023 RMB'M (Unaudited)	2022 RMB'M (Unaudited) (Restated)
REVENUE	5	131,614	121,629
Cost of sales		(92,398)	(85,401)
Gross profit		39,216	36,228
Other gains, net	6	1,690	1,374
Selling and distribution expenses		(18,769)	(17,607)
Administrative expenses		(11,218)	(10,568)
Finance costs	8	(884)	(355)
Share of profits and losses of associates		1,079	937
PROFIT BEFORE TAX	7	11,114	10,009
Income tax expenses	9	(2,069)	(2,000)
PROFIT FOR THE PERIOD		9,045	8,009
OTHER COMPREHENSIVE INCOME/(LOSS)			
Items that may be reclassified to profit or loss in subsequently periods:			
Share of other comprehensive (loss)/income of associates		(16)	108
Effective portion of changes in fair value of hedging instrument for cashflow hedges, net of tax		(196)	31
Exchange differences on translating foreign operations		312	2,771
		100	2,910
Items that will not be reclassified to profit or loss in subsequent periods:			
Changes arising from re-measurement of defined benefit plans		32	5
Change in fair value of equity investments designated at fair value through other comprehensive income ("FVTOCI"), net of tax		4	(50)
		36	(45)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		136	2,865
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		9,181	10,874

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

For the six months ended 30 June 2023

	Notes	For the six months ended 30 June	
		2023 RMB'M (Unaudited)	2022 RMB'M (Unaudited) (Restated)
Profit for the period attributable to:			
— Owners of the Company		8,964	7,960
— Non-controlling interests		81	49
		9,045	8,009
Total comprehensive income attributable to:			
— Owners of the Company		9,118	10,827
— Non-controlling interests		63	47
		9,181	10,874
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
— Basic (RMB per share)	11	0.97	0.85
— Diluted (RMB per share)	11	0.96	0.85

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Notes	30 June 2023 RMB'M (Unaudited)	31 December 2022 RMB'M (Audited) (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	13	32,583	31,857
Investment properties		26	26
Right-of-use assets		5,940	5,166
Goodwill		24,640	23,644
Other intangible assets		9,219	9,135
Interests in associates		25,184	24,528
Equity investments designated at FVTOCI		5,912	5,852
Financial assets measured at amortised cost		2,557	1,339
Long-term prepayments		2,119	1,672
Deferred tax assets		1,209	1,724
Other non-current assets		624	519
Total non-current assets		110,013	105,462
CURRENT ASSETS			
Inventories	14	39,026	41,588
Trade and bills receivables	15	32,238	25,511
Contract assets		392	310
Prepayments, deposits and other receivables		6,709	6,561
Financial assets measured at fair value through profit or loss ("FVTPL")		735	520
Financial assets measured at amortised cost		1,447	1,642
Derivative financial instruments		100	183
Pledged deposits		519	665
Other deposits with limited use		60	105
Cash and cash equivalents		55,063	53,392
Total current assets		136,289	130,477
CURRENT LIABILITIES			
Trade and bills payables	16	70,348	66,978
Other payables and accruals		29,365	24,715
Contract liabilities		6,251	9,353
Interest-bearing borrowings	17	9,306	12,514
Lease liabilities		979	903
Tax payables		1,569	1,706
Provisions		2,521	2,537
Derivative financial instruments		353	105
Total current liabilities		120,692	118,811

Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2023

	Notes	30 June 2023 RMB'M (Unaudited)	31 December 2022 RMB'M (Audited) (Restated)
NET CURRENT ASSETS		15,597	11,666
TOTAL ASSETS LESS CURRENT LIABILITIES		125,610	117,128
NON-CURRENT LIABILITIES			
Interest-bearing borrowings	17	18,403	13,627
Lease liabilities		3,339	2,824
Deferred income		864	835
Deferred tax liabilities		2,095	2,359
Provisions for pensions and similar obligations		1,074	1,011
Provisions		1,761	1,611
Derivative financial instruments		—	17
Other non-current liabilities		80	98
Total non-current liabilities		27,616	22,382
Net assets		97,994	94,746
EQUITY			
Share capital	18	9,438	9,447
Reserves		87,243	84,008
Equity attributable to owners of the Company		96,681	93,455
Non-controlling interests		1,313	1,291
Total equity		97,994	94,746

The condensed consolidated financial statements were approved and authorised for issue by the board of directors on 30 August 2023 and signed on its behalf by:

Mr. Li Huagang
Chairman

Mr. Gong Wei
Executive Director

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Attributable to owners of the Company											Total equity RMB' M			
	Reserves														
	Issued equity RMB' M	Capital reserve RMB' M	Share-based payments reserve RMB' M	Remeasurement of defined benefits plans reserve RMB' M	Cash flow hedges reserve RMB' M	FVOCI reserve RMB' M	Equity method investments reserve RMB' M	Reserve funds RMB' M	Convertible bond reserve RMB' M	Retained profits RMB' M	Exchange differences on translation reserve RMB' M		Other reserves RMB' M	Treasury shares reserve RMB' M	Total reserves RMB' M
At 1 January 2022 (Audited)	9,399	21,631	262	73	3	1,006	(341)	3,437	119	47,968	(1,921)	773	(2,424)	1,290	81,275
Effect of business combination under common control (Note 3)	—	25	—	—	—	—	—	—	—	21	—	—	—	—	46
At 1 January 2022 (Restated)	9,399	21,656	262	73	3	1,006	(341)	3,437	119	47,989	(1,921)	773	(2,424)	1,290	81,321
Profit for the year (Restated)	—	—	—	—	—	—	—	—	—	7,960	—	—	—	49	8,009
Other comprehensive income/(loss) for the year	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
— Changes arising from re-measurement of defined benefit plans	—	—	—	5	—	—	—	—	—	—	—	—	—	—	5
— Share of other comprehensive income of associates	—	—	—	—	—	—	108	—	—	—	—	—	—	—	108
— Effective portion of changes in fair value of hedging instrument for cashflow hedges, net of tax	—	—	—	—	27	—	—	—	—	—	—	—	—	4	31
— Exchange differences on translating foreign operations	—	—	—	—	—	—	—	—	—	—	2,777	—	—	(6)	2,771
— Change in fair value of equity investments designated at FVOCI, net of tax	—	—	—	—	—	(50)	—	—	—	—	—	—	—	—	(50)
Total comprehensive income/(loss) for the period	—	—	—	5	27	(50)	108	—	—	7,960	2,777	—	—	47	10,874
Issue of shares	41	899	—	—	—	—	—	—	—	—	—	—	—	—	940
Purchase of treasury shares	—	—	—	—	—	—	—	—	—	—	—	(1,539)	—	—	(1,539)
Recognition of equity settled share-based payment	—	—	333	—	—	—	—	—	—	—	—	—	—	—	333
Dividend payable to owners of the Company	—	—	—	—	—	—	—	—	—	(4,320)	—	—	—	—	(4,320)
Dividend payable to non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(1)
Business combination under common control	—	(153)	—	—	—	—	—	—	—	—	—	—	—	—	(153)
Issue of shares upon conversion of convertible bond	7	134	—	—	—	—	—	—	(38)	—	—	—	—	—	103
Other changes	—	26	—	—	—	—	—	—	—	181	—	3	—	(11)	199
At 30 June 2022 (Unaudited)	9,447	22,562	595	78	30	956	(233)	3,437	81	51,810	856	776	(3,963)	1,325	87,757

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the six months ended 30 June 2023

	Notes	For the six months ended 30 June	
		2023 RMB'M (Unaudited)	2022 RMB'M (Unaudited) (Restated)
Cash flows from operating activities			
Profit before tax		11,114	10,009
Adjustments for:			
Finance costs	8	884	355
Interest income	6	(645)	(404)
Share of profits and losses of associates		(1,079)	(937)
Gain on disposal of financial assets/liabilities measured at FVTPL, net	6	—	(178)
Loss/(gain) on disposal of non-current assets, net	6	25	(23)
Fair value (gain)/loss on financial assets/liabilities measured at FVTPL, net	6	(31)	119
Depreciation of property, plant and equipment	7	2,166	1,954
Depreciation of right-of-use assets and investment properties	7	598	433
Amortisation of other intangible assets and other non-current assets	7	614	455
Provision for obsolete and slow-moving inventories, net	7	500	372
Allowance for expected credit losses in respect of trade and bills receivables, net	7	175	254
Allowance for expected credit losses in respect of prepayments, deposits and other receivables and long term prepayments, net	7	261	339
Impairment of non-current assets and contract assets	7	11	1
Equity-settled share-based expenses		391	333
Operating cash inflow before movements in working capital		14,984	13,082
Decrease/(increase) in inventories		2,061	(1,486)
(Increase)/decrease in trade and bills receivables, prepayments, deposits and other receivables and contract assets		(7,215)	1,597
Decrease in trade and bills payables, other payables and accruals and contract liabilities		(1,423)	(5,450)
Change in other working capital		(8)	(847)
Cash generated from operations		8,399	6,896
Interest received		411	259
Income tax paid		(2,019)	(1,190)
Net cash generated from operating activities		6,791	5,965

Interim Condensed Consolidated Statements of Cash Flows

For the six months ended 30 June 2023

	Notes	For the six months ended 30 June	
		2023 RMB'M (Unaudited)	2022 RMB'M (Unaudited) (Restated)
Cash flows from investing activities			
Payment for purchases of non-current assets		(3,728)	(3,343)
Proceeds from disposal of non-current assets		74	75
Dividends received from associates		401	381
Proceeds from disposal of financial assets measured at amortised cost and financial assets measured at FVTPL		5,124	4,732
Purchase of financial assets measured at amortised cost and financial assets measured at FVTPL		(6,297)	(5,792)
Interest received from financial assets measured at amortised cost and financial assets measured at FVTPL		66	41
Other investing cash flow		27	(258)
Net cash used in investing activities		(4,333)	(4,164)
Cash flows from financing activities			
Proceeds from issue of shares		—	940
Repurchase of shares		(897)	(1,539)
Proceeds from borrowings		11,553	8,048
Repayment of borrowings		(10,429)	(4,696)
Lease payments		(551)	(333)
Interest paid		(809)	(319)
Other financing cash flow		(136)	24
Net cash (used in)/generated from financing activities		(1,269)	2,125
Net increase in cash and cash equivalents		1,189	3,926
Cash and cash equivalents at beginning of the period		53,392	45,204
Effect of foreign exchange rate changes, net		482	230
Cash and cash equivalents at end of the period		55,063	49,360

Interim Condensed Consolidated Statements of Cash Flows

For the six months ended 30 June 2023

Notes	For the six months ended 30 June	
	2023 RMB'M (Unaudited)	2022 RMB'M (Unaudited) (Restated)
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Non-pledged cash and bank balances	23,023	32,338
Time deposits	32,040	17,022
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	55,063	49,360

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

1. GENERAL INFORMATION OF THE GROUP

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

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

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

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

This report has been approved for issue by the Board on 30 August 2023.

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

2.1 BASIS OF PREPARATION

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

2.2 PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of amendments to International Financial Reporting Standards (“**IFRSs**”) and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2022.

2.2 PRINCIPAL ACCOUNTING POLICIES (continued)

Application of amendments to IFRSs

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

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	<i>Insurance Contracts</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates</i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to IAS 12	<i>International Tax Reform-Pillar Two model Rules</i>

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

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

On 1 January 2023, Qingdao Haier Intelligent Household Appliances Co., Ltd. ("**Intelligent Household**"), a subsidiary of the Company, entered into the equity transfer agreement of Shanghai Haier Intelligent Technology Co., Ltd. ("**Intelligent Technology**") with Fuzhou Qinghai Enterprise Management Co., Ltd. ("**Qinghai Enterprise**"), a subsidiary of Haier Group, pursuant to which Intelligent Household agreed to acquire and Qinghai Enterprise agreed to sell 100% of the equity interest in Intelligent Technology at a consideration approximately of RMB70 million. As at the end of the reporting period, the transaction has been completed.

Since the Company and Intelligent Technology were ultimately controlled by Haier Group both before and after the completion of the transfer agreements, the acquisition of the Intelligent Technology was accounted for using the principles of merger accounting. The condensed consolidated statements of profit or loss and other comprehensive income, the condensed consolidated statements of changes in equity and the condensed consolidated statements of cash flows of the Group for the period ended 30 June 2023 and 2022 include the results, changes in equity and cash flows of all companies then comprising the Group and the Intelligent Technology, as if the corporate structure of the Group immediately after the completion of the equity transfer had been in existence throughout the period ended 30 June 2023 and 2022, or since their respective dates of acquisition, incorporation or registration, where this is a shorter period.

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

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

4. OPERATING SEGMENT INFORMATION

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

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

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

(a) Smart Home Business in China

(i) Household Food Solutions

- the domestic refrigerator business segment manufactures and sells refrigerator within Mainland China (“**Refrigerators/ Freezers**”);
- the domestic kitchen appliance business segment manufactures and sells kitchen appliances within Mainland China (“**Kitchen Appliances**”);

(ii) Household Air Solutions

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

(iii) Household Clothing Solutions

- the domestic washing machine segment manufactures and sells washing machines within Mainland China (“**Laundry Appliances**”);

(iv) Household Water Solutions

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

4. OPERATING SEGMENT INFORMATION (continued)

(b) Smart Home Business in Overseas

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

(c) Other Business

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

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

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

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

4. OPERATING SEGMENT INFORMATION (continued)

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

For the six months ended 30 June 2023

	Smart Home Business in China							Total RMB'M (Unaudited)
	Household Food Solutions	Household Air Solutions	Household Clothing Solutions	Household Water Solutions	Smart Home Business Overseas	Other Business		
	Refrigerators/ Freezers RMB'M (Unaudited)	Kitchen Appliances RMB'M (Unaudited)	Air- conditioners RMB'M (Unaudited)	Laundry Appliances RMB'M (Unaudited)	Water Appliances RMB'M (Unaudited)	RMB'M (Unaudited)	RMB'M (Unaudited)	
Segment revenue								
Segment revenue from external customers	20,506	1,739	19,538	12,481	7,304	66,733	3,313	131,614
Inter-segment revenue	1,732	399	3,608	2,864	174	184	37,660	46,621
Total	22,238	2,138	23,146	15,345	7,478	66,917	40,973	178,235
<i>Reconciliation:</i>								
Inter-segment eliminations								(46,621)
Total								131,614
Segment results	2,770	74	1,095	1,498	1,019	3,501	(516)	9,441
<i>Reconciliation:</i>								
Elimination of inter-segment results								75
Corporate and other unallocated income and gains or losses								9,516
Corporate and other unallocated expenses								1,499
Finance costs								(96)
Share of profits and losses of associates								(884)
								1,079
Profit before tax								11,114

4. OPERATING SEGMENT INFORMATION (continued)

For the six months ended 30 June 2022 (Restated)

	Smart Home Business in China							Total RMB'M (Unaudited)
	Household Food Solutions	Household Air Solutions	Household Clothing Solutions	Household Water Solutions	Smart Home Business Overseas	Other Business		
	Refrigerators/ Freezers RMB'M (Unaudited)	Kitchen Appliances RMB'M (Unaudited)	Air- conditioners RMB'M (Unaudited)	Laundry Appliances RMB'M (Unaudited)	Water Appliances RMB'M (Unaudited)	Smart Home Business Overseas RMB'M (Unaudited)	Other Business RMB'M (Unaudited)	
Segment revenue								
Segment revenue from external customers	19,258	1,656	15,919	12,472	6,677	61,196	4,451	121,629
Inter-segment revenue	2,481	333	3,540	2,310	109	285	38,948	48,006
Total	21,739	1,989	19,459	14,782	6,786	61,481	43,399	169,635
<i>Reconciliation:</i>								
Inter-segment eliminations								(48,006)
Total								121,629
Segment results	2,296	46	454	1,294	848	3,634	(457)	8,115
<i>Reconciliation:</i>								
Elimination of inter-segment results								139
								8,254
Corporate and other unallocated income and gains or losses								1,262
Corporate and other unallocated expenses								(89)
Finance costs								(355)
Share of profits and losses of associates								937
Profit before tax								10,009

4. OPERATING SEGMENT INFORMATION (continued)**As at 30 June 2023**

	Smart Home Business in China							Total RMB'M (Unaudited)
	Household Food Solutions	Household Air Solutions	Household Clothing Solutions	Household Water Solutions	Smart Home			
					Business Overseas	Other Business		
Refrigerators/ Freezers RMB'M (Unaudited)	Kitchen Appliances RMB'M (Unaudited)	Air- conditioners RMB'M (Unaudited)	Laundry Appliances RMB'M (Unaudited)	Water Appliances RMB'M (Unaudited)	Business Overseas RMB'M (Unaudited)	Other Business RMB'M (Unaudited)		
Segment assets	23,240	3,000	14,760	12,536	6,684	72,929	60,478	193,627
<i>Reconciliation:</i>								
Elimination of segment assets								(67,393)
Goodwill								24,640
Interests in associates								25,184
Equity investments designated at FVTOCI								5,912
Deferred tax assets								1,209
Financial assets measured at FVTPL								735
Financial assets measured at amortised cost								4,004
Derivative financial instruments								100
Pledged deposits								519
Other deposits with limited use								60
Cash and cash equivalents								55,063
Prepayments, deposits and other receivables								2,642
Total assets								246,302
Segment liabilities	44,872	2,314	13,561	6,801	6,343	41,849	61,274	177,014
<i>Reconciliation:</i>								
Elimination of segment liabilities								(67,248)
Tax payables								1,569
Other payables and accruals								6,736
Derivative financial instruments								353
Interest-bearing borrowings								27,709
Deferred tax liabilities								2,095
Other non-current liabilities								80
Total liabilities								148,308

4. OPERATING SEGMENT INFORMATION (continued)

As at 31 December 2022 (Restated)

	Smart Home Business in China							Total RMB'M (Unaudited)	
	Household Food Solutions		Household Air Solutions	Household Clothing Solutions	Household Water Solutions		Smart Home Business Overseas RMB'M (Unaudited)		Other Business RMB'M (Unaudited)
	Refrigerators/ Freezers RMB'M (Unaudited)	Kitchen Appliances RMB'M (Unaudited)	Air- conditioners RMB'M (Unaudited)	Laundry Appliances RMB'M (Unaudited)	Water Appliances RMB'M (Unaudited)				
Segment assets	14,577	2,327	15,102	14,157	6,504	64,106	46,348	163,121	
<i>Reconciliation:</i>									
Elimination of segment assets								(43,827)	
Goodwill								23,644	
Interests in associates								24,528	
Equity investments designated at FVTOCI								5,852	
Deferred tax assets								1,724	
Financial assets measured at FVTPL								520	
Financial assets measured at amortised cost								2,981	
Derivative financial instruments								183	
Pledged deposits								665	
Other deposits with limited use								105	
Cash and cash equivalents								53,392	
Prepayments, deposits and other receivables								3,051	
Total assets								235,939	
Segment liabilities	34,826	1,674	11,710	8,711	5,287	34,786	56,194	153,188	
<i>Reconciliation:</i>									
Elimination of segment liabilities								(43,594)	
Tax payables								1,706	
Other payables and accruals								1,173	
Derivative financial instruments								122	
Interest-bearing borrowings								26,141	
Deferred tax liabilities								2,359	
Other non-current liabilities								98	
Total liabilities								141,193	

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

4. OPERATING SEGMENT INFORMATION (continued)

For the six months ended 30 June 2023

	Smart Home Business in China							Total RMB'M (Unaudited)
	Household Food Solutions	Household Air Solutions	Household Clothing Solutions	Household Water Solutions	Smart Home Business Overseas	Other Business		
	RMB'M (Unaudited)	RMB'M (Unaudited)	RMB'M (Unaudited)	RMB'M (Unaudited)	RMB'M (Unaudited)	RMB'M (Unaudited)	RMB'M (Unaudited)	RMB'M (Unaudited)
Other segment information:								
Product warranty provisions	861	72	738	596	388	866	—	3,521
Provision for obsolete and slow-moving inventories, net	93	6	53	69	10	262	7	500
Allowance for expected credit losses in respect of trade and bills receivable, net	14	4	42	15	4	46	50	175
Allowance for/(reversal of) expected credit losses in respect of prepayments, deposits and other receivables and long term prepayments, net	154	10	15	42	43	(2)	(1)	261
Loss/(gain) on disposal of non-current assets, net	—	—	1	(13)	—	36	1	25
Depreciation and amortisation	363	85	234	317	152	2,005	222	3,378

For the six months ended 30 June 2022 (Restated)

	Smart Home Business in China							Total RMB'M (Unaudited)
	Household Food Solutions	Household Air Solutions	Household Clothing Solutions	Household Water Solutions	Smart Home Business Overseas	Other Business		
	RMB'M (Unaudited)	RMB'M (Unaudited)	RMB'M (Unaudited)	RMB'M (Unaudited)	RMB'M (Unaudited)	RMB'M (Unaudited)	RMB'M (Unaudited)	RMB'M (Unaudited)
Other segment information:								
Product warranty provisions	738	64	527	495	289	676	—	2,789
Provision for obsolete and slow-moving inventories, net	78	9	36	59	22	165	3	372
(Reversal of)/allowance for expected credit losses in respect of trade and bills receivable, net	(2)	11	151	(5)	1	43	55	254
Allowance for expected credit losses in respect of prepayments, deposits and other receivables and long term prepayments, net	200	7	19	46	60	2	5	339
(Gain)/loss on disposal of non-current assets, net	(32)	—	5	—	—	3	1	(23)
Depreciation and amortisation	350	77	208	243	107	1,717	140	2,842

4. OPERATING SEGMENT INFORMATION (continued)**Geographical information****(a) Revenue from external customers**

	For the six months ended 30 June	
	2023 RMB'M (Unaudited)	2022 RMB'M (Unaudited) (Restated)
Mainland China	63,311	59,129
North America	39,133	37,434
Europe	13,278	10,245
South Asia	5,955	4,823
Australia and New Zealand	2,950	3,490
Southeast Asia	3,107	2,922
Japan	1,947	1,837
Middle East and Africa	1,163	1,163
Other countries/regions	770	586
	131,614	121,629

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

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

(b) Non-current assets

	30 June 2023 RMB'M (Unaudited)	31 December 2022 RMB'M (Unaudited) (Restated)
	Mainland China	22,565
Other countries/regions	30,503	29,019
	53,068	49,714
Interests in associates	25,184	24,528
Goodwill	24,640	23,644
Equity investments designated at FVTOCI	5,912	5,852
Deferred tax assets	1,209	1,724
	110,013	105,462

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

4. OPERATING SEGMENT INFORMATION (continued)

Information about major customers

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

5. REVENUE

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

	For the six months ended 30 June	
	2023 RMB'M (Unaudited)	2022 RMB'M (Unaudited) (Restated)
Sale of goods	131,518	121,477
Rendering of services	96	152
	131,614	121,629

	For the six months ended 30 June	
	2023 RMB'M (Unaudited)	2022 RMB'M (Unaudited) (Restated)
Sale of goods	131,518	121,477
— Point in time		
Rendering of services	96	152
— Point in time		
— Over time		
	131,614	121,629

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

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

Sale of goods

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

Rendering of services

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

6. OTHER GAINS, NET

An analysis of other gains, net is as follows:

	For the six months ended 30 June	
	2023 RMB'M (Unaudited)	2022 RMB'M (Unaudited) (Restated)
Treasury and investment income:		
Interest income from		
Bank	597	348
Wealth management products	30	42
Others	18	14
Purchase payment discounts	59	79
	704	483
Compensation received from suppliers	18	26
(Loss)/gain on disposal of		
Non-current assets, net	(25)	23
Financial assets/liabilities measured at FVTPL, net	—	178
Government grants (Note)	601	546
Net fair value gain/(loss) on financial assets/liabilities measured at FVTPL	31	(119)
Net foreign exchange gain	288	169
Sundry income	73	68
	1,690	1,374

Note:

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

7. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2023 RMB'M (Unaudited)	2022 RMB'M (Unaudited) (Restated)
Cost of inventories sold	91,822	84,911
Provision for obsolete and slow-moving inventories, net (Note (a))	500	372
Cost of services	76	118
	92,398	85,401
Depreciation of property, plant and equipment	2,166	1,954
Depreciation of right-of-use assets and investment properties	598	433
Amortisation of other intangible assets and other non-current assets	614	455
Allowance for expected credit losses in respect of trade and bills receivables, net (Note (b))	175	254
Allowance for expected credit losses in respect of prepayments, deposits and other receivables and long term prepayments, net (Note (b))	261	339
Impairment of non-current assets and contract assets (Note (b))	11	1
Research and development costs	5,026	4,598
Product warranty provisions	3,521	2,789

Notes:

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

8. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2023 RMB'M (Unaudited)	2022 RMB'M (Unaudited) (Restated)
Interest on borrowings	606	204
Interest on convertible bond	—	4
Interest on lease liabilities	54	38
Other finance costs	224	109
	884	355

9. INCOME TAX EXPENSES

	For the six months ended 30 June	
	2023 RMB'M (Unaudited)	2022 RMB'M (Unaudited) (Restated)
Current tax		
Charge for the period	1,879	1,240
Deferred tax	190	760
	2,069	2,000

Under the Law of the Mainland China on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the Mainland China subsidiaries is 25%. Certain subsidiaries of the Group in the Mainland of China were approved as High and New Technology Enterprise subject to a preferential corporate income tax rate of 15% during the period ended 30 June 2023 and 2022.

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

For the six months ended 30 June 2023

10. DIVIDENDS

At the annual general meeting on 26 June 2023, the shareholders of the Company approved the payment of a final dividend of RMB5.66 per 10 shares (further adjusted to RMB5.6692 per 10 shares as per announcement of the Company dated 17 July 2023) for the year ended 31 December 2022. The final dividend of approximately RMB5,298 million in total was paid on 25 August 2023 to Shareholders whose names appeared on the register of members of the Company on 28 July 2022.

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2023 (for the six months ended 30 June 2022: nil).

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

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

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

	For the six months ended 30 June	
	2023 RMB'M (Unaudited)	2022 RMB'M (Unaudited) (Restated)
Earnings		
Profit attributable to owners of the Company used in the basic earnings per share calculation	8,964	7,960
Effect of dilutive potential ordinary shares: Interest on convertible bond, net of tax	—	4
Earnings for the purpose of diluted earnings per share	8,964	7,964

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

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

	For the six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	9,288,914,698	9,335,897,322
Effect of dilutive potential ordinary shares:		
Convertible bond	—	16,328,708
Share award	58,792,857	33,635,834
Share options	719,003	207,399
Weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation	9,348,426,558	9,386,069,263

Notes:

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

12. RELATED PARTY TRANSACTIONS

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

Relationship	Nature of transactions	For the six months ended 30 June	
		2023 RMB'M (Unaudited)	2022 RMB'M (Unaudited) (Restated)
Associates	Sale of goods and services	1,711	1,021
	Purchase of goods and services	7,135	8,737
	Interest income	354	261
	Interest expense	—	4
Haier Affiliates (Note)	Sale of goods and services	864	1,003
	Purchase of goods and services	9,278	11,196
	Other service fee expenses	49	60

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

12. RELATED PARTY TRANSACTIONS (continued)**(a)** (continued)

As at 30 June 2023, included in the Group's cash and cash equivalents are deposits of approximately RMB33,252 million (31 December 2022: RMB31,433 million) placed with Haier Group Finance Co., Ltd. which is an associate of the Group and is a financial institution approved by the People's Bank of China.

Note:

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

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

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Short term employee benefits	7,934	8,970
Post-employment benefits	890	970
Share-based payment	23,109	31,331
Total compensation paid to key management personnel	31,933	41,271

13. PROPERTY, PLANT AND EQUIPMENT

During the period ended 30 June 2023, the Group acquired RMB2,845 million (six months ended 30 June 2022: RMB3,478 million) and disposed certain property, plant and machinery with an aggregate carrying amount of RMB90 million (six months ended 30 June 2022: RMB120 million), resulting in a loss on disposal of RMB34 million (six months ended 30 June 2022: RMB3 million).

14. INVENTORIES

	30 June 2023 RMB'M (Unaudited)	31 December 2022 RMB'M (Audited) (Restated)
Raw material	5,508	6,049
Work in progress	116	74
Finished goods	33,402	35,465
	39,026	41,588

15. TRADE AND BILLS RECEIVABLES

	30 June 2023 RMB'M (Unaudited)	31 December 2022 RMB'M (Audited) (Restated)
Trade receivables	23,107	17,092
Less: Allowance for expected credit losses ("ECL")	(1,365)	(1,205)
Trade receivables, net	21,742	15,887
Bills receivables	10,500	9,628
Less: Allowance for ECL	(4)	(4)
Bills receivables, net	10,496	9,624
Total	32,238	25,511

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

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

	30 June 2023 RMB'M (Unaudited)	31 December 2022 RMB'M (Audited) (Restated)
1 to 3 months	19,832	13,578
3 months to 1 year	1,277	1,714
1 to 2 years	448	416
2 to 3 years	130	144
Over 3 years	55	35
	21,742	15,887

For the six months ended 30 June 2023

15. TRADE AND BILLS RECEIVABLES (continued)

As at 30 June 2023, included in the Group's trade and bills receivables are amounts due from Haier Affiliates approximately RMB320 million (31 December 2022: RMB663 million (restated)) and amounts due from associates approximately RMB1,969 million (31 December 2022: RMB1,169 million (restated)).

As at 30 June 2023, the Group's bills receivables of approximately RMB8,130 million (31 December 2022: RMB8,715 million) were pledged to secure the Group's bills payables; the Group's bills receivables of approximately RMB1 million (31 December 2022: RMB1 million) were pledged to secure the Group's loans.

As at 30 June 2023, the Group's trade receivables of approximately RMB2,139 million (31 December 2022: RMB1,945 million) were pledged, which included trade receivables of approximately RMB179 million (31 December 2022: RMB79 million (restated)) were pledged to secure the Group's loans.

16. TRADE AND BILLS PAYABLES

	30 June 2023 RMB'M (Unaudited)	31 December 2022 RMB'M (Audited) (Restated)
Trade payables	47,160	41,879
Bills payables	23,188	25,099
	70,348	66,978

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

	30 June 2023 RMB'M (Unaudited)	31 December 2022 RMB'M (Audited) (Restated)
Within 1 year	69,557	66,488
1 to 2 years	495	280
2 to 3 years	101	89
Over 3 years	195	121
	70,348	66,978

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

As at 30 June 2023, included in the Group's trade and bills payables are amounts due to Haier Affiliates of approximately RMB1,492 million (31 December 2022: RMB3,570 million) and amounts due to an associate of approximately RMB2,355 million (31 December 2022: RMB1,492 million).

16. TRADE AND BILLS PAYABLES (continued)

As at 30 June 2023, the Group's bills payables are secured by the pledge of the Group's bank deposits amounting to approximately RMB507 million (31 December 2022: RMB642 million) and the Group's bills receivables amounting to approximately RMB8,130 million (31 December 2022: RMB8,715 million).

17. INTEREST-BEARING BORROWINGS

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

	30 June 2023 RMB'M (Unaudited)	31 December 2022 RMB'M (Audited) (Restated)
Current		
Bank loans — unsecured	9,119	12,329
Bank loans — secured	187	185
	9,306	12,514
Non-current		
Bank loans — unsecured	18,403	13,603
Bank loans — secured	—	24
	18,403	13,627
	27,709	26,141
Unsecured	27,522	25,932
Secured	187	209
	27,709	26,141
Analysed into:		
Loans repayable:		
Within one year or on demand	9,306	12,514
In the second year	2,805	992
In the third to fifth years, inclusive	14,869	12,598
Over five years	729	37
	27,709	26,141

As at 30 June 2023, included in the Group's interest-bearing borrowings of approximately RMB Nil (31 December 2022: RMB60 million) from Haier Finance Company Limited, which is an associate of the Group and is a financial institution approved by the People's Bank of China. The interest rate on these loans ranges from 1.8% to 4.5% per annum for the year ended 31 December 2022.

Certain of the Group's loans are secured by pledge of the Group's trade and bills receivables of approximately RMB180 million as at 30 June 2023 (31 December 2022: RMB80 million (restated)).

18. SHARE CAPITAL

The movements of the Company's issued share capital during the period ended 30 June 2023 and 31 December 2022 are as follows:

	H Shares	D Shares	A Shares	Total number of shares	Share capital RMB'M
	'M	'M	'M	'M	
As at 1 January 2022 (Audited)	2,819	271	6,309	9,399	9,399
Issue of shares (Note a)	22	—	—	22	22
Shares repurchased and cancelled (Note b)	(15)	—	—	(15)	(15)
Placing of shares (Note c)	41	—	—	41	41
As at 31 December 2022 and 1 January 2023 (Audited)	2,867	271	6,309	9,447	9,447
Shares repurchased and cancelled (Note d)	(9)	—	—	(9)	(9)
As at 30 June 2023	2,858	271	6,309	9,438	9,438

Note:

- Upon conversion of convertible bond during year ended 31 December 2022, a total of 21,450,563 H Shares were issued.
- During the year ended 31 December 2022, the Company repurchased a total of 14,970,200 H shares at a consideration of approximately HKD362 million which were subsequently cancelled.
- On 21 January 2022, the Company placed 41,413,600 H shares to five placees, who and whose ultimate beneficial owners are third parties independent of and not connected with the Company and/or its connected persons at a placing price of HK\$28 per share.
- During the period ended 30 June 2023, the Company repurchased a total of 8,483,600 H shares at a consideration of approximately HKD199 million which were subsequently cancelled.
- All shares issued are at par value of RMB1.

19. FINANCIAL INSTRUMENTS BY CATEGORY

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

Financial assets

As at 30 June 2023 (Unaudited)

	Financial assets measured at FVTPL RMB'M	Financial assets measured 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	—	5,912	—	—	5,912
Trade and bills receivables	—	—	—	32,238	32,238
Financial assets included in deposits and other receivables	—	—	—	4,748	4,748
Financial assets measured at FVTPL	735	—	—	—	735
Financial assets measured at amortised cost	—	—	—	4,004	4,004
Derivative financial instruments	—	—	100	—	100
Pledged deposits	—	—	—	519	519
Other deposits with limited use	—	—	—	60	60
Cash and cash equivalents	—	—	—	55,063	55,063
	735	5,912	100	96,632	103,379

As at 31 December 2022 (Audited) (Restated)

	Financial assets measured at FVTPL RMB'M	Financial assets measured 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	—	5,852	—	—	5,852
Trade and bills receivables	—	—	—	25,511	25,511
Financial assets included in deposits and other receivables	—	—	—	4,808	4,808
Financial assets measured at FVTPL	520	—	—	—	520
Financial assets measured at amortised cost	—	—	—	2,981	2,981
Derivative financial instruments	—	—	183	—	183
Pledged deposits	—	—	—	665	665
Other deposits with limited use	—	—	—	105	105
Cash and cash equivalents	—	—	—	53,392	53,392
	520	5,852	183	87,462	94,107

19. FINANCIAL INSTRUMENTS BY CATEGORY (continued)**Financial liabilities****As at 30 June 2023 (Unaudited)**

	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	—	—	70,348	70,348
Financial liabilities included other payables and accruals	—	—	27,104	27,104
Derivative financial instruments	—	353	—	353
Interest-bearing borrowings	—	—	27,709	27,709
Other non-current liabilities	—	—	80	80
Lease liabilities	—	—	4,318	4,318
	—	353	129,559	129,912

As at 31 December 2022 (Audited) (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	—	—	66,978	66,978
Financial liabilities included other payables and accruals	—	—	22,345	22,345
Derivative financial instruments	17	105	—	122
Interest-bearing borrowings	—	—	26,141	26,141
Other non-current liabilities	—	—	98	98
Lease liabilities	—	—	3,727	3,727
	17	105	119,289	119,411

20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL 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 these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are based on quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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 and bills 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 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 multiple, and EV/Sales multiple for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. Management believes that the estimated fair values resulting from the valuation technique, which are recorded in the condensed consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period. The fair values of the remaining unlisted equity investments designated at FVTOCI are determined with reference to their respective latest available transaction prices.

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

- (b) The fair values of unlisted equity investments which was designated at FVTPL, have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires management to determine comparable public companies (peers) based on industry and place of business, and to calculate an appropriate price multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. Management believes that the estimated fair values resulting from the valuation technique, which are recorded in the condensed consolidated statement of financial position, and the related changes in fair values, which are recorded in condensed consolidated statement of 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 measured at FVTPL in Mainland China and Hong Kong. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

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

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

Assets measured at fair value

As at 30 June 2023 (Unaudited)

	Level 1 RMB'M	Level 2 RMB'M	Level 3 RMB'M	Total RMB'M
Equity investments designated at FVTOCI	16	—	5,896	5,912
Financial assets measured at FVTPL	446	181	108	735
Derivative financial instruments	—	100	—	100
	462	281	6,004	6,747

20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(continued)

Assets measured at fair value (continued)

As at 31 December 2022 (Audited)

	Level 1 RMB'M	Level 2 RMB'M	Level 3 RMB'M	Total RMB'M
Equity investments designated at FVTOCI	16	1,028	4,808	5,852
Financial assets measured at FVTPL	396	15	109	520
Derivative financial instruments	—	183	—	183
	412	1,226	4,917	6,555

Liabilities measured at fair value

As at 30 June 2023 (Unaudited)

	Level 1 RMB'M	Level 2 RMB'M	Level 3 RMB'M	Total RMB'M
Derivative financial instruments	—	353	—	353

As at 31 December 2022 (Audited)

	Level 1 RMB'M	Level 2 RMB'M	Level 3 RMB'M	Total RMB'M
Derivative financial instruments	—	105	17	122

There were no transfers between Level 1 and 2 during the period ended 30 June 2023, except for equity investment designated at FVTOCI measured at fair value at each reporting date. The fair value of equity investment as at 31 December 2022 was based on the quoted price of consideration and was classified as Level 2 of the fair value hierarchy. The fair value of the equity investment designated at FVTOCI as at 30 June 2023 was measured using a valuation technique with significant unobservable inputs and hence was classified as Level 3 of the fair value hierarchy.

21. COMMITMENTS

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

	30 June 2023 RMB'M (Unaudited)	31 December 2022 RMB'M (Audited)
Contracted, but not provided for:		
Property, plant and equipment	4,119	4,008

22. EVENT AFTER THE REPORTING PERIOD

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW INDUSTRY ANALYSIS

I. Industry overview for the first half of 2023

(1) *The domestic market*

In the first half of 2023, the Chinese home appliance industry recorded a marginal growth. AVC data showed that the retail sales of home appliances in China reached RMB398.2 billion in the first half of 2023, an increase of 4.4% year-on-year. Growth of various sectors are as follows:

Home air conditioning industry: Benefiting from continuous hot weather and low industry inventory levels, growth of the air conditioning category spearheaded the market, with retail volume amounting to 37.265 million units, up 18.8% year-on-year, and retail sales reaching RMB130.16 billion, a year-on-year increase of 19.5%.

Refrigerator industry: Product mix upgrades have resulted in an increase in average prices across the industry. Retail volume of the refrigerator industry reached 14.686 million units, down 2.6% year-on-year, while retail sales amounted to RMB47.95 billion, up 5.2% year-on-year.

Washing machine industry: Due to a lag in replacement demand and dependence on installation, the industry experienced a slow recovery as retail volume dropped 6% to 14.362 million units, and retail sales amounted to RMB29.91 billion, down 3.2% year-on-year. The tumble dryer industry maintained rapid growth with retail sales reaching RMB4.97 billion, a year-on-year increase of 14.7%.

Kitchen appliance industry: Due to the fulfilment of pent-up demand and product mix upgrades, the retail sales of range hoods, stoves, and disinfection cabinets reached RMB24.24 billion, a year-on-year increase of 1.90%. Retail sales of integrated stoves amounted to RMB12.45 billion, a slight decrease of 0.40% year-on-year. Categories such as integrated cooking centres and integrated dishwashers continued to experience rapid growth. Specifically, integrated cooking centres, which combined stove, steaming, and baking units, recorded a significant 286.4% year-on-year increase in revenue online, and a surge of 87.8% in revenue offline.

Water heater industry: Due to the rapid growth of demand of gas water heater products, retail sales of the water heater segment reached RMB22.36 billion, up 6.0% year-on-year.

Water purifier industry: Benefiting from traffic recovery offline and product mix upgrades, retail sales of the industry continued to grow, with retail revenue reaching RMB9.0 billion, an increase of 8.0% year-on-year.

Commodity prices in the domestic market have substantially declined compared to the same period of last year; at the same time, market competition has become more rational with stable prices, all of which have collectively contributed to the industry's profitability improvement.

The home appliance market was divided based on purchasing power and consumer attitudes. The high-end market was largely driven by quality consumption and indulgent spending. Taking air conditioners for example, in the first half of 2023, high-end wall-mounted units (priced above RMB3,500) accounted for 12.4% of retail sales, an increase of 3.2 percentage points year-on-year. At the same time, the size of the low-end market was also growing, with online sales of wall-mounted units priced below RMB2,000 up by 1.6 percentage points to 15.2%.

In terms of distribution network, e-commerce channels continued to gain shares in volume as consumers have become accustomed to shopping online where services have become more integrated. According to AVC, the online shares of air conditioner, refrigerator and washing machine in terms of retail volume reached 57.1%, 71.8% and 71.9% respectively. Meanwhile, online and offline channels were becoming more integrated, facilitated by live streaming in stores. This approach represents the future direction of retailing by combining the convenience of shopping online with immersive offline experience. Short video platforms like TikTok also accelerated channel fragmentation because of their increasing significance in user acquisition.

With improvement in living standards and technologies, home appliances are increasingly integrated with the living space. For example, built-in and integrated appliances are gaining popularity for better utilisation of the space in the kitchen. The use of tumble dryers effectively frees up the balcony for other functions. In addition to hosting guests, entertainment, and family activities, living room appliances are designed with a greater focus on user interaction and experience.

Export markets:

The global economy experienced a slowdown in 2023, putting pressure on China's home appliance exports due to sluggish overseas demand and low orders volumes. Exports to Europe and the U.S. suffered from reduced demand and inventory destocking; but exports to Southeast Asia, Middle East and Africa continued to grow. According to General Administration of Customs, the cumulative export of the home appliance industry from January to June 2023 amounted to USD 43.1 billion, representing a 2.0% decrease year-on-year. Due to the weakening of RMB, exports in RMB term totalled RMB296.7 billion, up 5.2% year-on-year, with 3.3% decrease in refrigerators, 29% growth in washing machines and 0.4% increase in air conditioners.

(2) Overseas market

In the first half of 2023, competition intensified and volume declined in major overseas markets due to global economic slowdown, persistent high inflation, and over-draft in appliances demand.

- (1) North America: In the first half of 2023, lingering inflation and demand exceeding capacity contributed to 3.3% drop in core appliances shipment according to AHAM (Association of Home Appliance Manufacturers). Profitability remains under pressure as improvement in gross profit margins resulting from more favourable raw material and shipping costs was offset by intensifying competition and promotions.
- (2) Europe: Inflationary pressures and Russia-Ukraine conflict caused industry demand to decline. According to GFK, retail volume of the home appliance industry decreased 8.1% year-on-year in the first half of the year. However, there are still growth opportunities as consumers have become increasingly attracted to products with class A energy-efficiency during times of shortages.
- (3) South Asia: ① Driven by gradual economic recovery, home appliances retail volume experienced a slight year-on-year increase in India. High-end, large-capacity products with health benefits were popular with expansions of national and regional chain stores as well as e-commerce platforms. ② In Pakistan, high inflation severely weakened purchasing power, resulting in over 30% volume decline in the industry.

- (4) Southeast Asia: Thailand experienced a 15% increase in sales volume, benefitting from strong air conditioner performance during hot weather and demand recovery facilitated by return of tourists. Markets including Vietnam faced varying degrees of decline due to economic slowdown and high inflation.
- (5) Australia & New Zealand: During the first half of the year, the home appliance industry was challenged by sluggish demand, intensified competition, and a significant year-on-year decrease in new properties sales. According to GFK, the industry's sales volume dropped by 7.1%, with retail volume down by over 10%.
- (6) Japan: The industry was impacted by currency depreciation and reduced disposable income caused by higher prices. In the first half of the year, sales volume of refrigerators, freezers and washing machines dropped 9.5% year-on-year. Driven by increase in average unit price, sales revenue decreased slightly by 1.3% year-on-year. Consumer demand for large-capacity, health-boosting, and energy-saving products continued to rise.

II. Industry Outlook for the second half of 2023

(1) The domestic market

Economic recovery and policies supporting consumption and real estate will unleash demand for home appliances and drive industry growth. AVC expects a definitive recovery for most of home appliance categories in 2023, with industry retail revenue growth of 6.4%.

Export markets:

Export business is expected to remain stable amid ending destocking, favourable shipping costs and concluding of interest rate hike.

(2) Overseas markets

In the short term, more developed markets will still be challenged by weak demand and intensified competition, the industry is more likely to turnaround in 2024. Demand in the South Asian and Southeast Asian markets will gradually recover alongside economic resurgence.

Home appliance industry remains resilient in the medium to long term. Future Market Insights believes global sales revenue will maintain a CAGR of 4.3% from 2022 to 2029. Furthermore, implementation of the "Belt and Road" initiative could facilitate emerging markets including South Asia, Southeast Asia, and the Middle East and Africa in becoming crucial growth hubs. New opportunities still exists in high-end, smart, eco-friendly, and energy-efficient home appliances.

DISCUSSION AND ANALYSIS OF THE GROUP'S OPERATION IN THE FIRST HALF OF THE YEAR

In the first half of 2023, the Group's sales revenue grew 8.2% to RMB131,614 million driven by: (1) extensive multi-brand portfolio which capitalised growth opportunities across diverse market segments; strengthened competitiveness of the design, sales and services of SAN YI NIAO's solutions, which boosted sales of scenario-based product sets with increased user value; (2) network expansion, retail-oriented digitalization, and premiumisation fuelled the development of market-leading products, thereby improving price indices and growing market shares overseas; (3) active development of new product categories including tumble dryers, dishwashers, home cleaning robots, HVAC systems and heat pumps, capturing opportunities unlocked by desire to improve living standards and implement low carbon strategies.

In the first half of 2023, net profit attributable to the shareholders of the Company was RMB8,964 million, representing an increase of 12.6% compared to the same period in 2022.

- (1) The Group's gross profit margin in the first half of 2023 reached 29.8%, which remained unchanged compared to the same period in 2022. In the domestic market, gross profit margin improved because of lower commodities prices, digitalisation in procurement and R&D, as well as increased proportion of in-house manufacturing. In the overseas market, benefits from improved product mix and production utilisation were offset by intensified competition and accelerated destocking, resulting in lower gross margin compared with the same period last year; such decline has however narrowed since last quarter of this year.
- (2) In the first half of 2023, the Group's selling and distribution expense ratio was 14.3%, down 0.2 percentage points as compared with the same period in 2022, largely contributed by digitally enhanced efficiency in domestic marketing, logistics and warehouse operations; on the other hand, overseas selling expense ratio increased as intensified competition drove up spending in channel expansion, new product promotion and store renovations.
- (3) In the first half of 2023, the Group's administrative expense ratio was 8.5%, down 0.2 percentage points year-on-year, leveraging digitally enhanced operations and improved efficiencies.
- (4) The Group's net cash from operating activities in the first half of 2023 was RMB6,791 million, an increase of RMB826 million year-on-year, which was achieved from increased operating profit and enhanced operational efficiency during the period.

(I) Smart Home Business in China

In the first half of 2023, China's smart home business generated sales revenue of RMB70,345 million, up 8.6% compared to the same period in 2022. The growth was driven by: ① retail-oriented digitalization focusing on optimised store operations and improved consumer interactions, transactions, and delivery experiences, ultimately boosted acquisition and conversion of traffic; ② market shares expansion of refrigerators, washing machines, home air conditioners, and water heaters, as well as the rapid growth of central air conditioners and heat pumps; ③ implementation of SAN YI NIAO's interior design platform for designers to create tailored home appliance solutions for local consumers, resulting in increased sales of high-end product sets with higher average ticket price.

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

(1) Refrigerator and Freezer Business

The refrigerator and freezer business enhanced high-end competitiveness and promoted retail-oriented digitalization to capitalise on growth opportunities. During the reporting period, the business achieved sales revenue of RMB22,238 million, representing a year-on-year growth of 2.3%, with revenue in the domestic market increased by 7.0% year-on-year.

According to CMM, in the first half of 2023, the Group's offline retail share rose 1.9 percentage points to 45.1%, with 57% market share in products priced above RMB15,000, up 1.1 percentage points. Online retail share reached 39.3%, up 0.1 percentage points year-on-year.

During the reporting period, Casarte's refrigerator maintained robust growth through enhancing its French door series and expanding its portfolio of seamless built-in products. The sales of built-in refrigerators more than doubled, with the sales contribution of built-in refrigerators under Casarte brand growing by more than 30 percentage points. Building upon proprietary seamless built-in design, cell-level freshness, and health-conscious housekeeping systems, the Group's new F+550L series featured multiple dedicated compartments and built-in smart control screens to cater to users' needs for healthy and compartmentalised storage. The seamless built-in 603 series were equipped with bottom-mounted circulating air curtains, dual-axis hinge doors, MRA low-oxygen cellaring freshness preservation and smart dynamic disinfection and purification technologies. The product offered users dedicated storage, ultimate freshness, and seamless integration with home furnishings. In the first half of the year, Casarte brand's market share in products priced above RMB15,000 reached 50.5%.

Haier brand unveiled T-style refrigerator — the latest addition to Boguan (博觀) series, featuring compartmentalised storage and full-space freshness preservation technology. It became the top model in the RMB20,000 price range within 3 weeks of its launch, thus contributed to a 34% year-on-year revenue increase of the full-space freshness preservation series (average price > RMB6,000). In addition, seamless built-in series and large freezer series both achieved revenue growth of over 50%.

Leader brand launched a new line of practical products with light-coloured exteriors and minimalist interiors targeting at young customers. It also offered customisation of the appearance with iCase products, catering to the individual users' desire for visual appeal and value for money.

The freezer business launched the Xinlan (鑫藍) large freezer targeting small and medium-sized fresh food merchants. This popular product offered unparalleled freezing power, optimal energy efficiency, and time-saving defrosting capabilities. It fulfilled users' need for low-temperature food preservation, thus contributed to a 2.3 percentage points year-on-year increase in the market share of large freezers.

Export business

During the reporting period, the Group leveraged innovative preservation technology to upgrade high-end products, including T-door refrigerators, S+ refrigerators, and French door refrigerators, thereby grasping opportunities in the high-end customised market. According to China IoL, the Group's cumulative export volume from January to June 2023 has increased by 22.9% year-on-year.

(2) *Kitchen appliance business*

During the reporting period, kitchen appliance revenue reached RMB2,138 million, a year-on-year increase of 7.5%. According to CMM, the Group's offline retail share increased 0.9 percentage points year-on-year to 8.9%, ranking among the top three, while online retail share rose 0.6 percentage points to 4.6%.

During the period, the Group implemented technology oriented long-term roadmap, increased R&D investment and accelerated the building of cooking and gourmet laboratories. In response to growing demand for improved extraction and precise heat control, the Group increased product competitiveness by integrating cutting-edge technologies from GEA and FPA with focuses on cooking environment and cooking performance.

Casarte range hood's smart air technology has undergone continuous upgrades, enabling more precise and smarter control of air flow based on the environment and user habits. During the period, the retail revenue of Casarte's constant air range hood surged 45%. Casarte also launched new stove that could expand heating surface area by 40%, contributing to 118% revenue increase of stoves with five rings.

The Group persistently enhanced high-end products to meet growing demand for integrated and built-in products. The latest built-in ovens, steamers, and steam ovens aim at improving effectiveness and fresh steaming, tender roasting, and easy cleaning, in order to improve cooking effects and convenience. CMM ranks the Group number four in integrated units with 8.23% retail market share; while steamer oven's revenue grew by 249%.

Export business

Export revenue grew by over 50%, benefiting from high-end brand building initiatives including launching built-in set products to improve market recognition and grow market share.

2. Household Clothing Solutions (Internet of Clothing)

During the reporting period, revenue amounted to RMB15,345 million, representing a 3.8% increase compared to the same period in 2022.

According to CMM, the Group's retail market share reached 47.1% offline and 40.3% online, up 1.2 percentage points and 0.1 percentage points respectively.

Replacement and upgrade demand continue to drive growth in the laundry sector. To address consumers' increasingly sophisticated demand to wash and care for delicate fabrics and materials, the Group unveiled "Casarte F2 washer & dryer combo" at this year's AWE in April. Equipped with industry's first 3D vision technology and flat built-in design, this new bestseller monitors and adjusts the drying of each load using 3D technology, thus significantly reduces drying time for heavy items and improves energy efficiency performance; and it is made even more user friendly with ultra flat built-in design and compact height of 150cm. This new product strengthened Casarte's premium leadership with market share in units priced above RMB15,000 exceeding 70%.

In the first half this year, the Group consolidated leadership in tumble dryers with 40% market share offline and 41% online, up 3 and 8 percentage points, respectively. The Group also started construction of new factory in Shanghai, which is expected to add two million units in capacity when production ramps up.

The Group also made considerable progress in developing retail-oriented competitiveness. Numerous advertising campaigns and promotions are created catering for new homeowners, urban house renovators and rural users, whose characteristic demands are profiled, analysed and better captured. In addition, digitally enhanced packages have been used to improve interaction in order to strengthen presence and capture increasing foot traffic in shopping malls.

Export market

During the reporting period, export revenue maintained steady growth driven by global product upgrade, including the successful launch of wash and dry Combo in the US and H700 series in Europe, leading to the price index reach 144, ranking first in the industry.

3. Air Solutions

During the reporting period, sales revenue reached RMB23,146 million, a year-on-year increase of 18.9%.

(1) Home air conditioner business

During the reporting period, the Group recorded domestic revenue growth of 25%, by accelerating transformation in product innovation, network expansion, retail development and supply chain cost optimization.

According to CMM, the Group's retail share of air conditioners (standing & wall-mounted units) across all channels in the first half of 2023 was 16.4%, up 0.6 percentage points year-on-year. The share in lower-tier channels grew a significant 7.1 percentage points to 22%.

The Group enhanced product competitiveness by leveraging module-driven capabilities and implementing product iteration systems. During the period, the Group introduced Casarte Nebula (星雲) series, the industry's first integrated high-energy air conditioner. This product uses advanced technologies, including twin-tower light air technology, hydro-oxygen air wash technology, and equilibrium temperature dehumidification, to achieve large-volume air circulation and long-distance airflow. It can effectively remove seven types of pollutants and increase two types of healthy particles in the air, thereby creating a comfortable and healthy environment. The product drove market share of standing units priced above RMB10,000 to surpass 39%, ranking top in the industry. Casarte's air conditioners grew rapidly in the first half of 2023.

Targeting young users of Gen Z, Leader's new Vitality (元氣) air conditioner pioneered dual-wing omnidirectional wind technology, which blows cold air upwards at a 15° angle while sending warm air downwards at 90° angle, minimize the discomfort from direct cold air blow. This product helped Leader brand achieve over 50% revenue growth in its air conditioners.

Considering residential central air conditioners' dependence on installation, the Group strengthened design, installation, and service capabilities. We were the first in the industry to introduce a 7-star service standard, and our "Residential Central Air-conditioning Installation Service Standard" was recognised as a benchmark by air conditioning service industry. The Group also accelerated the establishment of residential central air conditioner training hubs that incorporate user experience, employee training, product retailing, and brand image, aiming at redefining user interactions. In the first half of the year, the Group developed over 1,360 air conditioner franchise stores, achieved 30% in-store conversion rate, and raised high-end residential central air conditioners' revenue contribution to 26%.

During the reporting period, the Group focused on enhancing supply chain network and improving in-house component manufacturing capacities to increase cost competitiveness. In March 2023, the computer board factory commenced mass production in Zhengzhou with an annual output of 2 million sets and potential cost saving of over RMB10 million. In early April 2023, compressor joint venture with Shanghai Highly officially laid the foundation in Zhengzhou, aiming to establish integrated compressor supply capabilities.

Export business

The Group made efforts to enhance network presence overseas, including proactively developing professional HVAC channels and chain retailers in Southeast Asia, as well as accelerating the construction of distribution networks in fourth and fifth-tier markets in South Asia to boost retail market share. During the reporting period, the Group began to introduce solution-based products, including RV air conditioners and solar-powered air conditioners, to tap into growth opportunities in niche markets and for energy efficient products. Export revenue remained stable with a notable improvement in profitability.

(2) *Smart building business*

During the reporting period, the Group built upon existing HVAC business and expanded into heat pumps and smart building management, by providing solutions for "smart and low-carbon architecture", thereby capitalised on the opportunities presented by the upgrading of buildings' energy efficiency standards and the growing adoption of clean energy.

In the first half of 2023, the Group's smart building business experienced rapid revenue growth. According to China IoL, our market share grew steadily to 9.6%, up 0.3 percentage points year-on-year, while export market share went up by 0.6 percentage points to 16%.

The Group remained committed to developing technological innovations including magnetic levitation, air suspension, and high-efficiency heat exchange. We maintained leadership in high-speed variable-frequency and smart IoT technologies, and created energy-efficient solutions. (1) The air-suspending centrifugal chiller utilised air bearing, oil-free lubrication technologies, resulting in 50% energy savings compared to ordinary chiller units, with no need for oil system replacement. This design increased reliability and reduced failure rate by 80%. (2) The introduction of MX-super IoT-based multi-split units was the industry's first smart solution for 1,000-square-meter spaces. The maximum capacity of a single module could reach 24 HP, up to 4 units could run in parallel to achieve maximum output of 96 HP, while occupying 50% less floor space. It could be conveniently installed at various locations such as the rooftop, mechanical floor, refuge floor, podium floor, and the ground floor to enhance the energy efficiency of building equipment and systems. (3) HVAC plant room scenario-based solutions utilizes AI smart control while reducing 50% energy usage. To address the replacement needs of chiller plant rooms, the Group introduced a wireless smart control solution that facilitated the installation of new equipment under 3 days without any down times.

To stay at the forefront of the heat pump industry, the Group capitalised on growing clean energy requirements and expanded product applications. The newly launched variable frequency high-temperature heat pump could provide 90°C hot water under full working conditions. It could be remotely controlled using Haier Smart Cloud Platform, and it has been widely used by clients from electroplating, slaughterhouses, petroleum, food processing, textile printing and dyeing industries, as well as on urban gentrification projects. During the reporting period, the Group's heat pump revenue grew over 20%; China IoL estimated the Group's domestic market share to be 17.7%, up 3.9 percentage points year-on-year.

During the reporting period, the Group won the bid for Shenzhen Metro Line 14 with integrated solution of maglev air- and water-cooled chillers, which could achieve a plant room COP of 5.0 or above. The Group also collaborated with China Resources Group to provide smart and efficient IoT-based multi-split solutions for China Resources Land's office buildings, shopping centres, and hotels.

Export business

The Group continued to expand product portfolio and optimise product mix. For example, the Group's received significant orders from clients in the Middle East for T3 variable frequency series that could operate under high-temperature. The Group's magnetic centrifugal chiller has also been selected by Qinhuai Data Centre project due for its outstanding energy efficiency and easily detachable structure. In overseas markets, the Group focused on building sales centres that encompassed user experience, product display, employee training, and product sales to demonstrate professionalism. During the reporting period, export revenue grew by over 40%.

4. Household Water Solutions

The water heater and water purifier business is committed to providing users with safe, smart, and comfortable whole-house water solutions. During the reporting period, sales revenue amounted to RMB7,478 million, a year-on-year increase of 10.2%.

The Group's robust performance is driven by long term focus on user-centric technologies.

Several new units were added to the established Crystal Tank and Dual Tank series, featuring water purification and home mineral spa experience, capturing consumers' specific demand for water quality, temperature, water volume and attractive design, this product helps the Group consolidate leadership in electric tanks. Gas tank revenue grew by 19%. Casarte pioneered dual motor constant temperature technology that controls water temperature and volume separately, effectively reducing water temperature fluctuation when shower is interrupted halfway.

During the reporting period, the Group also launched the industry's first whole house water solution online design platform, so designers and sales teams in 265 SAN YI NIAO outlets and 624 home improvement outlets could help millions of users visualise comprehensive water heater and purification solutions.

During the reporting period, the Group strengthened its water purification business with several new products that addressing users' concerns with water quality and mineral levels. Casarte's Mineral Spring water purifier helped with expanding market share in products priced RMB5,000 and above.

5. China operation: accelerating reforms and taking the initiative to achieve sustainable growth

During the reporting period, the Group accelerated retail-oriented digitalization through mechanism reforms, policy restructuring and the development of digital platforms, which improved acquisition and conversion of user traffic, enhanced management of user assets, and achieved sustainable growth. In the first half of 2023, the Group's home appliance business in China realised a year-on-year revenue growth of over 10%.

In response to fragmentation in user traffic, the Group followed users demand, and enhanced presence across online and offline platforms. By implementing full-life-cycle digital management platforms, the Group was able to devise omnichannel strategies based on regional user traffic analysis. The management capabilities of sale outlets were significantly improved leveraging digitally enhanced distributor screening and store planning. During the reporting period, the Group developed 1,957 stores, realizing additional revenue of over RMB1 billion.

Offline channels:

In first and second-tier markets, the Group focused on expansion within shopping malls and home improvement channels by adding 82 new stores in shopping malls and 143 new stores in home improvement channels. In third and fourth-tier markets, emphasis was on building retail capabilities of high-end product suites, facilitated by retail-oriented digitalization from selling individual products to offering scenario-based solutions, so as to improve conversion rates and increase the proportion of sales derived from product suites.

Online channels:

On traditional e-commerce platforms, the Group optimised outlet coverage, improved product planning, and upgraded store display to enhance resource allocation. The Group also expanded Casarte's product offerings on mainstream platforms and launched light-coloured product lines tailored for young users. On content generating platforms, the Group focused on content creation and store operation while developing live streaming capabilities, thereby facilitated user interactions and improved conversions. During June 18th shopping festival, the Group's retail sales went up by 40% year-on-year, with over 60% growth in retail sales of high-end Casarte products. The Group's market shares of refrigerators, washing machines, water heaters, and freezers also topped the industry online.

The Group expanded multi-brand portfolio catering for user groups including luxury, high-end, mass market and Gen Z, capturing opportunities for growth in various market segments.

Casarte brand grew steadily leveraging product leadership, comprehensive set offerings and distribution network renovation. During the reporting period, Casarte's market share went up 1.4 percentage points reaching 14.2%.

During the reporting period, Casarte also unveiled upgrade plan, redefining high-end lifestyles for elite users featuring original technologies, spatial experience, and smart lifestyle. The Group strengthened competitiveness of product sets by launching the industry's first white colour range — Casarte Light Year White (光年白) series, tailored specifically for wealthy young individuals seeking quality life. The revenue contribution from set products increased by 6 percentage points in the first half of 2023. The Group also enhanced presence in shopping malls and developed lifestyle scenarios to accelerate high-end traffic acquisition and conversion.

During the reporting period, the Group accelerated Fisher & Paykel's development in luxury home appliance market in China. Leveraging strong user base, extensive distribution network, and well-established service coverage, the Group was able to set up experience stores in luxury building materials market and prestigious shopping malls while collaborating with renowned architects and designers to provide affluent individuals with social kitchen and luxury laundry solutions.

6. *Inspired by "Smart Living, Better Homes", SAN YI NIAO offers smart scenario-based solutions leveraging core competencies in Smart Home Brain, scenario-based solutions, design tools, in store operations and digital platform*

During the reporting period, the Group focused on transforming SAN YI NIAO stores using asset-light approach in collaborating with ecosystem partners and utilizing digital tools to improve traffic conversion. Nesting Interior Design Platform was developed featuring intelligent matching, 3D design, VR water and electricity design, to provide designers with professional support. The platform added 4,000 home appliance models to assist designers and at store front. Leveraging Casarte's Light Year series and Haier's health-conscious sets, SAN YI NIAO introduced additional 105 new scenario solutions during the reporting period, with focus on smart kitchen and whole-house smart lighting solutions, all of which helped with achieving sales of 4,000 sets of Light Year White series.

(II) Overseas home appliances and smart home business

During the reporting period, the Group's overseas sales revenue was RMB66,917 million, an increase of 8.8% compared to the same period in 2022. Revenue growth was mainly driven by commitment to high-end strategy and launch of leading products with increased price indices, for instance, Monogram, high-end brand in North America achieved double-digit growth against the headwind. The Group also capitalised on the demand for energy-efficient products. In the European market, over 50% of washing machines obtained class A energy-efficiency, while HVAC revenue grew significantly. The Group also expanded distribution network, improved retail capabilities, reduced costs and improved efficiency leveraging efficient global collaborative systems, at the same time, efforts have been made to grow presence along the Belt and Road Initiative to grasp development opportunities.

1. North America

Despite macro weaknesses in North America, the Group outgrew the industry with sales revenue of RMB39,133 million, up 4.5% year-on-year and expanded market share.

The Group remained committed to building premium market leadership with successful launch of innovative products such as GE Profile UltraFast Combo that is designed to revolutionize the laundry experience by washing and drying a large load in two hours, while using smart technology combining fast air flow at lower temperatures to maximize care of fabrics. Since debuting at the Kitchen & Bath Industry Show earlier this year, the UltraFast Combo has been recognized by several associations and media companies for being an innovative smart home product. This all-in-one solution was awarded the "Best Home Technology Product for the 10th annual Best of IBS awards" by the National Association of Home Builders (NAHB), which recognizes outstanding building products and services based on the products' innovation, functionality, design as well as builder and consumer friendliness. It was also awarded the "2023 Sustainable Products of the Year" by Green Builder for its energy saving capabilities and the "Design Meets Tech Award" by Connected Design.

The Group continued to develop pro-centric products and differentiated dealer support programmes under its Air and Water Solutions business. Three new product lines were showcased at this year's AHR Expo, including GE Appliances Residential Ducted HAC, GE Zoneline UltimateV12 and RealMAX atmospheric gas water heaters. In addition, the Group also launched Pro Solutions Partner Programme to offer dealers financing, marketing support and extended labour warranties.

In March this year, IoT Breakthrough, a leading market intelligence organization that recognizes the top companies, technologies and products in the global IoT market announced GE Appliances as winner of the "Smart Appliance Company of The Year award" for the fifth time. In August, GE Appliances was named one of the Best Workplaces for Innovators by Fast Company magazines for encouraging innovations and creating life-enhancing digital technologies to consumers.

2. Europe

During the reporting period, the Group achieved sales revenue of RMB13,278 million in Europe, up 29.6% year-on-year. Volume market share increased by 1.1 percentage points to 7.9% and revenue retail share grew 1.7 percentage points reaching 7.1%, ranking 4th and 5th respectively.

Leveraging product competitiveness, the Group was able to improve brand positioning. The 525cm ultrathin and standard washing machine from Haier's H700 series does not only save space, it is also equipped with Anti-bacterial technology, double spay and comprehensive range of fabric care solutions. 7,800 units have been sold during the reporting period, and a total of 31,000 units have been ordered.

Various efforts have also been made to improve marketing and distribution network. In Italy, the Group formed partnership with premium kitchen distributor Lube and celebrated the opening of its first 001 Store in Rome; in Spain, the new boutique and 26 store-within-store specializing in scenario-solutions helped market share grow from 11% to 14% in MediaMart. The Group also became Official Partner of some of the world's top tennis tournaments including Grand Slam tournament Roland Garros, the Nitto ATP Finals, and ATP Masters tournaments.

Meanwhile, the Group remained committed to leveraging IoT technologies and integrating resources from ecosystem partners. During the reporting period, WashPass, the first washing ecosystem was launched with Nuncas®. Available on hOn APP, this washing machine comes with a subscription including installation, maintenance, and refill of the active ingredients to create a professional washing experience at home.

3. Australia & New Zealand

Home appliances industry was challenged by weak momentum and intensified price competition in Australia and New Zealand during the reporting period. The Group realised sales revenue of RMB2,950 million, down 15.5% year-on-year. Leveraging long term commitment to technological and product innovations, the Group launched FPA60 built-in refrigerator and H20 dish washer to add to its modern kitchen solution packages. Haier brand also introduced the industry's first and only one-side T door refrigerator with large fridge and smaller freezer space. This new unit attracted wide interest from leading distributors immediately after launch. In addition, digital tools were also used in Australia to facilitate end-to-end order tracking, thus increasing operational efficiency and improving traffic conversion.

4. South Asia

During the reporting period, revenue amounted to RMB5,955 million, an increase of 23.5% year-on-year.

- (1) In India, the Group focused on meeting local demands with launching variable temperature French door refrigerators that catering for vegetarian diets. This product was recognised as one of the 'Annual Most Innovative Products' by the Indian government, capturing a market share of 20%. The Group enhanced competitiveness in the supply chain by boosting in-house components production and establishing a manufacturing base that is both cost-effective and highly efficient. During the reporting period, the Group's volume market share rose 0.7 percentage points to 10.7%, ranking top three in the industry for the first time.

- (2) In Pakistan, the Group continued to hold the top spots in market shares for refrigerators, freezers, air conditioners and washing machines, with retail volume share reaching 41%, up 4 percentage points year-on-year. The Group implemented high-end brand transformation by rolling out the multi-brand strategy of Casarte, Haier and Candy, catering to the diverse consumer needs, and established 70 high-end experience stores. The Group strengthened supply chain development to enable local production of kitchen appliances, and continued to build franchise network in third and fourth-tier markets.

5. Southeast Asia

During the reporting period, sales revenue amounted to RMB3,107 million, up 6.3% year-on-year.

In Thailand, the Group strengthened product innovation and launched self-cleaning air conditioners and washing machines, winning local “Product Innovation” awards. The Group’s market shares of home air conditioners and refrigerators have risen to the first place. The Group also developed presence in chain retailers and deployed digital tools to enhance operational efficiency. In Vietnam, the Group launched attractive and easy-to-operate AI-powered washing machines to meet the needs of female local users, resulting in washing machine market share leaping to the top of the industry. The Group also swiftly responded to opportunities in the air conditioning industry and achieved a record high market share. In the Philippines, the Group focused on the dual-brand strategy of Haier and Candy, increased the revenue contribution of high-end products, and captured the largest market share for high-end T-door refrigerators. In Indonesia, the Group promoted the transformation and upgrades in high-end channels and achieved double-digit growth.

6. Japan

During the reporting period, revenue amounted to RMB1,947 million, up 6.0% year-on-year.

During this period, the Group remained committed to the dual-brand strategy of AQUA and Haier, and enhanced high-end product lineup with differentiated offerings such as the TZ/TX/ icense refrigerators series, front-load/dryer series, and the Slim& deep freezers. This strategy accelerated the transition to high-end market, as revenue contributed of high-end products rose to 36%. AQUA heat pump front-load washer and Haier variable-frequency washer have received the “Best Recommendation Award” from the renowned Japanese magazine “Smart”. AQUA’s smart community laundry business maintained market leadership through creating cross-industry scenarios, developing new operation models, and replicating successful strategies overseas.

During the period, the Group’s combined volume share for freezers, refrigerators and washing machines continued to top the industry at 18.6%, of which refrigerators ranked first with 16.8% market share, freezers ranked first with 50.4%, and washing machines ranked third with market share of 17.7%.

(III) Accelerating digitalisations to enhance efficiency and optimise operation

Improving the competitive edge of individual product models by developing digital platforms for product planning and R&D.

The Group established an integrated R&D digital platform to connect product planning with the procurement system, thereby enabling smart design and asynchronous development of modules, promoting the use of common parts, increasing the procurement scale per module, and reducing purchasing costs. During the reporting period, total number of components was reduced by 16.6% year-on-year. The Group also developed a digital simulation platform, which reduced the resources required for physical prototypes and experiments through virtual diagnosis, design, and verification, thus improving the success rate of initial designs and shortening development cycles.

Promoting the construction of digital platforms for procurement and supply chain to enhance cost competitiveness.

The Group created a digital platform to handle the entire supplier journey from introduction to collaboration and termination of contract, which streamlined business processes, and shortened the supplier onboarding time by 50%. The Group also implemented online tools such as shortlisted supplier pools, component costing models, and AI-driven big data analysis for similar materials to reduce procurement costs.

Leveraging annual production capacity planning, quarterly and monthly production and sales coordination, and weekly smart order reviews, the Group could instantly respond to orders and ensure timely delivery, resulting in improved manufacturing efficiency. The Group reformed order processing system, where production was made based on forecasted orders and shipments were driven by actual orders, thereby speeding up order response. In the first half of 2023, inventory turnover days went down by 18%.

The manufacturing platform optimised resource allocation by integrating key elements such as labour, materials and equipment, thus visualising production processes, to increase the standard cycle completion rate by 18% year-on-year.

The logistics platform focused on delivering finished products, and achieved end-to-end visualisation in terms of “production, sales, warehousing, delivery and installation” through vehicle-cargo matching and digital warehousing, resulting in a 16% increase in warehouse utilisation.

Promoting the development of user experience cloud platform to enhance user experience and improve efficiency.

Centring around the journey of “purchase, delivery, installation, usage, and service,” the Group reconstructed over 240 scenarios and visualised 1,269 indicators to achieve end-to-end traceability. The Group also integrated 10 business functions, connecting user needs and complaints to every responsible unit, so as to close gaps and minimise discrepancies, and increased consumer satisfaction by 14% in the first half of the year. In terms of service digitalisation, the entire process from user-submitted service requests to servicemen arriving at the door has been streamlined in order to facilitated smart diagnosis and enhance service efficiency.

The Group established media centre, content centre, event centre, and business opportunity management centre to facilitate online activities, user interaction and traffic conversion. In the first half of the year, revenue contribution from digitally aided retail increased 28%.

The Group accelerated digitalisation and established data-driven management systems, which enabled the use of digital desktops, automated system scheduling, and improved operational efficiency of its workforce.

DEVELOPMENT PLAN FOR THE SECOND HALF OF THE YEAR

The Group will continue to strengthen the three-level brand strategy transformation from high-end brand → scenario-based brand → ecosystem brand. We will press ahead with digitalisation for all processes to improve operational efficiency, provide better user experience, and enhance user value. We will implement profit-oriented mechanism transformations to improve operational quality.

In the domestic market, we will further the advancement of end-to-end digital transformation, leveraging digital tools and implementing organisational changes to integrate the entire process from product definition to R&D, manufacturing, supply chain, sales, and after-sales services, thereby to facilitate efficient synergies, and increase the percentage of market-leading products. We will also emphasize the adoption of lean manufacturing principles, and leverage digital tools to address issues such as low component commonality and to enhance production efficiency. We will focus on upgrading the Casarte brand to improve its long-term competitiveness and solidify its foundation for growth. In the home air conditioner business, we will continue to strengthen our business foundation and improve organisational efficiency to increase market share and profitability. For SAN YI NIAO, we will continue to invest in its five core capabilities, including “the Smart Home Brain, scenario-based solutions, design tools, store operations, and digital platform capabilities”. We will enrich our range of scenario-based solutions, drive the application of interior design tools at retail end, and foster the upgrade of sales models, to improve user experience and store output, and enhance the user value we deliver.

In overseas markets, our brand portfolio provides comprehensive coverage of all users and caters to the needs of different user segments. We will continue to improve the competitiveness of our high-end brands and enhance the price index and profitability of our products. We will focus on improving the competitive edge of individual product models and upgrading the product mix in advantageous industries, as well as seizing opportunities in growing sectors such as home air conditioning, commercial air conditioning, and kitchen appliances to generate business growth. We will create meaningful touchpoints, enhance interactions with end users, and improve our sales capabilities for smart home appliance product sets. We will prioritise profit-oriented end-to-end management to improve overseas profit margins.

Potential risks of the Company

- 1. Risk of decreasing market demand due to macroeconomic slowdown.** Sales of white goods as durable consumer appliances are subject to users' income levels and their expectations of future income growth which will have a certain impact on their willingness to purchase products. A slowdown in macroeconomic growth causing a decline in users' purchasing power will have a negative impact on industry growth. In addition, a slowdown in real estate market will also have a negative impact on market demand, which will indirectly affect end-user demand for home appliances.
- 2. Risk of price war caused by intensified industry competitions.** The white goods industry is highly competitive with a high degree of product homogeneity, industry concentration has continued to increase in recent years. However, decrease in market demand and fiercer competition in individual sub-sectors may lead to risks such as price wars. Furthermore, rapid technological advancements, scarce talents in the industry, shortened product life cycles and ease of imitation are making it increasingly difficult to profit. Although new products, services and technologies are often associated with higher selling prices, it has become necessary for the Company to invest more in R&D. The Company will actively invest in R&D to attract more users through continuous innovation in products and services, to build a lasting brand awareness.
- 3. Risk of fluctuations in raw material prices.** The Company's products and core components use metal raw materials such as steel, aluminium, and copper, as well as commodities such as plastics and foam. If the prices of raw materials continue to surge, it will put certain pressure on the Company's production and operations. In addition, the Company relies on third party manufacturers and suppliers for key raw materials, components, and manufacturing equipment, 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 business. As a leader in the industry, the Company will take measures including volume & price adjustment mechanism as well as hedging to reduce the risk of raw material fluctuations on its operations.
- 4. Operational risks in overseas business.** The Company has steadily developed its global business and has established production bases, R&D centres, and marketing centres in many parts of the world, with the proportion of overseas revenue increasing year by year. Overseas markets are subject to political and economic situations (including events such as military conflicts and wars), legal systems and regulatory regimes of those countries and regions. Significant changes in these factors will pose certain risks to the Company's local operations in these markets. The Company has taken various measures to mitigate the relevant impacts, including collaborating with suppliers and distributors, improving production efficiency to offset the impact on the overall cost of sales, potentially expanding the Company's supply resources to other countries, and adopting safety measures to protect its people and assets.

5. **Risk of exchange rate fluctuations.** As the Company expands its global footprint, the import and export of the Company's products involve the exchange of foreign currencies such as the U.S. dollar, the Euro, and the Japanese yen. If the exchange rates of the relevant currencies fluctuate, it will have a certain impact on the Company's financial position and increase its financial costs. In addition, the Company's consolidated financial statements are denominated in Renminbi, while the financial statements of its subsidiaries are measured and reported in the currency of their primary economic environment in which the entity operates and are therefore subject to currency exchange risk. In this regard, the Company uses hedging instruments to reduce its exposure to exchange rate fluctuations.
6. **Risk of policy changes.** The home appliance industry is closely related to the consumer market and the real estate market. Changes in macroeconomic policies, consumption investment policies, real estate policies and relevant laws and regulations will affect product demand from distributors, which in turn will affect product sales of the Company. The Company will closely monitor changes in the relevant policies, laws, and regulations, and make forecasts of market changes, in order to ensure further development of the Company.
7. **Credit risk.** There is possibility that the Company will be unable to collect all trade receivables from its distributors, or distributors are not able to settle the Company's trade receivables in a timely manner, in which the Company's business, financial status, and operation performance may be affected. In relation to this risk, the Company will maintain flexibility by offering credit period of 30 to 90 days to certain distributors based on their credit history and transaction amount.
8. **Inventory risk.** Excess inventory might occur as the Company cannot always accurately predict trends and events and maintain appropriate inventory levels; thus, the Company may be forced to offer discounts or promotions to manage the slow-moving inventory. On the other hand, a shortage of inventory may lead to loss of sales opportunities for the Company. However, the Company will manage its inventory and adjust according to market situation and will conduct regular impairment assessment of its inventory.

FINANCIAL REVIEW

In the first half of 2023, the Group's revenue amounted to approximately RMB131,614 million, representing an increase of 8.2% from RMB121,629 million (restated) in the first half of 2022.

Profit attributable to owners of the Company amounted to RMB8,964 million, representing an increase of 12.6% from approximately RMB7,960 million (restated) in the first half of 2022.

1. Analysis of Revenue and Profit

Items	For the six months ended 30 June		Change %
	2023 RMB'M (Unaudited)	2022 RMB'M (Unaudited) (Restated)	
Revenue			
Smart Home Business in China	70,345	64,755	8.6
Refrigerators/ Freezers	22,238	21,739	2.3
Kitchen Appliances	2,138	1,989	7.5
Air-conditioners	23,146	19,459	18.9
Laundry Appliances	15,345	14,782	3.8
Water Appliances	7,478	6,786	10.2
Smart Home Business Overseas	66,917	61,481	8.8
Other Business	40,973	43,399	(5.6)
Inter-segment elimination	(46,621)	(48,006)	(2.9)
Consolidated revenue	131,614	121,629	8.2
Adjusted operating profit*	9,577	8,389	14.2
Profit attributable to owners of the Company	8,964	7,960	12.6
Earnings per share attributable to ordinary equity holders of the Company			
Basic			
— For profit for the period	RMB0.97	RMB0.85	14.1
Diluted			
— For profit for the period	RMB0.96	RMB0.85	12.9

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

The following table summarises our revenue by geographical location (after taking into account the revenue from other business and inter-segment elimination) for the periods indicated:

	For the six months ended		
	30 June		
	2023	2022	Change
	RMB'M	RMB'M	%
	(Unaudited)	(Unaudited)	
		(Restated)	
China	63,312	59,129	7.1
Other countries/ regions	68,302	62,500	9.3
Total	131,614	121,629	8.2

In the first half of 2023, the Group's revenue amounted to RMB131,614 million, representing an increase of 8.2% from approximately RMB121,629 million (restated) in the first half of 2022. The Group's steady revenue growth was driven by (1) the Company's extensive multi-brand portfolio which capitalised growth opportunities across diverse market segments, whilst the strengthened competitiveness of SAN YI NIAO's solutions, design, sales, and services also boosted sales of scenario-based product sets, and enhanced user value; (2) the expansion of overseas market networks, strengthened retail sales capabilities, and premiumisation fuelled by market-leading products, which improved price indices of overseas products and increased market shares; (3) the development of new product categories including tumble dryers, dishwashers, home cleaning robots, HVAC systems and heat pumps, which captured opportunities arising from the upgrading of quality living standards and the transition towards a low-carbon economy.

Revenue from the Smart Home Business in China increased by 8.6% from approximately RMB64,755 million in the first half of 2022 to approximately RMB70,345 million in the first half of 2023. The revenue growth of China's smart home business was driven by (1) the ongoing digitalisation of touchpoints and transformation of retail model in the domestic market, which boosted acquisition and conversion of user traffic; (2) expanded market shares of refrigerators, washing machines, home air conditioners, and water heaters, as well as the rapid growth of central air conditioners and heat pumps; (3) implementation of the SAN YI NIAO platform at retail touchpoints, launching interior design tools for designers to create tailored home appliance solutions that aligned with housing types of local consumers, resulting in increased sales of high-end product sets with higher average ticket price.

(1) Household Food Solutions

Revenue from refrigerators/freezers increased by 2.3% from approximately RMB21,739 million in the first half of 2022 to approximately RMB22,238 million in the first half of 2023. The refrigeration business continued to leverage its multi-brand portfolio, strengthened its high-end product offerings, and implemented retail transformation to capitalise on growth opportunities and consistently outperform the industry.

Revenue from kitchen appliances increased by 7.5% from approximately RMB1,989 million in the first half of 2022 to approximately RMB2,138 million in the first half of 2023. The kitchen appliances business remained dedicated to meeting consumer demand, integrating cutting-edge technologies from GEA and FPA kitchen appliances, increasing R&D investments and launching new technology researches in two key areas: the kitchen cooking environment and cooking effects, thereby to continuously enhance product competitiveness.

(2) Household Air Solutions

Revenue from air-conditioners increased by 18.9% from approximately RMB19,459 million in the first half of 2022 to approximately RMB23,146 million in the first half of 2023. The home air conditioner business implemented reforms in product innovation, distribution networks, retail capabilities, supply chain cost competitiveness, and organisational efficiency to enhance competitiveness.

(3) Household Clothing Solutions

Revenue from washing machine increased by 3.8% from approximately RMB14,782 million in the first half of 2022 to approximately RMB15,345 million in the first half of 2023. The Group's washing machine business continued to outperform the industry by strengthening its high-end market leadership through relentless innovation. The tumble dryer business continued to gain momentum and drove business growth.

(4) Household Water Solutions

Revenue from water appliances increased by 10.2% from approximately RMB6,786 million in the first half of 2022 to approximately RMB7,478 million in the first half of 2023. The Group's water heater and water purifier business is dedicated to providing users with safe, smart, and comfortable whole-house water usage solutions. We consistently strive to offer the best user experience through ongoing R&D and innovation.

(5) Smart Home Business Overseas

Revenue from Smart Home Business Overseas increased by 8.8% from approximately RMB61,481 million in the first half of 2022 to approximately RMB66,917 million in the first half of 2023. The Group insisted on a high-end market strategy, and launched leading products which increased price indices, for instance, the high-end brand Monogram in North America was able to achieve double-digit growth against the headwind. We capitalised on the growing demand for energy-efficient products, in the European market for example, over 50% of our washing machines obtained class A energy-efficiency, and the HVAC business experienced rapid growth. We also expanded our market networks and improved retail capabilities while reducing costs and improving efficiency through efficient global collaborative systems, as well as enhancing our business presence in countries along the Belt and Road Initiative to grasp development opportunities.

Revenue from Americas' market increased by 4.5% from approximately RMB37,434 million in the first half of 2022 to approximately RMB39,133 million in the first half of 2023. The Group remained dedicated to enhance the leadership of its high-end products, with the market share of core home appliances continued to increase, and the high-end brand Monogram experienced double-digit growth.

Revenue from the European market increased by 29.6% from approximately RMB10,245 million in the first half of 2022 to approximately RMB13,278 million in the first half of 2023. The Group continually strengthened its brand positioning by capitalising on the competitiveness of its high-end products, while remaining committed to leveraging IoT technology and integrating resources from strategic ecosystem partners to enhance user experience.

Profit Attributable to Owners of the Company

In the first half of 2023, the profit attributable to owners of the Company was approximately RMB8,964 million, representing an increase of 12.6% from approximately RMB7,960 million (restated) in the first half of 2022.

Adjusted Operating Profit

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

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

In the first half of 2023, the adjusted operating profit of the Group amounted to RMB9,577 million, representing an increase of 14.2% as compared to RMB8,389 million (restated) in the first half of 2022. The increase in adjusted operating profit was driven by profit growth in the Group's China business segments and its overseas home appliances and smart home businesses.

The following table sets forth the reconciliation between the Group's adjusted operating profit and profit before tax prepared in accordance with IFRS for the six months ended 30 June 2023 and 2022:

	For the six months ended	
	30 June	
	2023	2022
	RMB'M	RMB'M
	(Unaudited)	(Unaudited)
		(Restated)
Profit before tax	11,114	10,009
Adjustment:		
Bank interest income	(597)	(348)
Foreign exchange gains	(288)	(169)
Government grants	(409)	(435)
Return on investments in other financial assets	(48)	(86)
Finance costs	884	355
Share of profits and losses of associates	(1,079)	(937)
Adjusted operating profit	9,577	8,389

Gross Profit Margins

The Group's gross profit margin was 29.8% in the first half of 2023, which remained largely unchanged compared to the same period of 2022. Domestic gross profit margin expansion was driven by lower commodities prices, digitalisation in procurement and R&D, and increased proportion of in-house manufacturing. In overseas markets, while ongoing product mix optimisation and increased production capacity utilisation had positive impacts, they were offset by intensified competition and the need to digest high-cost inventory in major regional markets. Overseas gross profit margin declined year-on-year as a result, but showed improvement compared to the previous quarter.

Selling and Distribution Expenses

The Group's selling and distribution expenses accounted for 14.3% of the revenue, representing an improvement of 0.2 percentage points compared to the same period of 2022. In the domestic market, the sustained push for digital transformation improved efficiency in marketing resource allocation, logistics distribution, and warehousing operations, resulting in a year-on-year improvement in the selling expense ratio. On the other hand, overseas markets experienced intensified competition, which demanded increased spending on expanding retail channels, promoting new product launches, and enhancing store appearance, resulting in a higher selling expense ratio year-on-year.

Administrative Expenses

The Group's administrative expenses accounted for 8.5% of the revenue, representing an improvement of 0.2 percentage points year-on-year. The improvement in administrative expense ratio was mainly due to the Group's transformation of digital operations by adopting digital tools, optimising of business processes and enhancing organisational efficiency, which contributed to an improvement of the administrative expense ratio by 0.2 percentage points.

2. Financial Position

Items	30 June	31 December
	2023	2022
	RMB'M	RMB'M
	(Unaudited)	(Audited)
		(Restated)
Non-current assets	110,013	105,462
Current assets	136,289	130,477
Current liabilities	120,692	118,811
Non-current liabilities	27,616	22,382
Net assets	97,994	94,746

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

As at 30 June 2023, the Group's total balance of cash and cash equivalents and wealth management products from other financial assets increased by 3.0% from RMB55,049 million (restated) as at 31 December 2022 to RMB56,691 million as at 30 June 2023.

Items	30 June 2023 RMB'M (Unaudited)	31 December 2022 RMB'M (Audited) (Restated)
Cash and cash equivalents	55,063	53,392
Wealth management products from other financial assets — Current portion	1,628	1,657
Total	56,691	55,049

Net Assets

The Group's net assets increased by 3.4% from RMB94,746 million (restated) as at 31 December 2022 to RMB97,994 million as at 30 June 2023.

Working Capital

Trade and Bills Receivables Turnover Days

The trade and bills receivables turnover days of the Group was 42 days in the first half of 2023, representing an increase of 2 days as compared to that as of the end of 2022.

Inventory Turnover Days

The Group's inventory turnover days at the first half of 2023 was 84 days, representing an improvement of 4 days as compared to the end of 2022. The improvement in inventory turnover days was due to efficient stock management and optimisation of inventory.

Trade and Bills Payable Turnover Days

The Group's trade and bills payables turnover days in the first half of 2023 were 143 days, representing a decrease of 2 days as compared to that as of the end of 2022.

3. Cash Flow Analysis

Items	Notes	For the six months ended 30 June	
		2023 RMB'M (Unaudited)	2022 RMB'M (Unaudited) (Restated)
Cash and cash equivalents as stated in the statement of cash flows at the beginning of the period		53,392	45,204
Net cash flow from operating activities	(a)	6,791	5,965
Net cash flow from investing activities	(b)	(4,333)	(4,164)
Net cash flow from financing activities	(c)	(1,269)	2,125
Effect of foreign exchange rate changes, net		482	230
Cash and cash equivalents as stated in the statement of cash flows at the end of the period		55,063	49,360

- (a) In the first half of 2023, the Group's net cash inflow from operating activities was RMB6,791 million, representing an increase of RMB826 million compared to the same period of 2022, which was mainly due to the increase in operating profit and the improvement in operating efficiency during the period.
- (b) Net cash outflow from investing activities in the first half of 2023 amounted to RMB4,333 million, representing an increase of 4.1% as compared to the same period of last year, with the details as follows:

Items	For the six months ended 30 June	
	2023 RMB'M (Unaudited)	2022 RMB'M (Unaudited) (Restated)
Payment for purchases of non-current assets	(3,728)	(3,343)
Purchase of wealth management products	(1,173)	(1,060)
Cash from disposal of fixed assets and leasehold land	74	75
Dividend received from associates	401	381
Interest received from wealth management products	66	41
Net cash inflow/(outflow) from other investing activities	27	(258)
Net cash flow from investing activities	(4,333)	(4,164)

- (c) Net cash outflow from financing activities in the first half of 2023 amounted to RMB1,269 million, as compared to the net cash inflow of RMB2,125 million (restated) for the same period of last year, with details as follows:

Items	For the six months ended 30 June	
	2023 RMB'M (Unaudited)	2022 RMB'M (Unaudited) (Restated)
Proceeds from borrowings	11,553	8,048
Repayment of borrowings	(10,429)	(4,696)
Repurchase of shares	(897)	(1,539)
Interest paid	(809)	(319)
Lease payment	(551)	(333)
Proceeds from issue of shares	—	940
Net cash (outflow)/inflow from other financing activities	(136)	24
Net cash flow from financing activities	(1,269)	2,125

LIQUIDITY AND FINANCIAL RESOURCES

The Group pays great attention to cash flow management and has been able to maintain a healthy financial and liquidity position. As at 30 June 2023, the Group had a current ratio of 1.13 (31 December 2022: 1.10).

Items	30 June 2023 RMB'M (Unaudited)	31 December 2022 RMB'M (Audited) (Restated)
	Cash and cash equivalents	55,063
Wealth management products from other financial assets	1,628	1,657
	56,691	55,049
Less:		
Interest-bearing borrowings	(27,709)	(26,141)
Net balance of cash and cash equivalents and wealth management products from other financial assets	28,982	28,908

As at 30 June 2023, wealth management products from other financial assets amounted to RMB1,628 million (31 December 2022: RMB1,657 million).

As at 30 June 2023, the cash and cash equivalents and the wealth management products from other financial assets balance, approximately 77% was denominated in Renminbi and the remaining 23% was denominated in Euro, Hong Kong dollars, U.S. dollars, New Zealand Dollars and other currencies.

As at 30 June 2023, the interest-bearing borrowings balance, approximately 42% and 30% were denominated in U.S. dollars and Euro respectively and the remaining 28% was denominated in Renminbi and other currencies. The variable rate and fixed rate interest-bearing borrowings were RMB25,129 million and RMB2,580 million respectively.

As at 30 June 2023, the Group's net balance of cash and cash equivalents and wealth management products from other financial assets amounted to RMB28,982 million (31 December 2022: RMB28,908 million (restated)), representing an increase of 0.3% as compared to that as of the end of 2022.

In the first half of 2023, the financial return of cash and cash equivalents and the return on wealth management products from other financial assets amounted to RMB627 million, representing an increase of 60.8% as compared to RMB390 million in the first half of 2022.

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

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As of 30 June 2023, the Group has no future plans for material investments or capital assets.

Future capital expenditure planning: Capital expenditure in the China market will mainly focus on the development of smart factories and the improvement of employees' working environment. Capital expenditure in overseas markets will be centred on the advancement of the global supply chain, reconstruction of industrial parks, R&D of new products, and the construction of informatization in order to continuously enhance our overseas operation capability. The investment will be funded using the Company's own capital or by ways of external funds and debt financing.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES DURING THE REPORTING PERIOD

As of 30 June 2023, the Group did not hold any significant investments. The Group did not make any significant investments, material acquisitions or disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2023.

CAPITAL EXPENDITURE

The Company assesses its capital expenditure and investments in each business segment of the Group in China and the overseas home appliances and smart home businesses from time to time. The capital expenditure during the period was RMB3,728 million (the first half of 2022: RMB3,343 million), in which RMB1,796 million and RMB1,932 million were mainly used in China and overseas, respectively, and primarily for the construction of plant and equipment, property rental expenses and investments of information infrastructure, etc.

GEARING RATIO

As at 30 June 2023, the Group's gearing ratio (defined as total borrowings (including interest bearing borrowings and lease liabilities) divided by net assets of the Group) was 32.7% (31 December 2022: 31.5%), representing an increase of 1.2 percentage points mainly due to the utilization of more preferential loans under the beneficiary policies offered by the government during the reporting period.

TREASURY POLICIES

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

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

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

CAPITAL COMMITMENT

The Group's capital commitments contracted but not yet provided for amounted to RMB4,119 million as at 30 June 2023 (31 December 2022: RMB4,008 million), which were mainly related to the Group's domestic and overseas factory construction projects.

CHARGE OF ASSETS

As at 30 June 2023, certain of the Group's trade and bills receivables with a net carrying value of RMB180 million (31 December 2022: RMB80 million (restated)) were pledged to secure certain bank loans granted to the Group.

In addition, as at 30 June 2023, certain of the Group's bills payable were secured by the pledge of the Group's bank deposits amounting to RMB507 million (31 December 2022: RMB642 million) and the Group's bills receivable amounting to RMB8,130 million (31 December 2022: RMB8,715 million).

CONTINGENT LIABILITIES

As at 30 June 2023, the Group did not have any significant contingent liabilities.

RELATIONSHIP WITH EMPLOYEES AND REMUNERATION POLICY

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

The total number of employees of the Group increased by 0.1% to 109,691 as at 30 June 2023 from 109,586 as at 31 December 2022.

USE OF PROCEEDS FROM CONVERTIBLE BONDS AND PLACEMENT OF SHARES

On 18 December 2018, the Company issued A-Share convertible corporate bonds of approximately RMB3,007 million. After deducting issuing costs and other related expenses of approximately RMB23 million, the net proceeds from the issuance of the convertible bonds (the “**Net Proceeds**”) was approximately RMB2,984 million. As the A-Share convertible bonds in 2019 met the redemption conditions, the Directors of the Company decided to exercise the redemption right after consideration and approval, the Company redeemed the balance of the A-Share convertible bonds in full. After the redemption, the convertible bonds of the Company were delisted on 17 December 2019. As of 31 December 2022, the A-Share convertible bonds no longer exist, but the funds raised from the issuance of the bonds have not been fully utilized and the unutilised Net Proceeds of approximately RMB181 million have been permanently reallocated to the working capital of the Company. During the period, the remaining unutilized working capital of RMB181 million as at 31 December 2022 was fully utilized.

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

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

Detailed breakdown and description of the net proceeds utilized during the period ended 30 June 2023 are set out below:

	Actual net proceeds as at 1 January 2023	Amount of net proceeds utilized during the period ended 30 June 2023	Unutilized net proceeds as at 30 June 2023	Relevant projects
	HK\$'M	HK\$'M	HK\$'M	
Production capacity expansion of overseas industrial parks	741.17	726.26	14.91	Industry park project in Egypt
Investment in ESG (Environmental, Social, Governance) related areas	172.50	—	172.50	
Further digitalization of overseas industrial parks	115.00	—	115.00	
Overseas channel expansion and promotion	57.50	53.79	3.71	Middle East and Africa channel expansion project
	1,086.17	780.05	306.12	

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Repurchase of H-Shares

During the six months ended 30 June 2023, the Company repurchased certain of its ordinary H-Shares on The Stock Exchange of Hong Kong Limited and these shares were subsequently cancelled by the Company. The summary details of those transactions are as follows:

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

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

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

Repurchase of A-Shares

During the six months ended 30 June 2023, the Company repurchased certain of its ordinary A-Shares on the Shanghai Stock Exchange. The summary details of those transactions are as follows:

Months	Number of A-Shares repurchased	Price per share		Total price paid RMB'M
		Highest RMB	Lowest RMB	
January 2023	712,900	26.85	24.10	18.79
May 2023	17,572,600	22.50	21.20	387.69
June 2023	8,275,000	23.90	21.35	191.45
	26,560,500			597.93

The repurchases of the Company's A-Shares during the reporting period was effected by the Directors, pursuant to board resolutions passed on 30 March 2022 and 27 April 2023 regarding the repurchase of A-Shares. The A-Shares repurchased will be used in the Company's share incentive plans.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2023.

DIVIDENDS

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2023 (for the six months ended 30 June 2022: nil).

CORPORATE GOVERNANCE PRACTICES

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES OF THE LISTING RULES

The Company has complied with the code provisions of the Corporate Governance Code (the “**Code**”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) during the period from 1 January 2023 to 30 June 2023, except for the following deviation:

Chairman and Chief Executive Officer (“**CEO**”)

Under code provision C.2.1 of the Code, the roles of chairman and CEO should be separated and should not be performed by the same individual. Mr. LI Huagang (“**Mr. LI**”), an Executive Director, had served as the CEO of the Company since April 2019, and has concurrently served as the chairman of the Company since 28 June 2022.

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted a code of conduct for securities transactions by Directors and Supervisors on no less exacting terms than the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model code**”) as set out in Appendix 10 to the Listing Rules. Upon specific enquiry by the Company, all Directors and Supervisors of the Company had confirmed that they had complied with the required standard as set out in the Model Code throughout the period for the six months ended 30 June 2023.

CHANGES OF INFORMATION OF DIRECTORS, SUPERVISORS AND CEO UNDER RULE 13.51B(1) OF THE LISTING RULES

Below are the changes of information of Directors, Supervisors and CEO required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules during the reporting period and up to the date of this report.

Ms. Eva Li Kam Fun, a non-executive Director of the Company, has retired as the independent non-executive director of Nestle S.A, a publicly listed company on the SIX Swiss Exchange since April 2023.

AUDIT COMMITTEE

The Company has established an audit committee comprising two non-executive Directors and three independent non-executive Directors of the Company. The audit committee had reviewed, with no disagreement, with the management the accounting principles and practices adopted by the Group, and discussed financial reporting matters including the review of the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2023, and discussed with internal audit department on internal audit and controls, and risk management.

APPRECIATION

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

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

Qingdao, the PRC
30 August 2023

DISCLOSURE OF INTERESTS

INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CEO IN SHARES AND UNDERLYING SHARES

As at 30 June 2023, the interests and short positions of the Directors, Supervisors and CEO in the share capital and underlying shares (“**Share(s)**”) of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “**SFO**”), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions in shares of the Company:

Names	Positions	Class of Shares held	Number of Shares held	Nature of interest	Approximate percentage* of shareholding interest in the relevant class of Shares	Approximate percentage* of shareholding interest in the total share capital of the Company
Mr. LI Huagang	Chairman of the Board, Executive Director and CEO	A Share	814,245	Beneficial owner	0.0129%	0.0086%
		H Share	812,145	Beneficial owner	0.0284%	0.0086%
Mr. GONG Wei	Executive Director, Vice President and Chief Financial Officer	A Share	1,943,498	Beneficial owner	0.0308%	0.0206%
Ms. SHAO Xinzhi	Vice Chairman of the Board, Non-Executive Director	H Share	1,045,056	Beneficial owner	0.0366%	0.0111%
Mr. YU Hon To, David	Non-Executive Director	H Share	810,000	Beneficial owner	0.0283%	0.0086%
Ms. Eva LI Kam Fun	Non-Executive Director	H Share	355,200	Beneficial owner	0.0124%	0.0038%
Mr. LIU Dalin	Chairman of the Board of Supervisors	A Share	11,470	Beneficial owner	0.0002%	0.0001%
		H Share	21,355	Beneficial owner	0.0007%	0.0002%
Ms. MA Yingjie	Supervisor	A Share	7,045	Beneficial owner	0.0001%	0.0001%
Mr. Yu Miao	Supervisor	A Share	2,479	Beneficial owner	0.0000%	0.0000%

* The percentage is calculated on the basis that the share capital of the Company as at 30 June 2023 totalling 9,438,114,893 comprise 6,308,552,654 A Shares, 271,013,973 D Shares and 2,858,548,266 H Shares, representing approximately 66.84%, 2.87% and 30.29% of the total share capital of the Company, respectively.

INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CEO IN SHARES AND UNDERLYING SHARES (continued)

Long positions in shares of the Company: (continued)

Apart from above, the following Directors, Supervisors and CEO are also the grantees of the A Share ESOP and H Share ESOP of the Company:

Names	Positions	Class of Shares	Number of outstanding shares of ESOP (Year of granted)	Approximate percentage* of shareholding interest in the relevant class of Shares	Approximate percentage* of shareholding interest in the total share capital of the Company
Mr. LI Huagang	Chairman of the Board, Executive Director and CEO	A Share	87,300 (2021)	0.0014%	0.0009%
			173,306 (2022)	0.0027%	0.0018%
		H Share	100,320 (2021)	0.0035%	0.0011%
			194,347 (2022)	0.0068%	0.0021%
		59,300 (vested)	0.0021%	0.0006%	
Mr. GONG Wei	Executive Director, Vice President and Chief Financial Officer	A Share	53,553 (2021)	0.0008%	0.0006%
			93,061 (2022)	0.0015%	0.0010%
		H Share	62,213 (2021)	0.0022%	0.0007%
			104,359 (2022)	0.0037%	0.0011%
		36,627 (vested)	0.0013%	0.0004%	
Mr. LIU Dalin	Chairman of the Board of Supervisors	A Share	19,936 (2021)	0.0003%	0.0002%
			41,404 (2022)	0.0007%	0.0004%
Ms. MA Yingjie	Supervisor	A Share	4,745 (2021)	0.0001%	0.0001%
			8,675 (2022)	0.0001%	0.0001%
Mr. YU Miao	Supervisor	A Share	3,746 (2021)	0.0001%	0.0000%
			6,704 (2022)	0.0001%	0.0001%

* The percentage is calculated on the basis that the share capital of the Company as at 30 June 2023 totalling 9,438,114,893 comprise 6,308,552,654 A Shares, 271,013,973 D Shares and 2,858,548,266 H Shares, representing approximately 66.84%, 2.87% and 30.29% of the total share capital of the Company, respectively.

INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CEO IN SHARES AND UNDERLYING SHARES (continued)

Long positions in shares of the Company: (continued)

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

Name	Positions	Amount contributed (In HK\$ million)	Relevant number of placing H shares	Approximate percentage* of shareholding interest in the relevant class of Shares	Approximate percentage* of shareholding interest in the total share capital of the Company
Mr. LI Huagang	Chairman of the Board, Executive Director and CEO	18.35	655,305	0.0229%	0.0069%
Mr. GONG Wei	Executive Director, Vice President and Chief Financial Officer	9.17	327,652	0.0115%	0.0035%
Ms. SHAO Xinzhi	Non-Executive Director	11.01	393,183	0.0138%	0.0042%
Mr. LIU Dalin	Supervisor	4.89	174,629	0.0061%	0.0019%

* The percentage is calculated on the basis that the share capital of the Company as at 30 June 2023 totalling 9,438,114,893 comprise 6,308,552,654 A Shares, 271,013,973 D Shares and 2,858,548,266 H Shares, representing approximately 66.84%, 2.87% and 30.29% of the total share capital of the Company, respectively.

INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CEO IN SHARES AND UNDERLYING SHARES (continued)

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

Names	Positions	Class of Shares	Number of share options granted and not yet exercised	Approximate percentage* of shareholding interest in the relevant class of Shares upon exercise of share options	Approximate percentage* of shareholding interest in the total share capital of the Company upon exercise of share options
Mr. LI Huagang	Chairman of the Board, Executive Director and CEO	A Share	731,152	0.0116%	0.0077%
Mr. GONG Wei	Executive Director, Vice President and Chief Financial Officer	A Share	365,576	0.0058%	0.0039%

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

* The percentage is calculated on the basis that the share capital of the Company as at 30 June 2023 totalling 9,438,114,893 comprise 6,308,552,654 A Shares, 271,013,973 D Shares and 2,858,548,266 H Shares, representing approximately 66.84%, 2.87% and 30.29% of the total share capital of the Company, respectively.

Save as disclosed above, as at 30 June 2023, none of the Directors, Supervisors and CEO had any interests or short positions in the shares or underlying shares of the Company or its associated corporation (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2023, 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 held	Number of Shares 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	2,637,339,206	Beneficial owner Interest in controlled corporation Interest through voting rights entrustment arrangement	41.81%	27.94%
	H Share	538,560,000	Interest in controlled corporation	18.84%	5.71%
	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%	13.34%
HCH (HK) Investment Management Co., Limited ^{Note 3}	H Share	538,560,000	Beneficial owner	18.84%	5.71%
Haier International Co., Limited ^{Note 4}	D Share	58,135,194	Beneficial owner	21.45%	0.62%
Other H Class Shareholders ^{Note 5}					
Other D Class Shareholders ^{Note 6}					

* The percentage is calculated on the basis that the share capital of the Company as at 30 June 2023 totalling 9,438,114,893 comprise 6,308,552,654 A Shares, 271,013,973 D Shares and 2,858,548,266 H Shares, representing approximately 66.84%, 2.87% and 30.29% 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) 133,791,058 A Shares through Qingdao Haichuangzhi Management Consulting Enterprise (Limited Partnership), a party acting in concert with Haier Group Corporation.
2. Haier Group Corporation holds 51.20% of the issued shares in Haier COSMO Co. Ltd. (海爾卡奧斯股份有限公司) (formerly Haier Electric Appliances International Co., Ltd.), and is also entitled to exercise the remaining 48.80% voting rights in Haier COSMO Co., Ltd. through an irrevocable voting rights entrustment arrangement.
3. HCH (HK) Investment Management Co., Limited ("HCH (HK)") holds 538,560,000 H Shares. Haier Group Corporation controls 100% voting rights in HCH (HK), thus is deemed to be interested in the 538,560,000 H Shares held by HCH (HK).
4. Haier International Co., Limited is a wholly-owned subsidiary of Haier Group Corporation. Therefore, Haier Group Corporation is deemed to be interested in the 58,135,194 D Shares held by Haier International Co., Limited.
5. JPMorgan Chase & Co. held 270,363,900 H Shares, representing approximately 9.46% of the total number of H Shares. BlackRock, Inc. held 155,573,017 H Shares, representing approximately 5.44% 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.

Short positions and Lending pools:

JPMorgan Chase & Co. had a short position of 19,290,625 H Shares, representing approximately 0.67% of the total number of H Shares; and had a lending pool of 39,515,908 H Shares, representing approximately 1.38% of the total number of H Shares. BlackRock, Inc. had a short position of 1,272,200 H Shares, representing approximately 0.04% of the total number of H Shares.

Save as disclosed above, as at 30 June 2023, no person, other than the Directors of the Company, whose interests are set out in the section "Interests and short positions of Directors, Supervisors and CEO 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.

SHARE AWARD SCHEMES

Introduction of the new phase of A-Share and H-Share ESOPs, and H-Share 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 (“**2020 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 scheme shares for A Share and H Share ESOPs and RSU Scheme are funded by existing shares of the Company.

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. There is no consideration to be paid by the participants for the shares awarded under the A Share and H Share ESOP and RSU Scheme, which aligns with the purpose of the share aware scheme to attract and retain the services of directors and employees.

Pursuant to the authorisation sought at the 2020 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. Also, the Board or its delegatee may, from time to time, select any eligible person to be a selected participant in accordance with the RSU Scheme Rules.

A Share ESOP and H Share ESOP

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

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

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

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

During the period, in order to improve the corporate governance mechanism, create value for shareholders and promote the full implementation of the Company's IoT smart home brand strategy, with the authorization at the 2022 AGM of the Company, the Company introduced the H Share Core Employee Stock Ownership Plan (2023) and the A Share Core Employees Ownership Plan (2023) upon the approval at the 5th Meeting of the 11th session of the Board of Directors of the Company convened on 27 April 2023.

A Share ESOP (2021)

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

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

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

The A Share ESOP (2021) participants include 14 persons of the directors, supervisors and other senior management members, and 1,585 core technical (business) employees with a total holding of RMB707 million.

A Share ESOP (2022)

There should be no more than 2,250 employees participating in the 2022 ESOP. The total amount of funds used to participate in the 2022 ESOP was RMB680 million. There are 11 persons including directors, supervisors and senior officers, with a total share of RMB21.96 million, accounting for 3.2% of the 2022 ESOP. There are 2,239 core technical (business) personnel of the Company and its subsidiaries, with a total share of RMB658.04 million, accounting for 96.8% of the 2022 ESOP.

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

On 21 July 2022, 26,814,055 Shares (average purchase cost was RMB25.33 per share) held in the “repurchase special account of Haier Smart Home Co., Ltd.” were transferred to the designated account of “Haier Smart Home Co., Ltd. — A Share Core Employee Stock Ownership Plan (2022)” through non-trading transfer. The lock-up period is from 22 July 2022 to 21 July 2023.

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

Share Schemes

The following table discloses movements in the A Share ESOPs during the period:

Name or category of Participants	On 1 January 2023	Granted during the period	Vested during the period (Note)	Cancelled during the period	Lapsed during the period	On 30 June 2023	Date of grant of A Share ESOP	Vesting period for A Share ESOP
Directors								
Mr. LI Huagang	87,300	—	—	—	—	87,300	30/07/2021	30/07/2021-30/07/2023
	173,306	—	—	—	—	173,306	10/08/2022	10/08/2022-30/07/2024
	260,606	—	—	—	—	260,606		
Mr. GONG Wei	53,553	—	—	—	—	53,553	30/07/2021	30/07/2021-30/07/2023
	93,061	—	—	—	—	93,061	10/08/2022	10/08/2022-30/07/2024
	146,614	—	—	—	—	146,614		
Subtotal	407,220	—	—	—	—	407,220		
Supervisors								
Mr. LIU Dalin	19,936	—	—	—	—	19,936	30/07/2021	30/07/2021-30/07/2023
	41,404	—	—	—	—	41,404	10/08/2022	10/08/2022-30/07/2024
	61,340	—	—	—	—	61,340		
Ms. MA Yingjie	4,745	—	—	—	—	4,745	30/07/2021	30/07/2021-30/07/2023
	8,675	—	—	—	—	8,675	10/08/2022	10/08/2022-30/07/2024
	13,420	—	—	—	—	13,420		
Mr. YU Miao	3,746	—	—	—	—	3,746	30/07/2021	30/07/2021-30/07/2023
	6,704	—	—	—	—	6,704	10/08/2022	10/08/2022-30/07/2024
	10,450	—	—	—	—	10,450		
Subtotal	85,210	—	—	—	—	85,210		
Other employees								
In aggregate	17,654,447	—	—	—	—	17,654,447	30/07/2021	30/07/2021-30/07/2023
	26,490,905	—	—	—	—	26,490,905	10/08/2022	10/08/2022-30/07/2024
	44,145,352	—	—	—	—	44,145,352		
Total	44,637,782	—	—	—	—	44,637,782		

The granting mandate of each of the A Share ESOPs is only valid and effective for that particular year, and therefore there is no remaining life for such A Share ESOPs as at the date of this interim report. As at 30 June 2023, the number of share awards available for grant under the A Share ESOPs (2021 & 2022) was nil.

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

Notes:

1. The assessment criteria under the A Share ESOP and H Share ESOP (2021) (“**2021 ESOP**”) are as follows:

The assessment criteria and vesting conditions for participants under the 2021 ESOP who are the Chairman, President and corporate platform staff of the Company are as follows: (1) If the ESOP Management Committee assesses that such participants have achieved the target results for 2021 and the growth of the Company’s audited net profit attributable to the parent for 2021 exceeds 26% (including 26%) over the pro forma net profit attributable to the parent for 2020 (excluding the one-off gain on disposal of 54.40% equity interest in Haier COSMO IOT Ecosystem Technology Co., Ltd. (海爾卡奧斯物聯生態科技有限公司) (hereinafter referred to as “**COSMOPlat**”), 40% of the interests of the underlying shares in the 2021 ESOP shall be vested to the participants in full; if the growth rate is between 20.8% (including 20.8%) and 26%, the ESOP Management Committee will determine the percentage of vesting and report to the Remuneration and Assessment Committee of the Board of Directors for approval before vesting; if the growth is less than 20.8% (excluding 20.8%), the corresponding portion of the 2021 assessment will not vest. (2) If the ESOP Management Committee assesses that such participants have achieved the target results for 2022 and the compound annual growth rate of the Company’s audited net profit attributable to the parent for 2022 exceeds 18% (including 18%) over the pro forma net profit attributable to the parent for 2020 (excluding the one-off gain on disposal of 54.40% equity interest in COSMOPlat), 60% of their interests of the underlying shares in the 2021 ESOP for such period shall vest to the participants in full; if the compound annual growth rate is between 14.4% (including 14.4%) and 18%, the ESOP Management Committee will determine the percentage of vesting and report to the Remuneration and Assessment Committee of the Board of Directors for approval before vesting; if the growth is less than 14.4% (excluding 14.4%), the corresponding portion of the 2022 assessment will not vest.

Other than the aforementioned participants, the passing rate of the ESOP Participants shall be determined by the ESOP Management Committee and the vesting could be 40% and 60% for 2021 and 2022, respectively.

2. The assessment criteria under the A Share and H Share ESOP (2022) (“**2022 ESOP**”) are as follows:

- a. Where the participants under the 2022 ESOP are the Chairman, President and corporate platform staff of the Company, the assessment indicators and vesting conditions shall be as follows: If the results of the Management Committee’s assessment of such participants in 2022 are up to the standard, and the audited net profit attributable to the parent company of the Company in 2022 is increased by more than 15% (inclusive) compared with the pro forma net profit attributable to parent company in 2021, 40% of the interests of the underlying shares in the 2022 ESOP shall be vested to the participants. If the said net profit is increased by 12% (inclusive) to 15%, vesting shall be made after the proportion of vesting is determined by the Management Committee and submitted to the Remuneration and Assessment Committee for approval; if the said net profit is increased by less than 12% (exclusive), the corresponding part of assessment in 2022 will not be vested. If the results of the Management Committee’s assessment of such participants in 2023 are up to the standard, and the audited net profit attributable to the parent company of the Company in 2023 is increased by more than 15% (inclusive) compared with the pro forma net profit attributable to parent company in 2021 on a CAGR basis, 60% of the interests of the underlying shares under the 2022 ESOP shall be vested to the participants. If the said net profit is increased by 12% (inclusive) to 15% on a CAGR basis, vesting shall be made after the proportion of vesting is determined by the Management Committee and submitted to the Remuneration and Assessment Committee for approval; if the said net profit is increased by less than 12% (exclusive), the corresponding part of assessment in 2023 will not be vested. The “net profit attributable to the parent company”: (1) the net profit attributable to the parent company during the 2021 represents audit data for 2021 Audit Report, amounting to RMB13.067 billion; (2) the other net profit attributable to the parent company during the 2022 and 2023 represents audited net profit attributable to the parent company after excluding the one-off impact on profit or loss arising from any material asset disposal/acquisition (if any) for the year. (In this regard, with reference to relevant requirements in the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange and the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, material asset disposals and acquisitions are defined as: (1) material asset disposals and acquisitions with an individual transaction amount representing over 5% (inclusive) of the latest audited net asset attributable to the parent company of the listed company, or (2) individual transaction with asset creating a net profit or net profit of acquisition target representing over 5% of the latest audited net profit attributable to the parent company of the listed company.)
- b. Where the participants under the 2022 ESOP are the persons other than those mentioned in item a above, 40% and 60% of the interests of the underlying shares under the 2022 ESOP shall be vested respectively if the results of the Management Committee’s assessment in 2022 and 2023 are up to the standard.

H Share ESOP (2021)

The total amount of funds 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.

Upon the vesting of the H Shares, the vested H Shares will be sold by the asset management company on due course for the cash settlement to the participants.

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.

H Share ESOP (2022)

Participants of the 2022 ESOP include the directors (except for independent directors) and senior officers of the Company, and core technical (business) personnel of the Company and its subsidiaries, totaling 33 persons. The total amount of funds to be used to participate in the 2022 ESOP was RMB60 million. There are 8 persons including directors, and senior officers, with a total share of RMB20.53 million, accounting for 34.2% of the 2022 ESOP. There are 25 other core management personnel of the Company, with a total share of RMB39.47 million, accounting for 65.8% of the 2022 ESOP.

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

The Company entrusted an asset management company to purchase a total of 2,653,200 H Shares of the Company in the secondary market through the Hong Kong Stock Connect, with an average transaction price of HKD25.663 per share and a transaction amount of approximately HK\$68 million.

After the end of the lock-up period, the participants of the 2022 ESOP shall be appraised according to the performance appraisal system of the Company. The appraisal period is two years, and upon the appraisal, 40% and 60% of the shares of the plan shall be vested to the participants in two phases.

The specific vesting time shall be determined by the Management Committee upon the expiration of the lock-up period. Upon the vesting of the H Shares, the vested H Shares will be sold by the asset management company on due course for the cash settlement to the participants.

The following table discloses movements in the H Share ESOPs during the period:

Name or category of Participants	On 1 January 2023	Granted during the period	Vested during the period (Note)	Cancelled during the period	Lapsed during the period	On 30 June 2023	Date of grant of H Share ESOP	Vesting period for H Share ESOP
Directors								
Mr. LI Huagang	100,320	—	—	—	—	100,320	30/07/2021	30/07/2021–30/07/2023
	194,347	—	—	—	—	194,347	10/08/2022	10/08/2022–30/07/2024
	294,667	—	—	—	—	294,667		
Mr. GONG Wei	62,213	—	—	—	—	62,213	30/07/2021	30/07/2021–30/07/2023
	104,359	—	—	—	—	104,359	10/08/2022	10/08/2022–30/07/2024
	166,572	—	—	—	—	166,572		
Subtotal	461,239	—	—	—	—	461,239		
Other employees								
In aggregate	2,302,118	—	—	—	—	2,302,118	30/07/2021	30/07/2021–30/07/2023
	2,354,494	—	—	—	—	2,354,494	10/08/2022	10/08/2022–30/07/2024
	4,656,612	—	—	—	—	4,656,612		
Total	5,117,851	—	—	—	—	5,117,851		

The granting mandate of each of the H Share ESOPs is only valid and effective for that particular year, and therefore there is no remaining life for such H Share ESOPs as at the date of this interim report. As at 30 June 2023, the number of share awards available for grant under the H Share ESOPs (2021 & 2022) was nil.

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

Note:

The assessment criteria for H Share ESOP are the same as for A Share ESOP. Refer to the note to the table disclosing movements in the A Share ESOPs above.

H Share Restricted Share Unit Scheme (2021, 2022 and 2023)

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 an average price of HK\$27.32 and a total transaction amount of approximately HK\$124 million.

In year 2021, a total of 4,438,027 H Share RSU of the Company were granted to and accepted by 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.

Pursuant to the arrangement of the H Share Restricted Share Unit Scheme (2022), the Company entrusted an independent trust agency to purchase a total of 5,783,600 H Shares of the Company in the secondary market, with an average price of HK\$26.63 and a total transaction amount of approximately HK\$154 million.

During the year 2022, a total of 5,636,959 H Share RSU of the Company were granted to and accepted by 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.

Pursuant to the arrangement of the H Share Restricted Share Unit Scheme (2023), the Company entrusted an independent trust agency to purchase a total of 5,456,000 H Shares of the Company in the secondary market, with an average price of HK\$23.70 and a total transaction amount of approximately HK\$129 million.

During the reporting period, a total of 6,139,263 H Share RSU of the Company were granted to and accepted by staff members of the Company (who are not directors, chief executive and supervisors of the Company) who play an important role in the overall performance and development of the Company.

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

Name or category of Participants	Number of H Share RSU					On 30 June 2023	Date of grant of RSU	Vesting period for RSU
	On 1 January 2023	Granted during the period	Vested during the period	Cancelled during the period	Lapsed during the period			
Non-director employees								
In aggregate	3,403,023	—	—	—	—	3,403,023	30/7/2021, 1/9/2021, 15/12/2021	30/7/2021–1/8/2024, 1/9/2021–1/8/2024, 15/12/2021–1/8/2024
In aggregate	62,266	—	—	—	—	62,266	25/5/2022	25/5/2022–1/8/2024
In aggregate	5,300,586	—	—	—	—	5,300,586	23/6/2022, 9/9/2022	23/6/2022–1/7/2025, 9/9/2022–1/7/2025
In aggregate	—	6,139,263	—	—	—	6,139,263	23/06/2023	23/6/2023–1/7/2026
	8,765,875	6,139,263	—	—	—	14,905,138		

The fair value of the RSU granted on 23 June 2023 was RMB131 million.

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

A-SHARE OPTION SCHEME

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

The total number shares of the Company to be granted under the A Share Option Incentive schemes within the validity period to any participants will not exceed 1% of the total number of shares of the Company. The total underlying shares of the Company involved under fully effective share option incentive schemes shall not exceed 10% of the total number of shares of the Company as at the date of the proposal of the incentive scheme at the shareholders' meetings for approval. The source of the scheme share for A Share Option Incentive Scheme are from the issuance of new shares.

2021 A Share Option Incentive Scheme

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

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

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

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

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

2022 A Share Option Incentive Scheme

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

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

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

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

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

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

Name or category of Participants	Number of A-Share options						Date of grant of share options (note 1)	Exercise period of share options	Exercise price of share options per share (note 2) RMB
	On 1 January 2023	Granted during the period	Exercised during the period	Cancelled during the period (note 3)	Lapsed during the period	On 30 June 2023			
Executive directors									
Mr. Li Huagang	913,900	—	—	182,748	—	731,152	15/09/2021	15/09/2022 to 15/09/2027	25.63
Mr. GONG Wei	457,000	—	—	91,424	—	365,576	15/09/2021	15/09/2022 to 15/09/2027	25.63
Other employees									
In aggregate	44,629,100	—	—	8,772,880	764,740	35,091,480	15/09/2021	15/09/2022 to 15/09/2027	25.63
In aggregate	4,525,214	—	—	736,257	843,930	2,945,027	15/12/2021	15/12/2022 to 15/12/2027	25.63
In aggregate	104,756,896	—	—	25,607,303	2,327,684	76,821,909	28/06/2022	28/06/2023 to 28/06/2027	23.86
	155,282,110	—	—	35,390,612	3,936,354	115,955,144			

Share Schemes

There is no consideration payable on application or acceptance of the share options by the participants under the A Share option scheme. The granting mandate of each of the A Share option schemes is only valid and effective for that particular year, and therefore there is no remaining life for such A Share option schemes as at the date of this interim report. As at 1 January 2023 and 30 June 2023, the number of share options available for grant under the A Share option schemes was nil.

Exercise arrangement for the share options granted in 2021:

Exercise arrangement	Vesting periods	Proportion of exercisable share options to granted share options	Exercise periods	Performance appraisal target
1st exercise	From the date of grant to the expiry of 12 months from the date of grant	20%	From the first trading day upon the expiry of 12 months from the date of grant to the last trading day upon the expiry of 24 months from the date of grant	The growth rate of the Company's net profit attributable to the parent company in 2021 over adjusted net profit attributable to the parent company in 2020 reaches or exceeds 30%
2nd exercise	From the date of grant to the expiry of 24 months from the date of grant	20%	From the first trading day upon the expiry of 24 months from the date of grant to the last trading day upon the expiry of 36 months from the date of grant	The growth rate of the Company's net profit attributable to the parent company in 2022 over net profit attributable to the parent company in 2021 reaches or exceeds 15%
3rd exercise	From the date of grant to the expiry of 36 months from the date of grant	20%	From the first trading day upon the expiry of 36 months from the date of grant to the last trading day upon the expiry of 48 months from the date of grant	The compound annual growth rate of the Company's net profit attributable to the parent company in 2023 over net profit attributable to the parent company in 2021 reaches or exceeds 15%
4th exercise	From the date of grant to the expiry of 48 months from the date of grant	20%	From the first trading day upon the expiry of 48 months from the date of grant to the last trading day upon the expiry of 60 months from the date of grant	The compound annual growth rate of the Company's net profit attributable to the parent company in 2024 over net profit attributable to the parent company in 2021 reaches or exceeds 15%
5th exercise	From the date of grant to the expiry of 60 months from the date of grant	20%	From the first trading day upon the expiry of 60 months from the date of grant to the last trading day upon the expiry of 72 months from the date of grant	The compound annual growth rate of the Company's net profit attributable to the parent company in 2025 over net profit attributable to the parent company in 2021 reaches or exceeds 15%

Exercise arrangement for the share options granted in 2022:

Exercise arrangement	Vesting periods	Proportion of exercisable share options to granted share options	Exercise periods	Performance appraisal target
1st exercise	From the date of grant to the expiry of 12 months from the date of grant	25%	From the first trading day upon the expiry of 12 months from the date of grant to the last trading day upon the expiry of 24 months from the date of grant	The growth rate of the Company's net profit attributable to the parent company in 2022 over net profit attributable to the parent company in 2021 reaches or exceeds 15%
2nd exercise	From the date of grant to the expiry of 24 months from the date of grant	25%	From the first trading day upon the expiry of 24 months from the date of grant to the last trading day upon the expiry of 36 months from the date of grant	The compound annual growth rate of the Company's net profit attributable to the parent company in 2023 over net profit attributable to the parent company in 2021 reaches or exceeds 15%
3rd exercise	From the date of grant to the expiry of 36 months from the date of grant	25%	From the first trading day upon the expiry of 36 months from the date of grant to the last trading day upon the expiry of 48 months from the date of grant	The compound annual growth rate of the Company's net profit attributable to the parent company in 2024 over net profit attributable to the parent company in 2021 reaches or exceeds 15%
4th exercise	From the date of grant to the expiry of 48 months from the date of grant	25%	From the first trading day upon the expiry of 48 months from the date of grant to the last trading day upon the expiry of 60 months from the date of grant	The compound annual growth rate of the Company's net profit attributable to the parent company in 2025 over net profit attributable to the parent company in 2021 reaches or exceeds 15%

Notes:

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

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

- The exercise price of the share options granted is not lower than the carrying amount of the shares, nor lower than the higher of the followings: (1) the average trading price of the A Shares on the trading day preceding the announcement of the A Share Option Incentive Scheme, and (2) the average trading price of the A Shares for the last 20 trading days preceding the announcement of the A Share Option Incentive Scheme. The number and exercise price of the share options is subject to adjustment(s) in the event of any distribution of dividends, capitalisation issue, bonus issue, sub-division or consolidation of shares and rights issue in accordance with the provisions of the A Share Option Incentive Scheme.
- All the options forfeited before expiry of the relevant schemes will be treated as lapsed options which will not be added back to the number of shares available to be issued under the relevant schemes. The exercise price of the cancelled share options is RMB25.63.

Share Schemes

The number of A shares that may be issued in respect of A Share options granted under all schemes of the Company during the six months ended 30 June 2023 represented 0% of the weighted average number of shares of the A Shares in issue during the period.

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