

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



2025 ANNUAL REPORT

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CORPORATE PROFILE

Haier Smart Home is the world's largest home appliance company and a global leader in smart home solutions. Its portfolio spans refrigerators, washing machines, air conditioners, kitchen appliances and water heaters, complemented by HVAC, smart building and water solutions, all integrated through its smart home platform.

Operating localised R&D, manufacturing and commercial capabilities in more than 30 countries, the Company's portfolio of brands — Haier, Casarte, Leader, GE Appliances, Candy, Fisher & Paykel and AQUA — serves consumers across the full price spectrum in over 160 countries and regions. This 'global enablement, local execution' model underpins the Company's competitive position in every market it serves.

The Company is committed to evolving from a global appliance leader into a user-centric, platform-based smart home ecosystem company, with premium positioning, global reach, digital capabilities and AI-driven product innovation as its core strategic pillars.

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 17 consecutive years. 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 18 and 17 consecutive years respectively.



CORPORATE INFORMATION



BOARD OF DIRECTORS

Executive Directors

Mr. LI Huagang (*Chairman and Chief Executive Officer*)
Mr. Kevin Nolan (*appointed on 28 May 2025*)

Non-executive Directors

Mr. GONG Wei (*Vice Chairman*)
Mr. YU Hon To, David
Mr. CHIEN Da-chun
Mr. LI Shaohua (*appointed on 28 May 2025*)
Ms. SHAO Xinzhi (*Vice Chairman*)
(*retired on 28 May 2025*)
Ms. Eva LI Kam Fun (*retired on 28 May 2025*)

Independent Non-executive Directors

Mr. WONG Hak Kun
Mr. LI Shipeng
Mr. WU Qi
Mr. WANG Hua (*appointed on 28 May 2025*)

Employee Representative Director

Ms. SUN Danfeng (*appointed on 28 May 2025*)

BOARD SECRETARY

Ms. LIU Xiaomei

PRINCIPAL BOARD COMMITTEES

Audit Committee

Mr. WONG Hak Kun (*Committee Chairman*)
Mr. YU Hon To, David
Mr. WU Qi
Mr. LI Shaohua (*appointed on 28 May 2025*)
Mr. WANG Hua (*appointed on 28 May 2025*)
Ms. SHAO Xinzhi (*retired on 28 May 2025*)
Mr. CHIEN Da-chun (*retired on 28 May 2025*)

Remuneration and Assessment Committee

Mr. WU Qi (*Committee Chairman*)
(*appointed on 28 May 2025*)
Mr. LI Shipeng
Mr. WANG Hua (*appointed on 28 May 2025*)
Mr. CHIEN Da-chun (*retired on 28 May 2025*)
Mr. LI Huagang (*retired on 28 May 2025*)

Nomination Committee

Mr. LI Shipeng (*Committee Chairman*)
Mr. WU Qi
Mr. WONG Hak Kun (*appointed on 28 May 2025*)
Ms. SUN Danfeng (*appointed on 28 May 2025*)
Mr. LI Huagang (*retired on 28 May 2025*)

Corporate Information

Strategy Committee

Mr. LI Huagang (*Committee Chairman*)
Mr. Kevin Nolan (*appointed on 28 May 2025*)
Mr. GONG Wei
Mr. CHIEN Da-chun (*appointed on 28 May 2025*)
Mr. LI Shipeng
Mr. WU Qi
Mr. WANG Hua (*appointed on 28 May 2025*)

Environmental, Social and Governance Committee

Mr. CHIEN Da-chun (*Committee Chairman*)
Mr. GONG Wei
Mr. LI Shaohua (*appointed on 28 May 2025*)
Mr. WU Qi (*appointed on 28 May 2025*)
Ms. Eva LI Kam Fun (*retired on 28 May 2025*)

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 1908, 19/F Harbour Centre
25 Harbour Road, Wanchai
Hong Kong

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H-SHARE REGISTRAR

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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: 6690

WEBSITE

<http://smart-home.haier.com>

LETTER TO SHAREHOLDERS

LETTER TO SHAREHOLDERS

**Consumer First. Embracing Change.
Forging a Sustainable Future.**

— Letter to Shareholders

Dear Shareholders,

As I reflect on 2025, it stands out as one of the most challenging business environments in our company's history — and one in which Haier Smart Home proved its resilience. Shifting trade policies and rising protectionism disrupted supply chains and made overseas markets harder to navigate, while regional conflicts added further uncertainty. On the demand side, high interest rates and cost pressures weighed on U.S. consumption, European recovery remained sluggish, and in China, a soft property market and fading appliance subsidies put downward pressure on demand and pricing.





We delivered solid results with meaningful progress in 2025, driven by the contributions of 130,000 employees across our global operations. In North America, a challenging trade environment pressured operating performance. Across our other markets, however, we gained share, strengthened our competitive position — even after absorbing significant disruption costs.

Record Revenue and Earnings in 2025

In 2025, Haier Smart Home's global revenue surpassed RMB300 billion for the first time, reaching RMB302.33 billion, an increase of 5.71% year-on-year. Net profit attributable to shareholders of the parent company reached RMB19.55 billion, up 4.39% year-on-year.

Net cash generated from operating activities in 2025 amounted to RMB26.00 billion, equivalent to 1.33 times net profit.

In China, our leadership in core categories held firm: we held offline market shares of 47.7% (GfK) in refrigerators, 47.4% (GfK) in washing machines, and 32.5% in water heaters. Air conditioning performed strongly, with online market share rising 0.6 percentage points and offline share rising 1.8 percentage points, and domestic revenue growing at a double-digit rate.



We continued to transform our distribution and supply chain model — connecting dealers directly to retail outlets, delivering service directly to consumers, and rolling out a centralized distribution model that now accounts for 57% of total shipments. These initiatives shortened the path from factory to consumer, with domestic inventory turnover improving year-on-year.

Turning to our international business — which I see as the long-term growth engine of this company — our goal is to bring Haier into every home, everywhere. We invest in global platforms for R&D and market operations to strengthen local competitiveness and deliver exceptional products and reliable service at every touchpoint.

In the United States, we maintained the #1 industry position for the fourth consecutive year. Against a declining market, our premium brand delivered 7% revenue growth. The Air & Water Solutions sector delivered double-digit revenue growth, emerging as a meaningful contributor.

In Europe, we streamlined regional management layers to bring headquarters and local teams into direct alignment, operating side by side with shared objectives and enabling faster market response. In 2025, white goods revenue grew at a double-digit rate, average selling prices improved by more than 10%, and profitability rose substantially.

Letter to Shareholders

In South Asia, unfavorable weather conditions held back air conditioning demand. Nonetheless, we grew revenue by 15% — among the fastest-growing brands in the market — by strengthening our brand presence, introducing premium products such as large-drum washing machines, and accelerating penetration into chain retail channels. In Pakistan, revenue grew over 30%, with our market share in refrigerators, washing machines, and air conditioners exceeding 40%.

In Southeast Asia, we launched bestselling products from our China portfolio — including the L+ washing machine, the Mailang refrigerator, and the AI Voice air conditioner — and expanded our retail footprint through integrated online-offline channels. We achieved the #1 white goods sales position across key markets such as Vietnam and Thailand.



We enter new categories and markets through disciplined acquisitions — but closing a deal is only the beginning. Our cross-border M&A experience and global operating platform enable acquired businesses to ramp quickly. Carrier Commercial Refrigeration (CCR), in its first full operating year, had to transition off shared services (TSA), build standalone capabilities, and overhaul operations simultaneously. Through our RenDanHeYi approach, CCR achieved double-digit revenue growth, with 16% growth in Asia-Pacific, well ahead of the industry. Kwikot, our South African water heater business, also completed its first full year, delivering 10% profit growth versus pre-acquisition levels and a pre-tax margin of 12%, while expanding into solar water heaters, water purifiers, and air conditioners. These results reinforce my conviction that disciplined M&A will remain a key lever for growth.



Letter to Shareholders

Co-Creating with Consumers, Redefining Value

Looking ahead, the global trade landscape has fundamentally changed. Evolving trade policies are making it harder to optimize supply chains for efficiency, and geopolitical uncertainty is prompting companies to prioritize supply chain resilience. These dynamics will weigh on returns on capital and drive consolidation, ultimately leading to a new market balance. I believe we are still in the middle-to-late stages of that adjustment. The number of global appliance players is shrinking, with some retreating to their home markets. At the same time, the industry is being reshaped by new technologies, and consumers favor innovation and technology-driven products. Over the long term, Haier Smart Home's global product innovation and operating platform provides durable competitive advantage, helping us earn the trust of more consumers worldwide.

The value our platform creates ultimately comes from one source: the consumer. We must turn them into co-creators, so that hit products that deliver exceptional value become the rule rather than the exception — earning lasting consumer preference — the best antidote to price wars and commoditization. Put simply: move up the value chain by exceeding consumer expectations, and build hit products while driving efficiency at every step.





A case in point is our Leader brand's *Effortless Wash* three-drum washing machine, which became an industry standout in 2025. As the world's first three-drum washer, it sold over 10,000 units within 48 minutes of launch and surpassed RMB100 million in retail sales within 16 hours, going on to sell over 300,000 units for the full year — the #1 single model in the industry. Within six months, it expanded from a single SKU into a full product family spanning a full range of laundry care needs. Behind this success was deep consumer participation: from design and structure to features — even the “Effortless Wash” name itself came from consumers. They were not observers but co-creators, and after launch, they became our most effective advocates.

Our *Mailang* refrigerator series followed the same playbook. As a warm-toned refrigerator, cumulative sales exceeded one million units, with the model holding the #1 position in the RMB8,000-and-above premium segment. The color palette, product name, and features were all shaped through co-creation with consumers. When consumers said they wanted a refrigerator that “just feels right,” we responded with warm tones. When they wanted a more inviting atmosphere for the beverage zone, we developed an illuminated shelf, with three ambient modes — Stage, Surprise, and Twilight.

In 2026, we will build a scalable, repeatable system for developing hit products — one that works across product lines and markets. It all starts with one thing: staying focused on what matters most — understanding what consumers need, developing products with single-minded focus, and refining every detail. In resource allocation, we concentrate our efforts on the highest-impact opportunities and remain disciplined about what we choose not to do. Organizationally, every function will align around a shared objective: from consumer insight to product definition, from R&D breakthroughs to market launch, every step serves one goal: the next hit product. Through a sustained cadence of hit products, we aim to shape how consumers perceive our brand.

Reshaping Our Organization, Embracing the AI Opportunity

Despite the headwinds, Haier's years of proven global operating experience and our shared platforms in R&D, supply chain, logistics, and service give me confidence that we can capture substantial growth ahead. I see three clear drivers: steady, high-quality growth in smart home appliances; rapid expansion and margin improvement in HVAC; and AI-driven opportunities to deepen consumer engagement and transform how we organize and operate.

Smart Home Appliances: Room to Grow Globally. Our smart home appliance business spans refrigerators, washing machines, kitchen appliances, and other white goods. Globally, we hold strong positions in the Americas, Australasia, and Europe, but our international market share still has room to grow compared with China, and profitability varies significantly across regions. The 2025 restructuring of our European operations has already delivered a significant improvement in operating efficiency. Australasia also presents substantial margin expansion potential. In South Asia, market conditions are exceptionally favorable: India has the potential to become our third-largest market after China and the U.S. Southeast Asia carries strong momentum. Product offerings there historically lagged our China portfolio by several generations, but the success of our Effortless three-drum washer shows that products from our China-led global R&D platform resonate strongly in emerging markets. Turning to the U.S., as supply chain adjustments progress, we expect the operating environment to improve gradually.

HVAC: From One-Quarter Toward One-Half of Company Revenue. In 2025, we consolidated our residential air conditioning, smart building, and water solutions businesses into a unified HVAC division. This was a strategic integration, not a simple reorganization. Externally, customers now deal with a single team and can access comprehensive solutions spanning air and water management for the entire home, rather than standalone products — deepening customer relationships and increasing revenue per customer. Internally, R&D, supply chain, and channel resources now serve unified objectives, and the overlapping investments that naturally arose from three separate businesses are being steadily consolidated.

Our HVAC business currently accounts for roughly one-quarter of Company revenue, a share we expect to grow to one-third or even close to half over time. This is a global opportunity: we see significant growth potential in Europe, South and Southeast Asia, and the Americas. In commercial applications, integrated cooling and heating solutions enable us to deliver greater value per customer. We will invest significantly in channels, technology, and the capabilities to deliver integrated solutions.

Artificial Intelligence: From Tools to Proactive Helpers. Haier Smart Home is committed to being an early mover in applied AI — not just to improve processes, but to rethink how our organization works from the ground up. On the consumer-facing side, traditional smart home connectivity models may be disrupted as AI-powered intelligent agents, combined with Haier's vast installed consumer base, create the potential for AI to serve as a home assistant. Imagine appliances that are no longer passive instruments but proactive partners — anticipating needs and creating an entirely new consumer experience.

In March 2025, we launched the Casarte Connoisseur suite featuring our proprietary "AI Vision" technology, spanning range hoods, ovens, refrigerators, and washing machines. The AI Vision is a multimodal cooking agent we developed in-house: it recognizes ingredients, maps the oven's interior, and plans the optimal cooking curve — effectively turning the oven into a culinary expert that can observe, think, and master precision cooking. I look forward to more AI-powered hardware innovations that elevate the smart home experience.

Over the past year, AI has also made our internal operations more efficient. Our R&D team built a digital engineering platform powered by AI — effectively giving every engineer a 24/7 specialist. For our 1.5HP wall-mounted air conditioner development, the testing and adjustment cycle was cut from 15 days to 7 days — a 54% improvement. Looking ahead, AI agent support can transform large organizations into lean, mission-driven teams — improving not only efficiency but also decision quality across customer service, marketing, and field operations.

Building for the Long Term

Sustainable growth requires more than strong financial results — it requires earning the trust of our communities, our planet, and our people. Haier has been named to Fortune's World's Most Admired Companies list for seven consecutive years — the only company in the home appliance sector from the Eurasia region to receive this recognition. Our MSCI ESG rating has been maintained at AA for two years running, the highest among domestic peers.

Carbon Neutrality and Green Supply Chain. In 2025, we formally established a Climate Change Committee chaired by the Company's most senior leadership and published the *Haier Smart Home Carbon Neutrality White Paper*, detailing our roadmap to carbon neutrality, including key initiatives and technology pathways. Haier Smart Home has committed to achieving operational carbon neutrality no later than 2050. Emission reduction targets for two subsidiaries — Qingdao Haier Special Freezer Co., Ltd. and Candy SpA — have been validated by the Science Based Targets initiative (SBTi). We have built an industry-leading "6-Green" supply chain framework, embedding sustainability across the full product lifecycle — from design and procurement through manufacturing, logistics, recycling, and service. This framework is helping reduce product carbon footprints and drive green transformation across our supply chain.

Where People Build, Grow, and Lead. In 2025, Haier Smart Home was named a Forbes Global Best Employer for the ninth year running. In the U.S., GE Appliances earned its fourth consecutive Best Place to Work recognition. In Europe, we received the UK Best Employer award for the third year in a row.

Our RenDanHeYi management philosophy exists for one purpose: to activate people. First, we activate the entrepreneurial spirit in our people — giving every young professional the courage to take on ambitious projects and every innovator a stage to test bold ideas. Second, we challenge our managers to reinvent themselves — because yesterday's experience can become today's burden, and past success can become tomorrow's trap. Only by starting from zero can we keep pace with change. Third, we push decision-making authority to the front lines — across every market and every function — because the people closest to the consumer know best what consumers need.

Letter to Shareholders

Shareholder Returns: Growing Together, Sharing Value

Alongside new highs in revenue and earnings in 2025, we continued to increase returns to shareholders. We raised the cash dividend payout ratio to 55%, an increase of 7 percentage points over 2024. Every increase in our payout reflects the value we place on long-term shareholder trust.

Looking ahead, we are committed to creating sustainable long-term value for shareholders. We have announced a three-year shareholder return plan for 2026–2028: a cash dividend payout ratio of no less than 58% for 2026, and no less than 60% for 2027 and 2028. This plan reflects our confidence in the road ahead and our deep respect for the commitment our shareholders have made.

I want to thank our 130,000 colleagues for what they achieved this year. And to every shareholder: thank you for your trust and your partnership. Though more than four decades have passed since Haier was founded in 1984, the entrepreneurial drive that defined our earliest days is very much alive. From our roots in Qingdao, together, we will keep building — taking Haier further into every corner of the world.

Challenges lie ahead, but our conviction has never been stronger.

Sincerely,

Li Huagang

Chairman of the Board of Directors

Haier Smart Home Co., Ltd.

Forward-Looking Statements

This letter contains forward-looking statements that reflect the Company's current expectations and assumptions regarding future events, including statements about anticipated revenue growth, margin expansion, market share trends, dividend payout ratios, strategic initiatives, and the expected impact of tariffs and supply chain developments. These statements are subject to risks and uncertainties that could cause actual results to differ materially, including changes in global economic conditions, trade policies, foreign exchange rates, competitive dynamics, regulatory developments, and consumer demand. The Company undertakes no obligation to update any forward-looking statement, whether as a result of new information, future events, or otherwise. Investors are cautioned not to place undue reliance on these statements.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

EXECUTIVE DIRECTORS

Mr. LI Huagang (“Mr. LI”), aged 56, has been an Executive Director of the Company since June 2019 and the Chief Executive Officer of the Company since April 2019. He has been appointed as the Chairman of the Board since 28 June 2022. Mr. Li graduated from Huazhong University of Science and Technology in Wuhan, the PRC in July 1991 with a Bachelor’s degree of Economics, and from China Europe International Business School in Shanghai, the PRC in January 2014 with a degree of Executive Master of Business Administration (EMBA).

Mr. LI joined Haier in 1991 and served as the sales head of the Marketing and Promotion Division of Haier (海爾商流本部銷售事業部長) and the general manager of China operations of the Company. From August 2017 to March 2019, he served as the chief executive officer of Haier Electronics Group Co., Ltd. (hereinafter referred to as “Haier Electronics”, a listed company of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”), stock code: 1169 which was privatized and delisted on 23 December 2020). Since March 2019, he has been appointed as an executive director of Haier Electronics. Mr. LI has extensive experience in the fields of corporate management, marketing, brand operation, and global business operation. Mr. LI currently serves as a director of various subsidiaries of the Group.

Mr. LI vigorously promoted the change of the Company’s marketing channels and Casarte’s high-end brand strategy, which led to the increase in revenue of Haier Smart Home’s online and offline business; Mr. LI also actively led and implemented Haier Smart Home’s digital transformation strategy, promoting the Company’s cost optimization and operational efficiency improvement. In order to meet users’ needs for a better life upgrade from home appliances to smart home solutions, Mr. LI led and released the San Yi Niao scenario branding strategy to strengthen the construction of the Company’s IoT scenario and enhance the Company’s smart home scenario solution capability. In terms of global business operations, Mr. LI is actively involved in the management and operation of the Company’s overseas business, with significant operational results.

Mr. LI has been honored with the 2018 Outstanding Contribution Award for the Forty Years of China’s Household Appliance Industry Development (2018年中國家用電器行業發展四十年傑出貢獻獎), and the 2019 China Top Ten Brand Person of the Year (2019中國十大品牌年度人物), the 2021 Taishan Industry Leading Talent (2021年度泰山產業領軍人才), and the 2023 Shandong Provincial Model Worker (2023年山東省勞動模範) and was named in Forbes’ “2024 China’s Best CEOs” list.

Mr. Kevin Nolan (“Mr. Nolan”), aged 60, graduated magna cum laude with a Bachelor of Science in Mechanical Engineering from the University of Connecticut in 1989, where he was also a member of the Honors Scholar Program. He currently serves as President and Chief Executive Officer of GE Appliances, a Haier company. He has been an Executive Director of the Company since 28 May 2025.

After Mr. Nolan joined GE, he held multiple engineering and manufacturing roles across GE ED&C. He later advanced through leadership positions within GE’s appliance, lighting, and industrial divisions. From 2001 to 2006, he led sourcing and new product introduction efforts, launching over 150 products annually while establishing global sourcing capabilities, notably in China, to enhance profitability and drive operational efficiency. He was instrumental in developing new NPI processes and building a quality-focused culture across GE Consumer and Industrial Products.

Directors, Supervisors and Senior Management

As Vice President of Technology from 2006 to 2016, Mr. Nolan led GE Appliances' global engineering organization, guiding the business through a billion-dollar transformation of its U.S. manufacturing and product leadership. He founded FirstBuild, a groundbreaking open innovation platform, and drove the internal capability shift from outsourced to in-house manufacturing. Following Haier's acquisition of GE Appliances in 2016 and since becoming CEO of GE Appliances in 2017, Mr. Nolan has restructured the business to emphasize customer value and employee empowerment, introducing a microenterprise model to encourage entrepreneurship while leveraging scale. Under his leadership, the company doubled in size within five years, becoming the fastest-growing and largest appliance company in the U.S. He has championed a culture of innovation, diversity, and inclusion, entering new markets and reinvigorating GE Appliances as a nimble, consumer-driven organization.

Mr. Nolan has received numerous honors throughout his career, including the 2014 GE Chairman's Award, six consecutive Haier CEO Special Awards (2018–2023), and the 2019 Business First Most Admired CEO. He is a Six Sigma Master Black Belt and a founding member of the Lean Institute for Product and Process Development. In recognition of his leadership, innovation, and commitment to public education, Mr. Nolan was awarded an honorary Doctor of Science degree from the University of Louisville in 2022.

NON-EXECUTIVE DIRECTORS

Mr. GONG Wei ("Mr. GONG"), aged 51, currently serves as the Company's Director (was appointed as an Executive Director of the Company since 28 June 2022, and has been redesignated as Non-executive Director of the Company since 28 May 2025), vice chairman and vice president. He is also the CFO of Haier Group Corporation. Mr. GONG obtained a degree of Executive Master of Business Administration from the University of International Business and Economics in 2011. He is a member of CIMA Chartered Management Accountant and an ICPA Certified Public Accountant. Mr. GONG was the finance manager of the Company, the senior finance manager and senior financial analyst of Haier Group, the chief financial officer of Haier Washing Machine Division, the chief financial officer of Haier Air Conditioning Division, the chief financial officer of Haier White Goods, and the chief financial officer of the Company and has extensive experience in financial management. Mr. GONG has been awarded the titles of Qingdao Young Job Expert, Qingdao Top Talent, Shandong Outstanding Accountant, and National Outstanding Accountant. He was selected as one of the Top Ten CFOs of the Year by New Finance Magazine, China International Finance Leader of the Year, and other awards.

Mr. YU Hon To, David ("Mr. YU"), aged 78, has been appointed as a Non-executive Director of the Company since 5 March 2021. Mr. YU holds a Bachelor of Social Science degree from The Chinese University of Hong Kong. Mr. YU is a Fellow of the Institute of Chartered Accountants in England and Wales and an Associate Member of Hong Kong Institute of Certified Public Accountants. He is a chartered accountant with over 40 years' experience in the fields of auditing, corporate finance (including advisory on IPO, mergers & acquisitions and financial restructuring), financial investigation and corporate governance. Mr. YU was formerly a partner of a renowned international accountants firm in Hong Kong with extensive experience in the corporate finance advisory assignments in Greater China for Hong Kong corporations, private equity groups and multinationals.

Mr. YU is currently an independent non-executive director of several other companies listed on the Hong Kong Stock Exchange, namely One Media Group Limited (stock code: 426), Playmates Toys Limited (stock code: 869), China Resources Gas Group Limited (stock code: 1193), Keck Seng Investments (Hong Kong) Limited (stock code: 184) and MS Group Holdings Limited (stock code: 1451).

Directors, Supervisors and Senior Management

Mr. CHIEN Da-chun (“Mr. CHIEN”), aged 72, has been an Independent Non-executive Director of the Company since June 2019. He has been redesignated as Non-executive Director of the Company since 28 May 2025. Mr. CHIEN was formerly the ASEAN executive president of International Business Machines Corporation (“IBM”), and the chairman and chief executive officer of IBM Greater China. Mr. CHIEN graduated from the Department of Mathematics at Tamkang University in Taiwan. He has studied in the Advanced Management Program of Harvard University’s Graduate School of Business and IBM’s Global Executive Program. He was a director of ENN Group and is currently a professor of management practice and academic director of the EE Center at the School of Business of Renmin University of China.

Mr. LI Shaohua (“Mr. LI”), aged 62, has been appointed as Non-executive Director of the Company since 28 May 2025. Mr. LI graduated from Ohio State University and Georgia State University in the United States and obtained a MA and a MBA degree, respectively. He holds various international professional certifications such as CPA (Certified Public Accountant), CIA (Certified Internal Auditor), CISA (Certified Information Systems Auditor), CRMA (Certification in Risk Management Assurance) and CRISC (Certified in Risk and Information Systems Control). Mr. LI has over 30 years of working experience in internal and external auditing, risk management, compliance governance, financial and operational management. He has worked for Deloitte (one of the Big Four accounting firms), and held important positions in various institutions, including AKZO Nobel (a Fortune Global 500 company), and Trina Solar (a listed company). Moreover, he has served as a director and vice president of internal audit and internal control of Haier Electronics Group Co., Ltd. and is currently the general manager of Haier Group’s Audit and Risk Control Committee, Chief Audit and Risk Control Officer, and the chairman of the Haier Group’s ESG execution committee.

Ms. SHAO Xinzhi (“Ms. SHAO”), aged 55, has been appointed as a Non-executive Director of the Company and Vice Chairman of the Board since 28 June 2022, and has retired as director since 28 May 2025. Ms. SHAO graduated from the University of International Business and Economics with a degree of Executive Master of Business Administration. She is currently the vice president and chief financial officer of Haier Group. Ms. SHAO adheres to the goal of innovation and value-enhancement, empowering the high-quality development of the industry, and comprehensively builds the group’s financial ecosystem through financial strategy formulation, financial system construction and operation, asset management, capital operation and other financial full value chain management. In 2000, Ms. SHAO served as the chief accountant of Haier Air Conditioning Division and the general manager of the strategy center of Haier Group’s financial management department. In 2007, Ms. SHAO established the first financial sharing center in the home appliance industry, pioneering the “cloud + end” financial management innovation model with Chinese characteristics to provide enterprises with comprehensive financial best solutions, becoming one of the industry benchmarks and winning the first prize of the National Enterprise Management Modernization Innovation Achievement. In 2019, Ms. SHAO was appointed as the vice president of Haier Group and the operator of the Big Sharing Empowerment Platform. In 2020, Ms. SHAO was appointed as vice president and chief financial officer of Haier Group. Ms. SHAO has been honored as “National Advanced Accounting Worker (全國先進會計工作者)”, “Qingdao Top Talent (青島市拔尖人才)”, “ACCA Outstanding Achievement Award (ACCA卓越成就獎)” and “IMA Outstanding Contribution Leader in Management Accounting (IMA管理會計卓越貢獻領袖)” over the years.

Directors, Supervisors and Senior Management

Ms. Eva LI Kam Fun (also commonly known as “Mrs. Eva CHENG LI Kam Fun”) (“Ms. Eva LI Kam Fun”), aged 73, has been appointed as a Non-executive Director of the Company since 5 March 2021, and has retired as director since 28 May 2025. Ms. Eva LI Kam Fun graduated from the University of Hong Kong with Bachelor of Arts (Hons) and Master of Business Administration degrees. She was conferred with the degree of Doctor of Business Administration, honoris causa, from the Hong Kong Metropolitan University in 2014.

Ms. Eva LI Kam Fun also served as an independent non-executive director of Haier Electronics, a subsidiary of the Company, since 2013 and till its privatization on December 2020. Ms. Eva LI Kam Fun had a distinguished career that spanned 34 years with Amway Corporation. When she retired in 2011, she held the concurrent positions of Executive Vice President of Amway Corporation and Executive Chairman of Amway China Co. Ltd. responsible for Amway Greater China & Southeast Asia Region. Thereafter, she also had been the president of Our Hong Kong Foundation from 2015 to 2022.

Ms. Eva LI Kam Fun had also been an independent non-executive director of Nestle S.A., a publicly listed company on the SIX Swiss Exchange from 2012 to 2023, an independent non-executive director of Amcor Limited (a company listed on the Australian Securities Exchange) from 2014 to 2019, and an independent non-executive director of Trinity Limited (a company listed on the Main Board of the Hong Kong Stock Exchange) (Stock Code: 891) from 2011 to 2020.

Ms. Eva LI Kam Fun’s leadership was well recognised in the business community. She was twice named the “World’s 100 Most Powerful Women” by Forbes Magazine in 2008 and 2009. CNBC awarded Ms. Eva LI Kam Fun with the “China Talent Management Award” in its 2007 China Business Leaders Awards.

In the areas of public and social service, Ms. Eva LI Kam Fun is currently a member of Electoral Affairs Commission of Hong Kong SAR, a member of Chief Executive’s Policy Unit Expert Group (Social Development) of Hong Kong SAR, honorary president, honorary representative and consultant of the All-China Women’s Federation, permanent honorary director of The Chinese General Chamber of Commerce, court member of the Hong Kong Metropolitan University, and a member of the Xiqu Centre advisory panel of West Kowloon Cultural District Authority.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. WONG Hak Kun (“Mr. WONG”), aged 69, has been an Independent Non-executive Director of the Company since June 2020. He currently serves as an independent non-executive director of Yue Yuen Industrial Holdings (Limited) (a company listed on the Hong Kong Stock Exchange (stock code: 00551)) since June 2018, an independent non-executive director of Lung Kee (Bermuda) Holdings Limited (a company listed on the Hong Kong Stock Exchange (stock code: 00255)) since June 2018, an independent non-executive director of Guangzhou Automobile Group Co., Ltd. (a company listed on the Hong Kong Stock Exchange (stock code: 02238) and the Shanghai Stock Exchange (stock code: 601238)) since May 2020, and an independent non-executive director of Hangzhou SF Intra-City Industrial Co., Ltd (a company listed on the Hong Kong Stock Exchange (Stock code: 9699)) since December 2021. During the past three years, he was also an independent non-executive director of Zhejiang Cangnan Instrument Group Company Limited (a company listed on the Hong Kong Stock Exchange (stock code: 01743)). Mr. WONG has over 36 years of experience in auditing, assurance and management. Mr. WONG worked in Deloitte China from July 1980 to May 2017, during which he was a partner since 1992. Mr. WONG also served as a member of Deloitte China’s Governance Board from June 2000 to May 2008. Prior to his retirement from Deloitte China in May 2017, he was Deloitte China’s National Managing Partner of Audit & Assurance.

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

Mr. LI Shipeng (“Mr. LI”), aged 59, has been an Independent Non-executive Director of the Company since 5 March 2021. Mr. LI holds a bachelor’s and master’s degree from University of Science and Technology of China, and a PhD degree from Lehigh University, USA. Mr. LI has extensive experience in areas such as Internet of Things technology, and artificial intelligence. Mr. LI is currently a chair scientist at the International Digital Economy Academy and an executive director of the Low Altitude Economic Branch. He is also the Director of the Applied Intelligence of Suzhou Industrial Technology Research Institute. Prior to that, he served as the Chief Researcher and Deputy Dean of Microsoft Research Asia, Chief Technology Officer of Cogobuy Group, Vice President of iFlytek Group, and the Executive President of Shenzhen Institute of Artificial Intelligence and Robotics.

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

Directors, Supervisors and Senior Management

Mr. WU Qi (“Mr. WU Qi”), aged 58, has been an Independent Non-executive Director of the Company since 25 June 2021. Mr. WU Qi graduated from Zhejiang University with a Bachelor’s degree majoring in national economic management in 1990, thereafter he graduated from Renmin University of China with an on-the-job Master’s degree majoring in Money and Banking in 1995 and China Europe International Business School with an EMBA in 2002, respectively. He has 25 years of work and management experience in world-class management and consulting companies. He served as the vice president (Global) and vice chairman (Greater China) of Accenture, and the chairman of Shun Zhe Technology Development Co., Ltd. He was a member and the president (Greater China) of Roland Berger’s Global Management Committee, a member of Roland Berger’s Global Supervisory Board. He was a senior consultant for Foxconn’s D sub-business group strategy and intelligent manufacturing and a consultant of XNode, a famous accelerator for startups, and non-executive director of Grinm Advanced Materials Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600206.SH) (resigned in April 2018). He was awarded 2015 Outstanding Talent in Jing’an District, Shanghai. Mr. WU Qi’s past experience in consulting industry involves transportation/logistics, high-tech manufacturing, tourism, finance, consumer goods, real estate, government departments and other industries. He has extensive experience in fields such as development strategy, organizational change, sales and brand strategy, corporate innovation, digital transformation and intelligent manufacturing, post-merger integration, regional industrial and economic development and upgrading. He is a well-known expert in Industry 4.0, transportation and regional planning and development in the PRC. He served as a consultant for Hangzhou Bay Development Planning, a member of the Intelligent Manufacturing Expert Committee of the Shenzhen Municipal Government, deputy head of the 13th Five-Year Planning Expert Committee of Zhengzhou City, Henan Province, vice chairman of China Cold Chain Alliance and other social positions.

Mr. WANG Hua (“Mr. WANG”), aged 48, has been appointed as Independent Non-executive Director of the Company since 28 May 2025. Mr. WANG received a Bachelor’s degree in automation from Shanghai University of Electric Power, Shanghai, China in July 1999 and a Master’s degree in business administration from Stanford University, California, the United States in June 2006. Mr. WANG is the co-founder of Sinovation Ventures, an established technology investment company in China, and currently serves as the co-CEO and Managing Partner of the investment department of Sinovation Ventures. Mr. WANG has extensive experience in capital investment and information technology industry, mainly focusing on AI and cutting-edge technologies and expanding to the upstream and downstream industrial chains. He led investments in technology projects such as 4Paradigm, AlInnovation, WeRide, Horizon Robotics, Zhihu, Waterdrop Inc, Momenta, Luchen, and Silicon Mobility. From September 2006 to October 2009, Mr. WANG worked at Google China’s Business Development Headquarters, where he built Google China’s premium ad network. He was also responsible for managing investments during his three years at Google China. Prior to joining Google China, he founded Shanghai Yinda Technology Group Co., Ltd., a company that provides technology solutions to telecommunications operators and equipment providers. In addition, Mr. WANG has been appointed as a non-executive director of AlInnovation Technology Group Co., Ltd. since 6 February 2018. He has been appointed as an independent non-executive director of Maoyan Entertainment since 22 August 2018.

EMPLOYEE REPRESENTATIVE DIRECTOR

Ms. SUN Danfeng (“Ms. SUN”), aged 47, has been appointed as director since 28 May 2025. Ms. SUN is currently the general manager of digital transformation of the Company. Ms. SUN graduated from China Agricultural University in 1998 with a Bachelor’s degree in Economics and joined Haier in August of the same year. Ms. SUN graduated from Renmin University of China in 2015 and obtained an Executive Master of Business Administration (EMBA) degree. Ms. SUN has been working in the home appliance industry for many years, specialising in the building and operation of user digitisation, employee digitisation and customer digitisation systems. She has served as strategic director of the business flow promotion division, general manager of the mega business exchange platform, and general manager of digital marketing for the China platform. She has extensive experience in digital system research, system construction, digital transformation, technology management and decision-making consulting. During her tenure, she has made remarkable achievements in big data analysis, transformation of scientific and technological achievements, and digital transformation and upgrading of industries. She has won the 2021 ICT industry Mulan Award, and the title of Shandong Province Big Data Industry Leader in 2022. She is a management expert of scientific and technological expert pool in Shandong Province.

SUPERVISORS

Mr. LIU Dalin (“Mr. LIU”), aged 45, has been the Chairman of the Board of Supervisors of the Company since 25 June 2021. He graduated from the School of Mechanical Engineering of Jinan University and holds master’s degree in business administration from Renmin University of China. He is a senior engineer. Since August 2005, he served as a designer of water heater department at Haier Group, an assistant R&D engineer, a R&D engineer and a R&D manager of the electric heating department of Haier Group successively, among other things. From July 2020 to March 2021, he served as the president of the Board of Supervisors of Gooday Supply Chain Technologies Co., Ltd., among other things. Mr. LIU retired as a Supervisor of the Company on 28 May 2025.

Mr. YU Miao (“Mr. YU”), aged 42, has been an Employee Representative Supervisor of the Company since January 2019. He joined our Company in April 2012 and has since then served as the legal manager of our Company, mainly in charge of management of legal affairs.

Mr. YU obtained a Bachelor’s degree of Law from Jinan University in Jinan, the PRC in July 2005, and a Master’s degree of Law in economics law from Dongbei University of Finance and Economics in Dalian, the PRC in December 2008. Mr. YU passed the PRC bar exam and obtained the PRC lawyer qualification (non-practising) certificate in February 2008. Mr. YU retired as a Supervisor of the Company on 28 May 2025.

Mr. LIU Yongfe (“Mr. LIU”), aged 39, has been a Supervisor of the Company since 20 June 2024. Mr. LIU graduated from Dongbei University of Finance and Economics with a Master’s degree in Management in 2011. Mr. LIU joined the Company in July 2011 and has held positions mainly in strategic management. He has successively served as strategy consultant, strategy planning specialist and strategy planning manager of the Company, responsible for market research and analysis, participating in formulation of the Company’s strategic development plans and strategic project management. Mr. LIU has extensive experience in strategic research and strategic project management. He had participated in and contributed to the implementation of key strategic projects of the Company such as the listing of its H Shares. Mr. LIU retired as a Supervisor of the Company on 28 May 2025.

Directors, Supervisors and Senior Management

SENIOR MANAGEMENT

Mr. Kevin Nolan. See “EXECUTIVE DIRECTORS”.

Ms. SUN Danfeng. See “EMPLOYEE REPRESENTATIVE DIRECTOR”.

Mr. LI Pan (“Mr. LI”), aged 49, Vice-president, graduated from Wuhan University in 1997 and obtained the double degree in economics and international business administration. He joined Haier Group in 1997 and currently serves as the general manager of the overseas platform of the Company. Mr. LI has held various positions in Haier Group, including serving as the assistant director of the Asia-Pacific Division, the manager of the Haier ASEAN Center, the manager of the Overseas Brands Marketing Center, the manager of the Overseas Strategic Center and the director on the operation of overseas markets. He has held important positions of the overseas platform of Haier Group since 2004 with extensive frontline management experience in product planning, brand marketing, market exploration and corporate operation. Mr. LI Pan retired as senior management since 30 December 2025.

Mr. ZHAO Yanfeng (“Mr. ZHAO”), aged 48, Vice-president, graduated from Tianjin Institute of Light Industry with a bachelor’s degree in mechanical and electrical engineering in 2001 and received a degree of EMBA from Renmin University of China in 2019. Mr. ZHAO joined Haier Smart Home in 2001 and is currently the general manager of Haier’s washing business. Since joining Haier Smart Home, Mr. ZHAO has held various positions such as its regional branch general manager, general manager of domestic market of refrigeration industry, and general manager of the refrigeration business in China. He possess whole-process management experience in product planning, research and development, manufacturing and marketing.

Mr. LI Yang (“Mr. LI”), aged 49, Vice-president, graduated from Qingdao University of Science & Technology in 1998 and obtained a Bachelor’s degree in fine chemical engineering. He obtained a degree of Executive Master of Business Administration (EMBA) from Xi’an Jiaotong University in 2022. Mr. LI is a senior engineer. He joined Haier Group in 1998 and currently serves as the general manager of the integrated supply chain of the Company. Mr. Li Yang has held positions of the Company such as the head of the quality department, the manufacturing director, and the general manager of the internet of clothing platform. He has served as the general manager of the integrated supply chain of the Company since 2023, and has been engaged in management concerning end-to-end process and digital transformation of the integrated supply chain of the Company. The ecological platform of the internet of clothing incubated under his leadership was awarded the first prize for “Innovation Results in Modern Management of National Light Industry Enterprises” (全國輕工業企業管理現代化創新成果) in 2019. The Company was selected as one of the “2023 Intelligent Supply Chain Cases” (2023數智化供應鏈案例) by the Alliance of Industrial Internet, and he received the “Most Promising Entrepreneur in Qingdao in 2018” and the “Advanced Individual in Management Innovation of National Light Industry Enterprises” and other honors.

Mr. SONG Yujun (“Mr. SONG”), aged 50, Vice-president, graduated from Shandong University of Technology with a bachelor’s degree in equipment engineering and management in 1998 and received a degree of EMBA from Tsinghua University in 2015. He joined Haier in 1998 and has served as general manager of Haier’s overseas promotion department, director and general manager of Haier Pakistan, executive director of Haier India, director of Haier’s South Asia and Southeast Asia oversea region, vice president of Haier Home Appliance Industry Group, etc. He has held various important positions in Haier Overseas since 1998 and has rich experience in product, manufacturing, R&D, marketing and sales. He has been awarded various honors such as Qingdao Model Worker (青島市勞動模範), Qingdao Top Professional and Technical Talent (青島市專業技術拔尖人才), Qingdao High-level Service Talent (青島高層次服務人才) and other honorary titles. He is currently the general manager of Haier air-conditioning business.

Directors, Supervisors and Senior Management

Mr. GUAN Jiangyong (“Mr. GUAN”), aged 47, Vice-president, graduated from the Northeast Electric Power University in 2001 and obtained a Bachelor’s degree in management information system. Mr. GUAN joined Haier Group in 2001 and currently serves as the general manager of the water heater business and the internet of water platform of Haier. Mr. GUAN has been engaged in product management in industry and trade markets, production and manufacturing, product marketing and industrial pipeline management and served as a regional general manager, the market director on the water heater business and the general manager of the internet of water platform and the water heater business. He possesses whole-process management experience in product manufacturing, marketing, corporate planning management and industrial platforms.

Mr. WU Yong (“Mr. WU”), aged 47, Vice-president, graduated from Tianjin College of Commerce in 2001 and obtained a Bachelor’s degree in heat supply, ventilation and air-conditioning engineering. He obtained the double degree of EMBA from the School of Economics and Management of Tsinghua University and the INSEAD in 2015. Mr. WU joined Haier Group in 2001 and currently serves as the general manager of the kitchen appliances of the Company. Mr. WU has served as the general manager of the PRC Region on manufacturing and production of refrigerators, overseas marketing and the air-conditioning business since joining the Group and possesses whole-process management experience in manufacturing, marketing and industrial platforms.

Mr. HUANG Xiao Wu (“Mr. HUANG”), aged 48, Vice-president, graduated from the College of Photoelectric Engineering, Chongqing University with a bachelor’s degree in engineering in 1998, and graduated from the Faculty of Business and Economics of The University of Hong Kong with a master’s degree in business administration in 2004. Mr. HUANG has extensive work experience in commercial banking, strategic investment, industrial funds, corporate finance and capital market operation, where he participated in and led major strategic investment and financing projects involving numerous fields such as marketing channels, logistics, home appliances and technology industries. Mr. Huang has been appointed as Vice-president of the Company since 2021, and is responsible for the Company’s affairs on such as investor relations, capital market, equity financing, strategic investment. He also serves as the director of the ESG Executive Office of Haier Smart Home. Prior to above, Mr. HUANG served as the deputy general manager of Haier Electronics. Prior to joining Haier Group, he worked in the Ningbo branch and Shanghai branch of Industrial and Commercial Bank of China, Investment Banking Division of Guosen Securities, Anglo Chinese Investment Banking Group (英高投資銀行集團) and other institutions.

Mr. FU Songhui (“Mr. FU”), aged 53, is a senior engineer. Mr. Fu graduated from the Department of Physics at Nanjing University in 1996 with a bachelor’s degree in applied physics. In 2010, he obtained an Executive Master of Business Administration (EMBA) degree from the University of International Business and Economics. In 2018, he received an EMBA degree from Renmin University of China. Mr. Fu joined Haier in 1996 and is currently the General Manager of Haier Smart Building Industry. He has held positions such as the Trade and Industry Manager of Haier’s Marketing and Promotion Division, the Marketing Director of Mitsubishi Heavy Industries Haier, the Marketing Director of Haier Commercial Air Conditioning, and the Deputy General Manager of Haier Air Industry. He has extensive experience in full-process management including product development, marketing, planning, research and development, and manufacturing. He has received honors such as the third prize of Scientific and Technological Progress Award of China Machinery Industry, the first prize of Science and Technology Award of China General Chamber of Commerce, the first prize of Modernization Innovation Achievements in Enterprise Management of Shandong Province, the Advanced Worker of Shandong Association of Refrigeration, the first prize of Scientific and Technological Progress Award of Qingdao City, and the Top-notch Talent of Qingdao City.

Directors, Supervisors and Senior Management

Mr. SUN Jiacheng (“Mr. SUN Jiacheng”), aged 43. He currently serves as the vice president of finance of Haier Smart Home Co., Ltd. Mr. Sun Jiacheng joined Haier Group in 2005. He obtained a degree of Executive Master of Business Administration (EMBA) from Renmin University of China. In 2016, he became a registered Certified Public Accountant of Australia. Mr. Sun Jiacheng joined the Financial Management Department of Haier Group in August 2005, and successively served as the financial manager of Haier Washing Machine Product Department, the financial director of the White Goods Supply Chain Platform, the financial director of the Housing Facilities Division, the financial director of Smart Home Comprehensive Budget and Operation Analysis, the Chief Financial Officer of China Region, the vice president of finance of Haier Smart Home and other management positions. Mr. Sun Jiacheng has been honored with the accolades including the Outstanding Contributor in Financial Management of Light Industry in Shandong, the first prize in the 25th Innovation Achievement Awards for Enterprise Management Modernization of Qingdao, the 2020 Financial Leader Award by the China CFO Development Center, as well as the “China’s CFO of the Year” by Corporate Finance in 2016 and 2022 respectively.

Mr. HUANG Decheng (“Mr. HUANG”), aged 51. He graduated from Hubei University of Automotive Technology with a bachelor’s degree in thermal processing technology and equipment in 1998. In January 2025, he obtained a dual master’s degree in senior business administration from Peking University’s Guanghua School of Management and Northwestern University’s Kellogg School of Business. Mr. Huang joined Haier in 1998 and is currently the CEO of Haier in South Asia region. He obtained the black belt certification for quality management in 2011 and led the development of the “Refrigerator Monitoring Device”, which was granted a utility model patent in 2019. Since joining Haier, he has held diverse positions including domestic marketing, domestic manufacturing, overseas plant operations, and overseas sales, accumulating extensive experience in full-cycle management of overseas triadic integration.

Mr. JAMES QUN LIU (“JAMES QUN LIU”), aged 54. He obtained a bachelor’s degree in electrical engineering from the University of California, Los Angeles and a Juris Doctor degree from Pepperdine University. In his early years, he held positions as a legal advisor and senior legal advisor at Philips Electronics and ABB. Subsequently, he served as the general legal counsel for technology companies such as Spreadtrum Communications and Meizu. JAMES QUN LIU joined Haier Smart Home in 2019 and has been responsible for Haier Smart Home’s global legal compliance matters from the end of 2019. JAMES QUN LIU, with his background in science and engineering and extensive work experience in technology enterprises, has accumulated extensive interdisciplinary knowledge and expertise in both technology and law. He applied such interdisciplinary knowledge and expertise to Haier’s intelligent product transformation and corporate digital transformation, making unique contributions to the Company’s development. In the meantime, JAMES QUN LIU has leveraged his extensive international experience and solid foundation in traditional Chinese culture to actively contribute to Haier’s globalized transformation, serving as a bridge between different countries and cultures, and played a unique role in enterprise mergers and acquisitions as well as overseas governance. JAMES QUN LIU has extensive experience in intellectual property litigation and disputes, and has led several influential intellectual property cases in his career. Meanwhile, in the field of M&A, JAMES QUN LIU led and participated in major strategic initiatives such as Haier Smart Home’s merger and acquisition of Carrier’s commercial refrigeration project and the merger and acquisition of Kwikot in South Africa, and actively participated in and promoted Haier Smart Home’s D-share and H-share listing projects. JAMES QUN LIU was appointed as the deputy director of the Internet Committee of the China Intellectual Property Research Society in 2019.

Directors, Supervisors and Senior Management

Mr. XIE Juzhi (“Mr. XIE”), aged 59, Vice-president, graduated from Shandong University of Finance and Economics in July 1989 with a bachelor’s degree, and joined Haier Group Corporation in the same year. Mr. XIE has experience in whole-process product management, product-wide services and product-wide marketing. Mr. XIE had held senior positions in Electrothermal Division and of the East China Marketing and Promotion Division of the Haier Group Corporation, and served as the Corporate General Manager of the Customer Services of the Haier Group Corporation since August 2002. Since July 2012, he has been the Vice President of Haier Group Corporation, and he has been in charge of Haier Group Corporation’s integration of community sales services in first and second-tier cities, and developing the online and offline sales of new household products. From December 2015, he has been managing the newly developed business segments of Haier Group Corporation, including water purification, logistics, Haier home and Gooday services and has started to concurrently manage the water heater business since 2019. Mr. XIE was appointed as the chief executive officer and an executive director of Haier Electronics since March 2019. Since April 2021, he is responsible for supervising the smart living appliances segment. He is currently responsible for supervising the intelligent industrial platform. Mr. XIE was awarded honorary titles including the Gold Award of Outstanding Contribution Award of China’s Home Appliance Services Industry (中國家電服務行業突出貢獻獎金獎) and Outstanding Entrepreneur of Shandong Province (山東省優秀企業家). He retired as senior management since 28 May 2025.

Ms. LIU Xiaomei (“Ms. LIU”), aged 40, appointed as the Board Secretary of the Company since June 2022. She graduated from the Law School of Minzu University of China with a double bachelor’s degree in law and literature in 2009, and graduated from the Department of International Law of the China Foreign Affairs University with a master’s degree in international law in 2011, and is qualified to practice law in China. Ms. LIU joined the Haier Group in June 2015 and has been in charge of legal and compliance matters of corporate governance, capital market, M&A and corporate finance at Haier Electronics Group Co., Ltd. and the Company. Prior to joining Haier, Ms. LIU worked for Jingtian & Gongcheng (law firm) in Beijing. Ms. LIU has had extensive work experience in corporate governance, capital market, industrial fund, and investment and financing.

BUSINESS REVIEW

MANAGEMENT DISCUSSION AND ANALYSIS

I. DISCUSSION AND ANALYSIS OF THE COMPANY'S BUSINESS OPERATIONS DURING THE REPORTING PERIOD

Founded in 1984, Haier Smart Home has built its business by anticipating industry shifts, delivering market-defining innovations, and continuously reinventing its operating model. Over four decades, the Company has grown into the global leader in major home appliances and a pioneer in smart home solutions.

Market Position

Global leader in major home appliances. According to Euromonitor International, the Company has ranked No. 1 globally in major home appliance brand retail volume for 17 consecutive years. The Company operates a portfolio of seven global brands — Haier, Casarte, Leader, GE Appliances, Candy, Fisher & Paykel, and AQUA. From 2008 to 2025, the Haier brand has held the No. 1 position worldwide in both refrigerator and washing machine retail volume for 18 and 17 consecutive years, respectively.

Pioneer in smart home solutions. Euromonitor data confirms that, leveraging its full-category appliance portfolio, the Company was among the first in the industry to launch integrated smart home solutions. Sanyiniao, the Company's smart home platform, delivers personalized, professional smart living solutions through three core capabilities: a customization engine, a fulfillment platform, and the Smart Home AI Engine.

Business Segments

The Company has developed a comprehensive portfolio of smart home solutions spanning food preservation and cooking, fabric care, air management, water solutions, and other complementary businesses.

Food Preservation and Cooking Solutions

The Company manufactures and sells refrigerators, freezers, and kitchen appliances globally, and delivers integrated smart kitchen experiences combining intelligent appliances with ecosystem resources. For example, the Casarte Zhijing Series refrigerator features proprietary MSA nitrogen-oxygen intelligent freshness technology, retaining over 99% of nutritional value after seven days of cold storage — elevating the industry standard to cellular-level preservation. The unit is also engineered for a seamless flush fit within international standard cabinetry, with zero side gaps and zero protrusion.

In kitchen appliances, the Company introduced a 325mm ultra-slim fully built-in range hood and a top-intake fully built-in cooktop, achieving fully integrated design with cabinetry. Equipped with “AI Vision” technology, the range hood intelligently detects cookware and food status to prevent boil-overs, while the oven automatically identifies ingredients and matches optimal cooking profiles. The Company also introduced an original drawer-style dishwasher with ergonomic loading and dual-zone precision washing.

I. DISCUSSION AND ANALYSIS OF THE COMPANY'S BUSINESS OPERATIONS DURING THE REPORTING PERIOD (continued)

Business Segments (continued)

Fabric Care Solutions

Haier washing machines are built on proprietary technology designed to solve everyday laundry challenges. The product range — including washing machines, dryers, washer-dryer combos, garment care systems, and drying racks — has evolved from standalone appliances to end-to-end fabric care solutions. During the reporting period, the Company advanced its three-drum zoned wash-and-care product family and launched heat-pump washer-dryer combos across three brands to capture growth in this emerging category. Key innovations include the Zhongzi Hemei washer, which integrates washing, drying, and garment care in one unit; the Jinghua washer, which generates triple-concentration cleaning fluid through high-pressure detergent pre-mixing for faster, more effective cleaning; and an industry-first 3D see-through drying technology that precisely measures internal fabric moisture levels, stopping the cycle the moment clothes are fully dry.

Air Solutions

Residential Air Conditioning

The Company sells residential air conditioners and fresh air systems worldwide, complemented by full-lifecycle design, installation, and service solutions. Smart-enabled products deliver whole-home intelligent air management across temperature, humidity, air quality, and sterilization. During the reporting period, the Company launched air conditioners with proprietary refrigerant-directed distribution and dual-evaporator coupled control technology, expanding comfort coverage by 40%. The system integrates proprietary AI models and cloud computing to monitor ambient conditions and cross-reference Haier's microbiology database, automatically triggering targeted self-cleaning programs.

Smart Building Solutions

Aligned with China's "dual carbon" strategic goals, the Company's smart building business provides energy-efficient, sustainable building solutions — covering building controls, environmental systems, energy management, and system integration — for government, commercial, transit, educational, and healthcare clients. The Company holds meaningful market positions in China in magnetic levitation central air conditioning, IoT-enabled VRF systems, and air-source heat pumps.

Water Solutions

The Company provides a full range of water products globally, including electric, gas, solar, and heat pump water heaters, as well as POE/POU water purifiers and water softeners. Smart-connected products enable integrated hot-water, purification, and heating scenarios. During the reporting period, the Company launched its "Crystal Tank" water heater technology — achieving zero metal contact, zero rust, and zero magnesium residue — with PCC mineral-infusion technology that releases beneficial minerals. For top-efficiency gas water heaters, a proprietary centrifugal atomization system achieves 100% condensate external discharge, balancing energy efficiency with clean aesthetics. Through the 2024 acquisition of Kwikot, a well-established South African brand, the Company further expanded its water heater footprint across Africa in 2025.

I. DISCUSSION AND ANALYSIS OF THE COMPANY'S BUSINESS OPERATIONS DURING THE REPORTING PERIOD (continued)

Global Footprint

The Company manufactures and sells a full range of home appliances and value-added services across more than 200 countries and regions, including North America, Europe, South Asia, Southeast Asia, Australia and New Zealand, Japan, the Middle East, and Africa.

In overseas markets, the Company develops and sells products under its proprietary brands, tailored to local consumer preferences. With over 30 years of international operating experience, the Company has expanded through a series of strategic acquisitions — including GE Appliances (2016), Fisher & Paykel (2018), Candy (2019), and most recently CCR and Kwikot (2024). CCR supports the Company's commercial refrigeration strategy in Europe and Asia-Pacific, while Kwikot strengthens the water heater business and accelerates white goods market penetration in South Africa.

Other Businesses

Building on its core smart home platform, the Company also operates small appliance, robotic cleaning, and channel distribution businesses. The small appliance business features products designed in-house and manufactured by third-party OEM partners under the Company's proprietary brands, enriching the smart home product ecosystem. The channel distribution business leverages the Company's extensive retail network to distribute TVs, consumer electronics, and other products for Haier Group and third-party brands.

Awards and Recognition

During the reporting period, the Company was once again named to the Fortune Global 500. GE Appliances earned Great Place to Work® certification for the fourth consecutive time and was named one of Fast Company's Most Innovative Companies in Consumer Electronics for 2025, while receiving IoT Breakthrough's "Smart Appliance Company of the Year" award for the ninth consecutive year. Casarte's brand value rose to RMB92.8 billion, ranking first among premium brands for five consecutive years.

The Company was also included on Fortune's China ESG Influence list, with an MSCI ESG rating of AA — among the highest in China's home appliance sector. In R&D, the Company's proprietary intelligent wash-and-dry technology received the Shandong Provincial Science and Technology Progress First Prize, and its green, low-carbon rapid-wash technology won the China Light Industry Federation Science and Technology Progress First Prize, among multiple provincial and ministerial-level awards.

II. INDUSTRY OF THE COMPANY DURING THE REPORTING PERIOD

(I) Industry Overview for 2025

(1) Home Appliance Industry

Domestic Market

In 2025, the extension of the home appliance trade-in policy had a diminishing impact on the market. The policy's residual effects supported demand through the first half of the year but momentum faded in the second half, resulting in strong early-year performance followed by a downturn. According to AVC, China's home appliance retail sales across all categories (excluding 3C products) reached RMB893.1 billion in 2025, a decrease of 4.3% year-on-year. Sales in the second half of the year totaled RMB421.4 billion, a 16% decline from the previous year.

In 2025, the Chinese home appliance industry underwent a significant reshuffle amid a saturated market, setting in motion a profound transformation in its growth strategies.

First, the industry's growth drivers have been shifting from customer acquisition to brand building. With the rising cost of online advertising, paid acquisition models became less effective. The industry is moving from meeting basic functional needs to creating value through integrated home scenarios, and from scattered product promotions to systematic brand development. Through consistent content delivery and user engagement, companies can establish brand recognition and boost customer loyalty and pricing power.

Second, as online and offline channels continued to merge, establishing a highly collaborative omnichannel operating model has become critical for success. E-commerce platforms continued to optimize product efficiency and user experience, reinforcing the fundamental model where customers actively search for products. Meanwhile, instant retail, enabled by location-based services, delivers goods within minutes and has emerged as a new growth engine by bringing products directly to customers. Physical stores also transformed from simple points of sale into experience centers, local fulfillment hubs, and community spaces. As these channels merged, a seamless, integrated retail environment has become the new industry standard. In this landscape, leveraging digital tools for omnichannel inventory sharing and direct-to-consumer delivery is the key to improving channel operation efficiency and responding rapidly to customer needs. This strategy is also vital for creating a sustainable competitive advantage.

Third, the "silver economy" has emerged as a new growth market for senior-friendly home appliances. This market has already exceeded RMB100 billion in 2025 according to AVC data. As of the end of 2025, China's population aged 60 and above amounted to 323 million, representing 23% of the total. Alongside this demographic growth, elderly spending is shifting from basic necessities toward lifestyle improvements and enjoyment. This trend fueled sustained demand for home modifications related to living, bathing, cooking, and safety. Consequently, products that are safe, user-friendly, and incorporate smart health features and emotional connections are becoming a key driver of growth for the industry.

II. INDUSTRY OF THE COMPANY DURING THE REPORTING PERIOD (continued)

(I) Industry Overview for 2025 (continued)

(1) Home Appliance Industry (continued)

Overseas Markets

According to Euromonitor, the global home appliance market in 2025 recorded stable overall volume but experienced structural shifts. Global retail sales for core home appliances reached USD 298.3 billion, a year-on-year increase of 3.3%. Meanwhile, global retail sales for small home appliances reached USD 130.7 billion, a 4.6% increase year-on-year. While growth in developed markets remained relatively stable, emerging markets saw strong overall expansion. Regions like Southeast Asia and the Middle East experienced rapid growth fueled by urbanization, rising essential demand, and the expansion of online retail. However, these regions also faced mounting pressure from intensifying competition and rising costs.

The U.S.: Market remained under pressure from low consumer confidence and sluggish property sector.

Europe: Sales Volume grew 2.1% and revenue declined 1%, Industry Sales Value (YoY) -1.0% : New EU energy efficiency regulations have stimulated product upgrades, while weak economic growth and consumer pressure are suppressing prices.

South Asia: Market went down by 0.4% with major competitors experiencing decline in both volume and profit in India. Pakistan market grew 10% and AC grew 15% driven by economic and consumption recovery as well as favourable weather.

Australia and New Zealand: Australian market grew by 3.8%, supported by product suite demand and government rebate policies. In New Zealand, industry declined by 1%, constrained by a weak property market and labor shortages. Annual inflation stands at 3.0%. Overall recovery remains slow despite consumer confidence rebounded at year end.

Southeast Asia: In Thailand, growth was primarily driven by air conditioners, refrigerators, and washing machines. Vietnam saw continued increases in demand for air conditioners, while Malaysia experienced overall market growth. In Indonesia, overall sales revenue trended upward despite mild decline in volume of several categories. This indicated a shift from volume-driven to value-driven market growth as product mix upgrades boosted average prices.

Japan: GfK estimates sales volume of refrigerator, freezer and washing machine decline 3.0%, sales revenue down 3.8%.

II. INDUSTRY OF THE COMPANY DURING THE REPORTING PERIOD (continued)

(I) Industry Overview for 2025 (continued)

(2) Central Air Conditioning Industry

According to data from China IoL, China's central air conditioning industry recorded sales of RMB138.68 billion in 2025, with domestic and export markets showing divergent trends. Domestic sales contracted by 7.4% year-on-year to RMB112.55 billion, while export sales grew by 12.7% to RMB26.14 billion.

The domestic market faced pressure from three main factors. A significant downturn in the real estate sector caused a sharp drop in shipments for fully-furnished projects. Demand from traditional sectors such as industrial manufacturing, healthcare, and hospitality remained sluggish. At the same time, intensifying price competition further squeezed the market. Despite this weak overall performance, new structural opportunities are emerging. The rapid expansion of data centers is steadily increasing demand for cooling systems. Furthermore, China's "dual carbon" goals are creating a market for high-efficiency products such as magnetic levitation centrifugal chillers, driven by energy-saving retrofits in older buildings.

In contrast, export growth bucked the domestic trend. This increase was primarily driven by Chinese companies' strategic expansion into emerging markets, improved product performance, and localized adaptation efforts. The continued global growth of the data center industry also made a significant contribution. Exports have become a critical pillar for growth during this period of domestic consolidation.

(3) Commercial Refrigeration Business

In 2025, the global commercial refrigeration industry entered a period of structural growth, driven by technological advancements and regulatory policies.

Europe, the world's most mature core market for commercial refrigeration, was estimated at approximately USD 13 billion in 2025, representing steady year-on-year growth of about 3%. This growth was largely policy-driven. The strict enforcement of the EU's F-gas Regulation is phasing out equipment using high-GWP (Global Warming Potential) refrigerants, creating significant demand for environmentally friendly alternatives. This trend is expected to continue in 2026, with eco-friendly refrigerants, high-efficiency commercial freezers, and smart cold storage becoming mainstream.

China's commercial refrigeration market achieved growth in both sales volume and revenue in 2025. Annual sales reached 18 million units, up around 3% year-on-year, with sales revenue exceeding RMB36 billion, up around 2%. The catering industry remained the primary source of demand, while the booming ready-to-cook foods sector and improved cold chain logistics provided strong support for medium-to-large-scale cold storage facilities and retail-end freezers. Looking ahead to 2026, the national "equipment renewal" policy, recovery of offline consumption, and the need for equipment standardization from restaurant chains will further stimulate end-user demand.

II. INDUSTRY OF THE COMPANY DURING THE REPORTING PERIOD (continued)

(I) Industry Overview for 2025 (continued)

(3) Commercial Refrigeration Business (continued)

In India, driven by government policies like the Prime Minister's Farmers Integrated Food Processing and Development Scheme (PMKSY), infrastructure investment in food processing and pharmaceutical cold chain sectors has reached a record high. As India transforms to modern and smart cold chain systems, it is becoming one of the world's fastest-growing emerging markets, with its compound annual growth rate expected to remain in the double digits for years to come.

In North America, market growth is primarily driven by evolving retail formats. Specifically, the widespread development of micro-fulfillment centers for online grocers has fueled sustained demand for highly automated refrigerated warehousing systems.

(II) Industry Outlook for 2026

(1) Home Appliance Industry

Domestic Market

China's domestic home appliance market is now defined by high penetration and a massive installed base. According to AVC, total home appliance ownership in China exceeds 4 billion units, averaging more than eight units per household. The industry has shifted from a period of rapid expansion to a competitive market centered on existing customers. Consequently, replacement demand is now the main driver. The sector has entered a new phase focusing on nurturing its customer base and encouraging product mix upgrades. Consumer preferences are moving from initial adoption to quality improvements, with key growth opportunities in green technology, whole-house smart systems, health-focused solutions, and integration with home furnishings.

The national subsidy program is set to continue in 2026 with updated standards. A joint notice from the Ministry of Commerce and four other departments outlines that the 2026 subsidies will target six appliance categories, including refrigerators, washing machines, and air conditioners, that meet Level 1 energy or water efficiency standards. The subsidy will cover 15% of the final sales price, with a maximum of RMB1,500 per item. This policy is designed to encourage the adoption of high-efficiency and smart products. AVC forecasts that overall industry growth may face pressure in 2026 due to the high base effect from previous subsidies, but structural opportunities will remain, as the policy favours high-efficiency models and accelerates product mix upgrades. Steady demand from home renovations and upgrades will also create growth for companies offering comprehensive solutions.

II. INDUSTRY OF THE COMPANY DURING THE REPORTING PERIOD (continued)

(II) Industry Outlook for 2026 (continued)

(1) Home Appliance Industry (continued)

Overseas Markets

Overall, the overseas home appliance market is expected to experience a moderate recovery in 2026, with different growth drivers for developed and emerging markets. Companies must continuously monitor global macroeconomic fluctuations and changes in trade policy, capitalizing on structural growth opportunities through technological innovation, localized operations, and flexible supply chain strategies.

- (1) North America: U.S. GDP grew by 2.2% in 2025, with Q4 growth slowed to 1.4%. Currently, U.S. consumer demand is relatively weak. Additionally, pressure from tariffs continues to reduce consumer disposable income and raise import costs for businesses, dampening demand in the home appliance market. This situation is expected to persist through the first half of 2026. However, as the Federal Reserve is expected to cut interest rates, falling mortgage rates could stimulate the real estate market and subsequently boost consumer demand for home appliances in the second half of 2026.
- (2) Europe: As energy efficiency standards become stricter, highly efficient, energy-saving products are rapidly replacing older models. The European home appliance market will continue to prioritize sustainability. Eco-friendly, smart, and efficient appliances are becoming mainstream, leading to intensified competition among manufacturers in both ESG performance and product innovation.
- (3) Emerging Markets: In 2026, consumer demand is expected to grow steadily. Accelerating urbanization and an expanding middle class in Southeast Asia, South Asia, the Middle East, and Africa will continue to create significant market opportunities for the industry.

(2) Central Air Conditioning Industry

Domestic Market. In 2026, demand in China's central air conditioning industry will shift from new installations to upgrades of existing systems. Although overall market growth has slowed, the national 'dual carbon' strategy and industrial upgrades are creating structural opportunities. There is a rising demand for energy-efficient retrofits. The adoption of high-efficiency products, such as magnetic levitation centrifugal chillers, is steadily increasing in industrial and commercial buildings. The 15th Five-Year Plan on industrial upgrades, along with policies promoting energy-saving renovations in older buildings, will continue to fuel growth in integrated energy solutions. The intelligent computing sector is generating new demand. The rapid expansion of AI and data centers is driving the need for advanced cooling systems, turning liquid cooling and high-power-density heat dissipation technologies into significant growth markets.

Export Market. The export market is expected to continue its growth trend, with China IOL projecting mid-to-high single-digit growth for the full year driven by factors such as the global transition to new refrigerants.

II. INDUSTRY OF THE COMPANY DURING THE REPORTING PERIOD (continued)

(II) Industry Outlook for 2026 (continued)

(2) Central Air Conditioning Industry (continued)

Rising raw material prices are expected to temper industry price wars, shifting the competitive focus toward “all-scenario, full lifecycle” integrated solutions. Distributors are increasingly prioritizing long-term operational efficiency and asset value over initial investment costs. Leading brands are poised to increase their market concentration through technological expertise and extensive service networks, reinforcing a winner-takes-all dynamic.

(3) Commercial Refrigeration Industry

In 2026, the European commercial refrigeration market is expected to achieve steady growth, driven by strict policies and demand for equipment upgrade. Tighter regulations on fluorinated gases and energy-efficient design are accelerating a systemic shift in product mix toward low-carbon solutions. The competitive landscape remains highly fragmented, with leading companies strengthening their ESG credentials by investing in renewable-energy-powered facilities and adopting circular economy principles. As the EU Green Deal progresses and the replacement cycle for older equipment begins, suppliers with expertise in natural refrigerants and smart system integration are well-positioned to capture a larger market share.

III. DISCUSSION AND ANALYSIS ON OPERATIONS

I. Industry Trends and Company's Strategic Initiatives

The development of China's home appliance industry has undergone a profound transformation. Consumer demand has shifted from basic functionality to the pursuit of a higher quality of life. Green, energy-efficient, smart, and health-focused products are now central to this consumption upgrade, and trade-in policies are effectively encouraging consumers to replace older appliances with superior new models. At the same time, a trend toward consumption focused on personal well-being is on the rise, making emotional value a new growth driver. Consumers are willing to pay for high-quality products with strong emotional appeal, shifting from purchasing to please others to purchasing for self-satisfaction. Furthermore, the growth from traditional e-commerce traffic has peaked. The deep integration of offline experiences and online transactions has become the norm. Improving retail efficiency now depends on digital insights into user needs across the entire customer journey. With highly fragmented channel touchpoints, simple traffic acquisition models are losing their edge. Instead, building long-term brand recognition has become a key competitive advantage.

III. DISCUSSION AND ANALYSIS ON OPERATIONS (continued)

I. Industry Trends and Company's Strategic Initiatives (continued)

The global market has also undergone significant adjustments. Geopolitical factors and tariff barriers have increased the uncertainty of overseas operations, placing higher demands on companies' localized operations and supply chain resilience. However, the trend of consumption upgrades in emerging markets remains clear. The rise of the middle class in these markets is expected to drive a compound annual industry growth rate of over 7%. The retail channel landscape is also rapidly evolving, with both online and fragmented sales models gaining traction. In 2025, the proportion of online home appliance sales in the U.S. held steady at over 25%, while European online channels grew against headwinds. The penetration of the direct-to-consumer (DTC) model has placed higher demands on companies' digital marketing and omnichannel coordination capabilities.

The HVAC industry is facing structural opportunities, and overseas markets hold immense potential. In the Chinese market, integrated solutions such as heat pump systems and whole-house HVAC and water systems are gaining favor. Product development is focused on the deep integration of standardized components with scenario-based customizations. In Europe, Southeast Asia, and the Middle East and Africa, the HVAC market still has substantial room for growth due to climate change and population increases. Chinese companies have significant advantages in production capacity concentration and manufacturing efficiency, offering broad potential to increase their global market share.

In response to the opportunities and challenges, we have centered our core strategy on maximizing user value, systematically implementing transformative measures to upgrade our core competitiveness and drive growth despite market headwinds.

First, we established a user co-creation model to develop best-selling products. In response to the shift in user needs toward emotional and experiential value, the Company has transformed users from passive recipients into product co-creators. Through their deep involvement in defining requirements and validating use cases, we developed products with exceptional experiences, such as the Lazy Wash washing machine and the Mailang refrigerator. This model balanced emotional connection with practical functionality, creating differentiated competitiveness and driving our strategic shift from routine releases to systematic development of best-selling products.

Second, we strengthened our operations for direct-to-consumer engagement across all channels. In the domestic market, we comprehensively promoted the transformation to a direct-to-consumer model. By leveraging platform tools for digital inventory, marketing, and storefronts, we empowered distributors to operate with an asset-light model, shorten transaction chain, and improve efficiency and precision of direct user engagement. This approach facilitated the continuous accumulation and activation of our user base. In overseas markets, we strengthened localized brand-building systems, promoting deep localization of products, branding, and operations, enabling the Haier brand to build a lasting reputation and a sustainable competitive advantage in each local market.

III. DISCUSSION AND ANALYSIS ON OPERATIONS (continued)

I. Industry Trends and Company's Strategic Initiatives (continued)

Third, we unlocked synergies of our globalized local footprint. Our Company has over 60 overseas factories that formed a global manufacturing network. We implemented a “1+1+N” global supply model, which was based on localized supply, supported by regional coordination, and secured by global resource synergy. This approach enabled the highly efficient dual circulation of both localized and globalized operations, not only enhanced the resilience and stability of our supply chain but also ensured our ability to respond quickly to market fluctuations. Our globalization strategy is evolving from simply exporting products to exporting systemic capabilities, which has become a core source of our resilience against external uncertainties.

Fourth, we fully embraced AI by integrating intelligence into every business process, including R&D, manufacturing, and sales. Leveraging our Smart Home Brain and the Uhome large model, we advanced from product-level intelligence to scenario-based intelligence. We utilized algorithms to optimize user experience, data to drive precise services, and technology to enhance operational efficiency, which facilitated a leap from relying on hardware competitiveness to building comprehensive advantages across hardware, software, and services.

Fifth, we strengthened our strategic position in the HVAC industry to cultivate new growth engines. To capitalize on structural opportunities in the HVAC sector, the Company enhanced core competencies in home air conditioning and smart building solutions. We accelerated the overseas expansion of our water solution business, while promoting the integration and synergy of our broader HVAC operations, thereby building momentum for future development, and speeding up the cultivation of new growth drivers.

The coordinated implementation of these initiatives provided solid support for the Company's high-quality growth amid the complex environment in 2025. It also laid the strategic foundation for our continuous evolution into a platform-based, service-oriented technology ecosystem enterprise.

II. Analysis of Financial Indicators

In 2025, the Company's revenue totaled RMB302.329 billion, a year-on-year increase of 5.7% from 2024. This growth was driven by strong performance in both domestic and overseas markets. Domestically, revenue growth was supported by our collaborative model for co-creating best-selling products with users, a refined strategy for direct customer engagement, and advanced digital inventory management. Internationally, revenue growth was fueled by rapid expansion in emerging markets including South Asia, Southeast Asia, the Middle East, and Africa, along with successful integration of our acquisitions, CCR and KWIKOT.

In 2025, the net profit attributable to shareholders of the parent company reached RMB19.553 billion, representing a 4.39% increase from 2024.

III. DISCUSSION AND ANALYSIS ON OPERATIONS (continued)

II. Analysis of Financial Indicators (continued)

- (1) The Company's gross profit margin reached 26.1%, a decrease of 1.1 percentage points compared to the same period in 2024. Domestically, the gross margin declined year-on-year because cost savings from our comprehensive cost-optimization strategy and integrated process improvements were offset by rising commodity prices, such as copper in Q4, and a rapid decline in industry average prices due to intense competition. The overseas gross margin also decreased year-on-year, as the benefits of enhanced localized product competitiveness, global supply chain initiatives, digital platforms, and our cost-optimization strategy were counteracted by challenges like high tariffs.
- (2) The selling and distribution expense ratio was 11.2%, improved by 0.5 percentage points year-on-year from 2024. Domestically, this improvement was driven by the accelerated rollout of our unified warehouse-to-consumer model and ongoing digital marketing reforms, which optimized resource allocation and increased marketing return on investment, along with streamlined logistics through optimizing warehouse network and delivery routes. Internationally, the ratio improved due to innovations in retail operations, global resource integration, and enhanced operational efficiency.
- (3) The administrative expense ratio was 8.4% in 2025, a decrease of 0.2 percentage points from the same period in 2024. Domestically, the ratio improved year-on-year due to the implementation of digital platforms and AI, which optimized business processes and enhanced operation efficiency.

In 2025, the Company's net cash flow from operating activities totaled RMB26.003 billion, a decrease of RMB315 million compared to the same period in 2024.

III. Key Market Performance

China Market

In the China market, the Company focused on enhancing its omnichannel, direct-to-consumer competitiveness by developing three core capabilities for systematic transformation. First, we established foundational omnichannel direct-to-consumer capabilities through a digital inventory system that streamlined the business chain and improved operational efficiency. Second, we centered digital marketing efforts on precisely targeting and converting consumers, leading to higher traffic conversion and building long-term user value. Third, we leveraged our multi-brand portfolio to reach diverse consumer segments, which enabled targeted outreach and deeper engagement. The synergy of these evolving capabilities enabled our Company to achieve domestic revenue growth of 3.1% that bucked market trends in 2025.

III. DISCUSSION AND ANALYSIS ON OPERATIONS (continued)

III. Key Market Performance (continued)

China Market (continued)

1. We enhanced our digital inventory transformation to build a foundation for omnichannel direct-to-consumer capabilities. Digital upgrades in the supply chain and logistics streamlined transactions and optimized operational efficiency. As of the end of 2025, RRS Logistics was delivering 100,000 units directly to users daily, with the proportion of omnichannel direct-to-consumer deliveries rising to 57%. Our 24-hour delivery service expanded to cover 1,944 districts and counties, and the rate of integrated delivery and installation increased to 97%.

On the supply chain side, we upgraded our order forecasting and automated inventory deployment models and improved our integrated online-offline inventory system. These changes enhanced inventory turnover rate and increased order forecast accuracy by 2.6%.

On the logistics side, we optimized our warehouse and distribution network, improving efficiency and achieving cost reductions of RMB340 million. We saved RMB110 million in warehousing by sharing distributors' inventory across channels and implementing digital management for high-density storage, which boosted warehouse utilization by 6 percentage points. We also saved RMB230 million in distribution by consolidating shipments from multiple industrial parks, shipping small home appliances nationwide directly from a single warehouse, and enabling cross-regional delivery from the closest facility. Our unified warehouse direct-to-consumer model has reshaped partnerships with distributors. By systematically optimizing stocking, delivery, service, and settlement, the model reduced distributors' inventory pressure and capital requirements while addressing delivery and after-sales service needs, allowing them to focus on retail operations. Moreover, the transparency and predictability of the entire process, from product supply to policy support and revenue realization, has significantly increased distributors' motivation. By lowering capital barriers and operational risks, this model fostered a mutually beneficial and empowering relationship between the Company and our distributors.

2. We cultivated our user base through digital marketing and a multi-touchpoint engagement system.

Our strategy focused on managing the entire user lifecycle. We have developed cross-platform engagement capabilities that span the full customer journey, from initial awareness to long-term loyalty. Our marketing approach has evolved from experience-based to data-driven, centered on increasing our Share of Voice (SOV) and Net Promoter Score (NPS). This has allowed us to seamlessly integrate traffic acquisition with user engagement.

In terms of user reach, our social media following grew to 31.81 million, a year-on-year increase of 12%, establishing an omnichannel coverage for user engagement. On Xiaohongshu, the Haier brand achieved a 17.8% increase in search volume within the major home appliances category, ranking first in search frequency. In terms of promotion decision-making, we developed a smart end-to-end system for influencer collaborations, which added analytical rigor and improved risk management for our campaigns. In 2025, the efficiency of our influencer marketing on Xiaohongshu and Douyin improved by 13.7% and 24.7% respectively.

III. DISCUSSION AND ANALYSIS ON OPERATIONS (continued)

III. Key Market Performance (continued)

China Market (continued)

3. We strengthened our multi-brand portfolio and product suite strategy to precisely target diverse user segments.

We leveraged the differentiated market positioning of our three brands: Haier, Casarte, and Leader. With product suites as a core strategy, we focused resources on shaping consumer perception by developing high-impact, compelling marketing keywords related to these suites. This approach effectively converted product exposure into brand recognition, enabling us to precisely target and serve diverse user segments, reinforcing the competitive advantage of our multi-brand portfolio.

The Haier brand leveraged AI technology to comprehensively upgrade its brand, products, and customer touchpoints. To appeal to younger consumers, the brand launched the Little Red Flower suite, marketed as the “first AI appliance suite for young people”, which sold over 5.7 million units during the year. For families seeking quality, the brand introduced the Mailang suite, which captivated users with its calming aesthetic. In 2025, the Haier brand’s retail sales grew by 8% year-on-year, solidifying its leading position in the mainstream home appliance market.

The Casarte brand forged an emotional connection with consumers by blending intangible cultural heritage with proprietary AI technology. The brand launched the Connoisseur and Maestro suites featuring the “AI Vision” to cater to the evolving preferences of high-net-worth individuals, who increasingly seek cultural identity over material satisfaction. In 2025, Casarte’s revenue grew by double-digit year-on-year, with its core product categories maintaining a leading share in the premium market. The brand’s market share in the high-end segment reached 44% for refrigerators (priced over RMB10,000), 75% for washing machines, 30% for water heaters (over RMB10,000), and 53% for air conditioners priced above RMB15,000.

The Leader brand focused on feedback-driven marketing and user co-creation. The brand achieved viral success with its best-selling Lazy Wash Triple-Drum Washing Machine, which led to the rapid expansion of the Lazy series into a full product line offering zone-washing solutions for diverse scenarios. In 2025, Leader’s revenue surpassed RMB10 billion for the first time, a year-on-year increase of 30%. This success has established the brand as a key growth engine for the Company’s strategy to engage younger consumers.

III. DISCUSSION AND ANALYSIS ON OPERATIONS (continued)

III. Key Market Performance (continued)

North America

During the reporting period, the Company remained focused on delivering technology-driven innovation, manufacturing excellence, and differentiated products in North America. The new launches included Monogram 24" Panel-Ready Beverage Centre that brings elevated versatility and thoughtful design; GE Profile™ Smart Compact Dishwasher for Countertop or built-in installation; UltraFast Combo washer with new finishes that brings a vibrant, design-forward aesthetic and personality to the laundry space; Powered by Google Cloud's generative AI, the expanded SmartHQ platform introduced specialized AI assistants for coffee and laundry care, each designed to tackle specific household challenges. Amid a changing tariff and policy environment, the Company continued to strengthen its position in premium segments with 7% YOY growth.

The Company also deepened partnerships with major retail channels through clear commercial strategies, fulfillment capabilities, and strong customer support. GE Appliances was named a 2025 Vendor Partner of the Year by Lowe's. In manufacturing, GE Appliances completed the expansion at its Georgia cooking products plant and plans to build its most advanced clothes-washer manufacturing facility in Louisville, Kentucky.

In Air & Water Solutions, the Company introduced new residential and commercial HVAC offerings with enhanced compatibility, serviceability, and installation flexibility for contractors. The segment achieved double-digit growth.

European Market

In 2025, the European market, as a core pillar of the Company's globalization strategy, underwent a profound structural transformation and integration, resulting in a significant improvement in profitability. Against a complex and challenging macroeconomic backdrop, the Company remained user-centric and pivoted its business focus from scale expansion to high-quality growth. This strategic shift led to a fundamental improvement in operational quality and further enhanced the region's strategic value.

During the reporting period, revenue in the European market achieved double-digit year-on-year growth, accompanied by a substantial upgrade in the quality of operations. Key initiatives driving this transformation included:

1. Comprehensive Implementation of "Operating Model 2.0"

- **Supply Chain:** The Company continued to optimize its European supply chain footprint, systematically migrating production capacity to core manufacturing hubs in Turkey, Southeast Asia, and China. This movement leveraged cost advantages while enhancing market responsiveness.
- **Channels:** We deepened our Key Account (KA) strategy and customized service offerings while accelerating the development of e-commerce platforms, led by Amazon, and Direct-to-Consumer (DTC) channels, resulting in rapid growth.

III. DISCUSSION AND ANALYSIS ON OPERATIONS (continued)

III. Key Market Performance (continued)

European Market (continued)

- Organization: Efficiency was bolstered through organizational streamlining and operational optimization, yielding clear transitional benefits. Furthermore, the Company established or upgraded hundreds of terminal outlets across Europe. By elevating the brand's visual identity and strengthening retail promoter training, we effectively boosted brand resonance among younger demographics.

2. Focus on Product and Service Upgrades

Through sustained R&D investment, the Company enhanced the competitiveness of its refrigerator and washing machine portfolios across all price segments. Our washing machine business climbed to the No. 2 market share position in the region, driven by product innovation — notably the coordinated launch of “triple-drum” washing machines, which showcased the seamless integration of our global R&D and sales networks. The refrigerator segment maintained robust momentum, continuing its trajectory toward the industry's top tier.

To drive brand premiumization, the Company launched a global sponsorship program, partnering with elite football clubs such as Liverpool and Paris Saint-Germain (PSG) to significantly elevate brand awareness and customer perception. Regarding sustainability, the Company ensured all products met the EU's stringent energy efficiency and environmental standards. We proactively invested in low-carbon technologies to address future carbon border adjustment (carbon tax) challenges while accelerating the deployment of our Smart Home platform in Europe to provide users with intelligent, scenario-based experiences.

Emerging Markets

In 2025, Emerging Markets served as a critical engine for sustained growth. By efficiently replicating the successful experiences and business models pioneered in the Chinese market, the Company achieved rapid growth that significantly outpaced the industry average.

During the reporting period, revenue from emerging regions (including Southeast Asia, South Asia, and Middle East & Africa) grew by over 24% year-on-year, further consolidating our leadership in several core markets. The Company transitioned from a “product export” model to a deep “brand operations” model, prioritizing optimized regional and product mixes to enhance overall profitability. By implementing a localized brand-building strategy, the Company maintained its leading industry position in Pakistan, India, and Thailand. We continued to introduce high-margin, solution-based products to global markets, successfully moving beyond price competition to achieve simultaneous growth in volume and price.

III. DISCUSSION AND ANALYSIS ON OPERATIONS (continued)

III. Key Market Performance (continued)

Emerging Markets (continued)

1. Replicating the “Hero Product + Channel” Formula

The Company combined its expertise in creating “Blockbusters” in China with deep local consumer insights. In South Asia, the GRAVITY series drove a significant increase in the market share of high-energy-efficiency products, propelling related categories to the top two in the Indian market. On the channel side, we successfully replicated China’s e-commerce and franchised store models, deepening partnerships with major Southeast Asian e-commerce platforms and rapidly expanding our offline footprint and flagship image stores in South Asia, the Middle East, and Africa.

2. Strengthening Localized Manufacturing and Delivery

The Company innovated its “1+1+N” flexible supply chain system, transitioning from a China-centric supply model to one that emphasizes localization, regionalization, and global synergy. Leveraging manufacturing bases in Southeast Asia, India, and Egypt, we achieved precise R&D and rapid delivery tailored to local climates (e.g., high temperature and humidity), creating a distinct competitive advantage that radiates into the Middle East and Africa. In response to complex trade policy shifts, we utilized digital models to flexibly allocate global capacity, effectively reducing tariffs and logistics costs while ensuring supply chain resilience.

IV. Business Operation Analysis

(I) Smart Kitchen

(1) Refrigeration

The Company’s refrigerators and freezers maintained their global No.1 positions by retail volume (for the 18th and 15th consecutive year, respectively). With this scale foundation firmly in place, the Refrigeration division pivoted its emphasis toward quality of growth during the period, supported by two differentiating capabilities: a systematic engine that converts proprietary technology into commercially successful products, and a digitally enabled global operating platform. Revenue for the period totaled RMB84.76 billion, up 1.4% year-on-year, led by strong momentum in emerging overseas markets. Domestically, offline retail revenue share rose to 47.7%, a gain of 3.6 percentage points.

III. DISCUSSION AND ANALYSIS ON OPERATIONS (continued)

IV. Business Operation Analysis (continued)

(I) Smart Kitchen (continued)

(1) Refrigeration (continued)

Innovation pipeline and technology leadership. The division captured two converging tailwinds — robust trade-in demand in China and accelerating premiumization in overseas markets — and converted them into measurable commercial outcomes. Central to this is an R&D pipeline that has ranked first in the industry by published invention patents for eight consecutive years. The standout breakthrough was our Magnetic Control Full-Space Freshness Technology, which earned the highest award at China's National Disruptive Technology Competition — the only recognition given to the home appliance sector — achieving cellular-level preservation that keeps chilled meat fresh for 10 days and frozen seafood for 60 days. This was complemented by advances in ultra-quiet operation (31dB, outperforming the national standard by 10dB), built-in installation via our proprietary hydraulic self-leveling system, and the AI Vision multimodal platform for intelligent food management.

Scaling premium across brands and geographies. What distinguishes this division is not just innovation, but the speed and consistency with which new technology reaches consumers as premium, high-volume products. Casarte, our premium brand, gained 2.5 percentage points of offline retail revenue share and 0.8 percentage points online. Its Zhijing Series commanded 53% of retail revenue in the RMB10,000-and-above segment. At the volume end, the Haier “Mailang” series topped every price tier with over 600,000 units sold. Overseas, we pursued targeted brand-building by country and category. In Europe, differentiated multi-door models — including 700L large-capacity units — captured 40% of the mid-to-high-end multi-door segment, while emerging markets delivered strong revenue growth driven by local product adaptation and expanded distribution.

Cost discipline through global coordination. Margin improvement was underpinned by the division's global digital coordination platform. On the cost side, modular product design and coordinated cross-regional procurement drove further structural cost reduction, more than offsetting input cost headwinds and contributing to gross margin expansion. On the SG&A side, digital marketing tools improved consumer engagement efficiency, while process optimization in after-sales service lowered the domestic expense ratio year-on-year.

Taken together, the Refrigeration division's 2025 performance demonstrates that its leadership rests on a mutually reinforcing system — proprietary technology, premium branding, rapid commercialization, and globally coordinated operations — rather than scale alone. These same capabilities position the division well for the next phase of the Company's Smart Kitchen strategy, which aims to deepen the convergence of refrigeration and kitchen appliance solutions.

III. DISCUSSION AND ANALYSIS ON OPERATIONS (continued)

IV. Business Operation Analysis (continued)

(I) Smart Kitchen (continued)

(2) Kitchen Appliances

Against a backdrop of macroeconomic volatility and trade disruptions that weighed on global kitchen appliance demand, the division delivered revenue of RMB41.54 billion, up 0.9% year-on-year — a resilient outcome given the challenging operating environment. Overseas, we maintained leading positions in North America and Australasia. The performance was underpinned by two engines: effective coordination across our global premium brand portfolio, and the continued strengthening of localized operations.

Multi-brand synergies powering overseas leadership. As global kitchen demand shifts from single-product purchases toward integrated, built-in, and smart-enabled solutions, the division is well positioned through the combined strengths of GE Appliances (GEA), Fisher & Paykel (FPA), and Casarte. In North America, GEA accelerated the rollout of premium built-in products under its Profile and Café lines, lifting high-end brand revenue by 7% and retaining the No.1 retail share position, with dishwasher and oven shares reaching 26.8% and 41.6%, respectively. In Australasia, FPA complemented GEA's North American strength with continued premium momentum in its home market. Leveraging a model of global resource development with local experience delivery, we further consolidated our premium foothold in developed markets while scaling rapidly in emerging regions such as the Middle East and Africa.

Premiumization and pre-installation positioning in China. In the domestic market, results improved on the back of two strategic priorities: premiumization and proactive positioning in the pre-installation channel. As demand for integrated kitchen solutions grows — driven by pre-fitted housing delivery, home renovation, and the convergence of furnishing and appliances — we continued to anchor premium pricing in proprietary technology while expanding user value through scenario-based offerings. Casarte's Zhijing series, including fully flush-mounted range hoods and a proprietary drawer-type dishwasher, continued to define the industry's direction in intelligent functionality and space efficiency. Casarte kitchen appliance revenue rose 27% year-on-year.

Margin expansion supported by supply chain efficiency. Profitability improvement was reinforced by the division's integrated global supply chain. Consolidation of procurement resources and optimization of the local manufacturing footprint helped offset external cost pressures. On the operating expense side, digitally enabled tools continued to improve efficiency in marketing and service, further strengthening the division's earnings foundation.

III. DISCUSSION AND ANALYSIS ON OPERATIONS (continued)

IV. Business Operation Analysis (continued)

(I) Smart Kitchen (continued)

(2) Kitchen Appliances (continued)

In summary, the Kitchen Appliances division's 2025 results reflect the combined contribution of overseas brand leadership and domestic premiumization through Casarte's integrated kitchen approach. Both growth quality and earnings visibility improved. The capabilities developed around integrated kitchen offerings, premium built-in products, and the pre-installation channel provide a solid foundation for the Company's broader Smart Kitchen strategy.

(II) Smart Laundry Care

China's laundry market came under pressure during the period as government subsidy effects faded and growth reverted to product-driven fundamentals — an environment that favors companies with genuine product differentiation. The Laundry Care division delivered global revenue of RMB65.57 billion, up 3.5% year-on-year, driven by product innovation, channel transformation, and disciplined multi-brand execution.

Multi-brand execution in a polarizing market. As market polarization intensified, our portfolio approach proved effective. Casarte, our premium brand, grew revenue by over 15%, establishing itself as a key growth driver. Leader, targeting younger consumers, leveraged its "Effortless Three-Drum" washer to gain 2.5 percentage points of online retail revenue share, with front-load washer sales surging over 70%. Domestically, offline retail revenue share reached 47.4%, up 1.9 percentage points (per GfK). Globally, Haier washing machines held the No.1 market share at 14.4% (per Euromonitor), with leading positions in Australia, New Zealand, Pakistan, and Vietnam.

Defining two high-growth categories. The division has taken a defining role in two emerging segments: multi-drum segmented washing and heat pump integrated washer-dryers.

In multi-drum washing, we were the first to commercialize a latent consumer need — the desire to wash intimate wear, baby clothes, and outerwear separately — through a purpose-built product. The Effortless Three-Drum washer sold over 300,000 units during the period, making it the No.1 online new product of the year. This was powered by a closed-loop system that moves from consumer insight to product launch in roughly half the industry's typical cycle time. Per AVC data, multi-drum penetration in China rose from 0.9% to 2.4% in 2025; the Company held a dominant share exceeding 60%.

The same product-creation engine extends across categories. In heat pump washer-dryers, the Casarte Neutron F2 deploys our proprietary Dual-Engine Heat Pump technology to resolve the core trade-offs of conventional condensation systems — delivering gentle 56°C drying that is 40% faster and 30% more energy-efficient while protecting fabric quality. The product quickly became a premium bestseller. Offline penetration of heat pump washer-dryers exceeded 5% industry-wide in 2025, with Casarte holding over 30% of the segment.

III. DISCUSSION AND ANALYSIS ON OPERATIONS (continued)

IV. Business Operation Analysis (continued)

(II) Smart Laundry Care (continued)

Channel transformation in China. The division moved decisively to capitalize on China's rapidly evolving retail landscape. The shift toward direct-to-consumer (DTC) retail operations drove a 22% year-on-year increase in online revenue. On content commerce platforms such as Douyin (China's leading short-video platform), partnerships with lifestyle creators to showcase real-use scenarios — segmented washing, luxury garment care — generated over 190% growth. We also captured emerging opportunities in large-format new-retail stores in lower-tier cities, adding 1,100 touchpoints and growing county and township retail revenue by 25%. The marketing model has evolved from traffic acquisition to user co-creation, with social media feedback being rapidly converted into new product iterations.

Profitability: channel efficiency and localization gains. The division's profitability improved during the period, supported by two drivers. Domestically, the DTC retail model reduced intermediate distribution layers, lowering channel costs and contributing to expense ratio improvement. Overseas, deeper localization yielded a more favorable cost structure: Candy in Europe returned to profitability through product platform upgrades and management efficiency gains, while strengthened local manufacturing in North America enhanced supply chain resilience and cost predictability.

Overseas: deeper localization, broader reach. In 2025, our three-in-one localization model — local design, local manufacturing, local marketing — moved into a phase of deeper structural embedding. In Southeast Asia, laundry revenue grew over 25%, driven by the introduction of mid-to-high-end products. Japan delivered revenue growth above 5%, led by new premium heat pump models. In Europe, the Candy turnaround also translated into share gains. In North America, we strengthened local manufacturing capacity, supporting continued share gains.

Market positions advanced across every major region. In the U.S., GE washing machines held a 26.7% share (per AHAM), with large-capacity front-load products maintaining leadership. In Europe, the multi-brand approach navigated tightening energy standards to lift overall share to 12.5% (No.2); in France, front-load models entered the top three. In Australia, share exceeded 22% (No.1). In Vietnam, we held 21.2% (No.1); in Japan, our dual-brand share reached 17.7%, advancing from No.3 to No.2. In Pakistan, we maintained the No.1 position for multiple consecutive years.

III. DISCUSSION AND ANALYSIS ON OPERATIONS (continued)

IV. Business Operation Analysis (continued)

(III) Smart HVAC

During the reporting period, HVAC business recorded sales revenue of RMB72.355 billion, up 10% year on year, amongst which smart air solution grew 9.6% to RMB54.391 billion and water solution grew 11.1% to RMB17.964 billion.

(1) Home Air Conditioning Business

In 2025, the air conditioning business realized its full growth potential, driven by strengthening competitiveness in product technology, supply chain integration, and channel transformation. According to China IoL, Haier air conditioners defied market trends with exceptional growth. Global sales volume increased by 14.8%, with domestic volume up by 16.3% and overseas volume by 12.6%, outpacing the industry in terms of growth.

According to GfK CMM, our domestic offline retail sales share reached 21%, an increase of 1.8 percentage points year-on-year; online share rose to 10.9%, up 0.6 percentage points. In overseas markets, we ranked first in market share in Thailand, Pakistan, with significant market share improvements in other regions.

Product Development: Creating best-selling products through original technology, delivering exceptional user experience at optimal cost

Our R&D has been centered on solving real user problems, committed to developing original technology and continuously strengthening the technology foundation of our whole-house smart air solutions. The Haier air conditioner's variable diversion technology has undergone continuous refinement, significantly improving cooling and heating efficiency and achieving an industry first with 24 hours of continuous heating. In 2025, this technology earned Gold Medals at both the 50th International Exhibition of Inventions of Geneva and the iENA Nuremberg International Trade Fair for Ideas, Inventions and New Products. The Haier air conditioner's inverter technology also received a Gold Medal at the Geneva exhibition and a Silver Medal at iENA Nuremberg, recognized for its combined strengths of precise temperature control, high energy efficiency, and stable operation. Additionally, seven technological achievements, including "Research and Application of Key Technologies for AI Smart Energy-Saving Air Conditioners" and "Variable Module Heat Exchanger Forward-Cycle Micro-Defrosting Technology for Room Air Conditioners to Achieve High Efficiency and Comfort", were certified by authoritative institutions as reaching "internationally leading" levels. In energy conservation and smart technology, our end-to-end AI energy-saving technology has enabled air conditioners to consume as little as 2 kWh of electricity per day, achieving an AI-driven energy saving rate of 46%. The innovative integration of technologies such as Smart Wind, Air Wash, and Integrated Sensing and Communication have seamlessly combined performance, comfort, health, and intelligence to enhance product experience.

III. DISCUSSION AND ANALYSIS ON OPERATIONS (continued)

IV. Business Operation Analysis (continued)

(III) Smart HVAC (continued)

(1) Home Air Conditioning Business (continued)

Guided by our ESG strategy, the Company leveraged technological innovation for cost optimization to build sustainable cost competitiveness. First, during new product development, we applied new materials, technologies, and processes to enhance modularity, allowing cost optimization from the initial product planning stage, and quickly replicating these efficiencies to subsequent new products. Second, we leveraged vertical integration to strengthen manufacturing capabilities, continuously advancing our in-house manufacturing of core components such as compressors and computer boards to enhance supply chain efficiency and cost control. In 2025, these initiatives resulted in an approximate 8% reduction in the overall cost of our air conditioners.

This synergy of technological innovation and cost advantages has rapidly boosted our products' market competitiveness. In 2025, the share of best-selling products continued to grow, driving a 32.7% improvement in platform efficiency and a 22.2% increase in SKU efficiency. The Little Red Flower Energy Saving series, known for its industry-leading energy efficiency with an APF value of 6.12, achieved annual sales of over 1.6 million units. The Smart Wind series, which featured dual-powered mechanical arm for 270° airflow control and solved the user pain point of direct drafts, sold more than 600,000 units during the year.

Domestic Market: Channel Transformation Drove End-to-End Efficiency with Synergistic Online and Offline Growth.

The Company enhanced the competitiveness of our POP (platform open plan) and e-commerce channels by transforming our digital inventory and digital marketing models, which spurred rapid business development. For the POP channel, we helped distributors establish an asset-light operating model with omnichannel inventory sharing, where Haier manages warehousing, logistics, and direct-to-consumer delivery. This model accelerated touchpoint expansion and improved retail efficiency. In 2025, POP channel revenue grew by over 138% and retail sales by over 120%, while distributor inventory turnover efficiency improved by more than 50%. In our e-commerce channel, we focused on best-selling products and implemented a full-funnel conversion system covering brand awareness, user traffic, and product sales, which continuously improved our operational efficiency. Sales for both the 'Energy Saving' and 'Ultra Energy Saving' series exceeded one million units, boosting the channel's annual revenue growth by 38%. We also capitalized on the trend of content-driven e-commerce, increasing our market share in these channels by over 5 percentage points and securing a top two ranking. For offline channels, we focused on improving both the quantity and quality of our network while continuously refining operational capabilities. On the product side, we strengthened differentiation in our mid-to-high-end offerings and optimized our product mix, resulting in growth of over 10% for Casarte's air conditioners. To enhance distributor experience, we streamlined the return and exchange process, implemented digital tools for visible, controllable, and transferable inventory management, thereby improving inventory turnover and sales efficiency, significantly boosted distributors' confidence.

III. DISCUSSION AND ANALYSIS ON OPERATIONS (continued)

IV. Business Operation Analysis (continued)

(III) Smart HVAC (continued)

(1) Home Air Conditioning Business (continued)

Overseas Markets: Deepening Localization and Supply Chain Development to Unleash Growth

In overseas markets, we optimized regional structure, expanded our portfolio of high-margin, solution-based products, and advanced the localization of our supply chain. The Company strengthened the integrated localization of R&D, manufacturing, and sales in high-profit regions such as South Asia, Europe, and Africa.

On the product front, we created best-selling mid-to-high-end air conditioner products designed to meet local user needs, which strengthened the competitiveness of our mid-range offerings. In India, the launch of the best-selling GRAVITY product line increased our market share for 4-star and 5-star models to 12% and our high-end market share rose to 3rd in the industry. In terms of brand strategy, we increased product and marketing investments in our secondary brands such as HEC and Candy to capture incremental growth in markets including Italy, Spain, Eastern Europe, and Central Asia. Our customization capabilities have steadily improved, resulting in faster market response times. We have seen significant improvements in both the quantity and quality of our custom order clients, with customized sales volume increasing by 45% year-on-year.

On the supply chain side, the Chonburi factory in Thailand officially commenced production, boosting local capacity to 8.3 million units. The facility produced a range of products, including window units, dehumidifiers, portable units, RV air conditioners, and split systems. It catered to markets including Thailand, Vietnam, the U.S., and Turkey to enhance the resilience and cost-effectiveness of our global supply chain.

(2) Smart Building Business

In 2025, our Smart Building business achieved rapid revenue growth by deepening its strategic focus on core technologies like magnetic and air suspension, advancing strategic transformation and in-depth scenario applications in the domestic market, and accelerating the development of localized operations and differentiated solutions overseas. According to data from China IoL, our domestic market share for central air conditioning increased by 0.5 percentage points year-on-year to 11.3%, placing us among the top two in the industry. Our export market share rose by 1 percentage point to 15.2%, also ranking in the top two. Overseas, we maintained the number one market share in Pakistan, ranked first in the magnetic levitation centrifugal chiller category in Malaysia, and held the top share for multi-split systems in Turkey, continuously strengthening our global competitiveness.

III. DISCUSSION AND ANALYSIS ON OPERATIONS (continued)

IV. Business Operation Analysis (continued)

(III) Smart HVAC (continued)

(2) *Smart Building Business (continued)*

In R&D, the Company remained committed to developing core technologies. By focusing on magnetic levitation, air suspension, AI algorithms, and new refrigerants, we have built systematic and comprehensive technical capabilities that solidified our leading position in the HVAC industry.

Our developed static pressure air suspension technology has successfully filled a gap in the domestic market for large-capacity cooling. Based on this technology, we launched the industry's largest single-unit 750RT air suspension centrifugal chiller. It operates completely oil-free and improves energy efficiency by over 50%, offering a green, efficient solution for high-reliability environments like data centers, industrial facilities, and large hospitals. At the same time, we continued to deepen our expertise in high-efficiency centrifugal chillers and completed the independent design and development of our 800 to 1200 RT product series to strengthen the implementation capabilities for large-scale water chiller projects, laying a solid foundation for widespread adoption.

As a key proponent of magnetic and air suspension central air conditioning technology, the Company led the formulation of the first national standard, "Oil-Free Suspension Centrifugal Water Chiller (Heat Pump) Units", which has now been officially released. This is China's first national standard for magnetic and air suspension central air conditioning, marking a crucial step for the industry in establishing standards for energy-efficiency technology. The implementation of this standard not only set a higher energy-efficiency threshold for the industry but also guided the market toward greener, more energy-saving technologies, helping users make informed decisions on high-efficiency solutions.

The Company strategically acquired PROFROID, a global brand in CO₂ refrigerant applications and HVAC/R, gaining access to its patented CO₂ HVAC technologies. With a Global Warming Potential (GWP) of just 1, CO₂ is the industry's most environmentally friendly refrigerant option. This acquisition has proactively secured our leading technological position amid the industry's transition to new refrigerants. The Company launched the industry's first large-scale AI multi-split system. Built on a "chip + algorithm + scenario" architecture, it achieved 15% in operational energy savings and 30% in comprehensive energy savings. The revolutionized use of Bluetooth connectivity improved operations and maintenance efficiency by 50%. The system's single-unit capacity reached an industry-leading 48 HP, which reduced equipment usage by approximately 10%. The product also received the "Innovative Product Award" at the China Refrigeration Expo.

III. DISCUSSION AND ANALYSIS ON OPERATIONS (continued)

IV. Business Operation Analysis (continued)

(III) Smart HVAC (continued)

(2) *Smart Building Business (continued)*

In the domestic market, despite an approximate 7.3% overall decline in the central air conditioning industry, the Company achieved growth by strategically transforming from an equipment supplier into an integrated solution provider for equipment and services.

We collaborated with key resource partners, including design institutes and industry associations, to provide systematic and customized energy solutions as we shifted from selling single pieces of equipment to providing full-lifecycle services. For example, in Asia-Pacific Plaza project in Zhengzhou, third-party testing of the installed Haier AI IoT multi-split systems showed a comprehensive energy saving rate of 29.21% compared to conventional multi-split systems. This result clearly demonstrated the energy-saving effects and practical value of Haier AI multi-split systems as a trustworthy solution for users.

The Company actively expanded into specialized markets including smart manufacturing, rail transit, data centers, precision electronics, and high-efficiency equipment rooms, establishing professional reputation in these vertical markets. To address the high-density heat dissipation challenges from AI computing in data centers, where single-rack power could exceed 100kW, we achieved a strategic breakthrough by leveraging core magnetic and air suspension technology, collaborating closely with leading internet companies to co-develop industry-first innovations, such as the “Magnetic Levitation Natural Cooling Unit Module” and the “Magnetic Levitation Dual-Source Integrated Cooling Source”, which supported both air and liquid cooling. Through redesigning the cooling architecture with integrated magnetic levitation and natural cooling technologies, these solutions achieved energy savings of over 50%, reduced the equipment floor area by 30%, and enabled rapid 30-day delivery through modular prefabrication, offering groundbreaking solutions for high-density computing centers.

In overseas markets, we accelerated business development by enhancing specialized solutions, strengthening localized operations, and diversifying distribution channels.

III. DISCUSSION AND ANALYSIS ON OPERATIONS (continued)

IV. Business Operation Analysis (continued)

(III) Smart HVAC (continued)

(2) *Smart Building Business (continued)*

We maintained a high-end strategy, building a competitive edge with our highly efficient magnetic levitation products and new-refrigerant multi-split systems. In Southeast Asia, our magnetic levitation solutions consistently secured data center projects, increasing our market share and building a professional reputation with clients. In Europe, our multi-split systems have successfully entered the high-end market by offering specialized solutions that are smart, energy-efficient, comfortable, and convenient. In the U.S., our comprehensive product line featuring multi-voltage outdoor units and diverse indoor unit options effectively met the needs of local users.

To strengthen our local competitiveness, we have increased the number of professionals stationing overseas to deliver exceptional user experience. We have incentivized teams to secure high-value orders, improve operational efficiency and market responsiveness, while responding rapidly to user needs.

The Company expanded distribution network by making investments in centralized procurement, professional distributors, and engineering projects for our various product lines. The acquisition of KLIMA KFT, a leading HVAC distributor in Hungary, has enabled us to build an extensive network and enhance our professional solution capabilities across Central and Eastern Europe, accelerating growth in the region.

(3) *Water Solution Business*

In 2025, China's water appliance market became highly segmented, influenced the national subsidy policy. While the water heater market faced significant headwinds from the real estate downturn, the water appliance sector evolved as consumers shifted from single devices to whole-house quality water systems, and from basic functionality to health-conscious experiences. Navigating this complex environment, our Water Solution Business centered its strategy on becoming a whole-house water solutions provider for all home scenarios. It developed systematic strategies across three key areas: product positioning, channel efficiency, and global synergy. According to GfK CMM, domestic market share went up by 3.2 percentage points to 32.5% offline and 46.9% online, up 2.1 percentage points.

In response to profound industry changes, the Company has been guided by cutting edge technology and user insight, delivering leading product breakthroughs by capitalizing on key trends, including mineral-rich water, health-conscious washing, and Level 1 energy efficiency.

III. DISCUSSION AND ANALYSIS ON OPERATIONS (continued)

IV. Business Operation Analysis (continued)

(III) Smart HVAC (continued)

(3) Water Solution Business (continued)

1. Advancing health-conscious innovation. In the water purification market, mineral-rich technology has quickly gained popularity. Our advancements in mineralization technology increased the sales share of mineral-rich water purifiers by 20 percentage points. Specifically, Casarte's third-generation ore activation technology, which offered an "eight-in-one mineral" effect, captured the top market share in the RMB7,000+ price segment and earned the industry's CCLC premium mineral water certification, resulting in a revenue growth for Casarte's water purification by over 15%. The Haier Fresh Water 8-Year Long-Life series featuring a long-lasting RO membrane, gained significant online traction and sold over 100,000 units, ranking first in the RMB2,500–3,000 price segment. In the water heater sector, "beauty and health washing" emerged as a new premium market. The Haier "Little Blue Bottle" series has upgraded three times in three years. The 3.0 model addressed water hardness and bacterial growth with built-in limescale inhibitors and antibacterial modules. After its launch in August 2025, over 10,000 units were sold in just 28 hours, securing the top share in the mid-to-high-end market.
2. Integrating scenarios to boost share of whole-house water solution suites. In the point-of-entry water purification market, rising demand for whole-house purification made mid-to-high-end products like water softeners and central purifiers key growth drivers. The Company introduced scenario-based solutions such as the "Whole-House Hot Water Golden Triangle", "Smart Bathroom" and Haier's whole-house smart water solution suite (pre-filter, central purifier, water softener, point-of-use purifier, and water heater) to address the demand for one-stop water solutions.
3. Upgrading Energy Efficiency. Guided by a forward-looking technology strategy, Casarte has developed a proprietary, aerospace-grade centrifugal atomization technology that achieves 100% outdoor discharge of condensation. The new Casarte CV6 Ultra series featuring this Level 1 energy-efficient technology has sold 60,000 units, boosting the sales share of our Level 1 energy-efficient products.

III. DISCUSSION AND ANALYSIS ON OPERATIONS (continued)

IV. Business Operation Analysis (continued)

(III) Smart HVAC (continued)

(3) *Water Solution Business (continued)*

In the domestic market, the Company responded to channel diversification by creating trending events like the ‘Harbin Snow Water Tea Brewing Experience’ and partnering with Key Opinion Consumers (KOCs) on nationwide co-creation projects. This approach enhanced direct communication between our leadership and users, boosted fan engagement across all platforms, and led to higher conversion rates. While reinforcing our edge in general e-commerce, we also increased investment in content-driven platforms, achieving over 60% growth on Douyin and Kuaishou. To address the large number of outdated products in lower-tier markets, we transformed township franchised stores into “trade-in service stations”. Our salespersons conducted in-home visits to offer free water quality testing and replacement services, trade-in sales accounted for 40–50% of total revenue.

In overseas markets, the Company advanced its three-tiered global strategy of localized brand building, product customization, and strategic M&A, to deliver strong performance across all regions.

In brand-building markets such as Spain, we focused on product competitiveness to achieve industry leadership in energy efficiency and noise reduction. Our heat pump category ranked in the Top 2 with a price index over 100, marking a successful entry into the mid-to-high-end segment. In customization-focused markets like Australia, close client collaboration and R&D synergy propelled our heat pump shipments into the Top 5. By securing orders through exceptional platform experience and offering tailored solutions, the customization market segment grew by 300% during the period.

In 2025, the Company completed the acquisition and integration of Kwikot, South Africa’s leading water heater manufacturer, achieving significant synergies across technology, products, and channels.

- **Technology:** A localized R&D center was established in South Africa to introduce our smart and energy-saving technologies, improving the Company’s margin by nearly 2 percentage points through process optimization.
- **Products:** Leveraging supply chain integration, we expanded the portfolio from electric water heaters into new energy products like solar water heaters, positioning Kwikot as a leader in Integrated HVAC Solutions.
- **Channels:** We utilized the “Haier + Kwikot” dual-brand synergy to integrate offline networks and enhance e-commerce and engineering channel layouts, using South Africa as a beachhead to penetrate the broader Southern African market.

III. DISCUSSION AND ANALYSIS ON OPERATIONS (continued)

IV. Business Operation Analysis (continued)

(IV) Commercial Refrigeration Business

2025 marked the first full fiscal year following the acquisition of Carrier Commercial Refrigeration (CCR) business. The business delivered better-than-expected performance, with overall revenue achieving double-digit growth in USD terms. The business has maintained positive growth for five consecutive quarters post-acquisition, driven primarily by high-quality organic growth. Cabinets accounted for over 60% of revenue, and the share of service-related revenue continued to rise, reflecting a continuous optimization of the business structure.

At the operational level, the success of the integration was driven by the cross-border implementation of the “RenDanHeYi” management model. By decentralizing decision-making, adopting bottom-up goal setting, and implementing profit-sharing mechanisms, we effectively revitalized the organization. Digital transformation also played a pivotal role; we consolidated dozens of disparate ERP systems into a unified platform and implemented an independent “micro-enterprise” accounting model, significantly enhancing operational efficiency and P&L management.

In terms of brand and business synergy, CCR leveraged our brand equity, customer networks, and the supply chain advantages of our Smart Building business to achieve cost and technical complementarities. Furthermore, the licensing of CO2 refrigeration and heat pump technologies has established a robust technological moat to address global carbon reduction trends.

IV. ANALYSIS ON CORE COMPETITIVENESS DURING THE REPORTING PERIOD

The Company has built a robust strategic framework and durable competitive advantages across global markets. In China, the Company maintains full-category leadership in major home appliances. Internationally, its commitment to premium brand positioning has driven consistent share gains. The RenDanHeYi management model provides the organizational foundation for sustainable growth and enables the Company to replicate proven strategies across markets. Key competitive advantages include:

(1) Premium Brand Building Through Long-Term Investment

Over a decade ago, the Company began building Casarte as a dedicated premium brand in China — a process requiring sustained investment in technology, product differentiation, and service. Casarte integrates the Company’s global R&D capabilities, manufacturing excellence, dedicated marketing, and premium service to earn the trust of China’s high-end consumers.

IV. ANALYSIS ON CORE COMPETITIVENESS DURING THE REPORTING PERIOD (continued)

(1) Premium Brand Building Through Long-Term Investment (continued)

During the reporting period, Casarte's brand value reached RMB92.8 billion and its overall market volume exceeded RMB38 billion, with a cumulative base of 20 million premium members. According to GfK, Casarte maintained its leading position in China's premium major home appliance market in 2025: 43% market share in refrigerators priced above RMB10,000; 76% in washing machines above RMB10,000; 18% in water heaters by offline retail revenue (No. 1 in the industry); and 60.8% in air conditioners priced above RMB15,000.

(2) Deep Application of AI in Smart Home

The Company is advancing AI integration across its smart home ecosystem in three dimensions:

Software-defined products. Leveraging its comprehensive appliance portfolio, the Company is driving 100% product intelligence, 100% user connectivity on its platform, and a 100% open ecosystem, all powered by AI. As the only home appliance company featured at the Ministry of Housing and Urban-Rural Development's "Quality Housing Technology Exhibition," the Company demonstrated AI-powered smart scenarios integrating people, vehicles, homes, and communities. This platform-centric approach enables near-instant responsiveness to user needs across discovery, purchase, and after-sales touchpoints.

Unified global user access. Global smart home interactions reached 86.1 billion during the period. In China and Belt and Road markets, the Haismart platform connects over 100 million devices with monthly active users (MAU) exceeding 13 million and over 6,600 ecosystem partners. In Australia, Europe, and the Americas, the SmartHQ platform connects over 21 million active devices with MAU exceeding 5 million and over 6,500 ecosystem partners.

Unified AI core capabilities. The Company launched the Xiaoyou AI Agent, a multimodal assistant with voice comprehension, visual recognition, environmental sensing, and contextual reasoning capabilities, and began exploring spatial intelligence. Four domain-specific AI models were released — covering freshness preservation, fabric care, cooking, and air management — to deliver professional smart living solutions. The Company's smart home app now features a 3D home view and became the first in the domestic industry to receive 3D digital twin interaction certification, enabling an immersive, spatially aware user experience.

IV. ANALYSIS ON CORE COMPETITIVENESS DURING THE REPORTING PERIOD (continued)

(3) Extensive Global Footprint and Localized Operations

The Company's international strategy combines proprietary brand building with strategic M&A, establishing a multi-brand, multi-category, multi-regional operating model with integrated R&D, manufacturing, and marketing capabilities. Deeply localized teams and agile management structures in each market enable rapid consumer insight and responsiveness.

During the reporting period, the Company continued to optimize its global manufacturing footprint. In Southeast Asia, the new air conditioning plant in Chon Buri, Thailand, commenced production with annual capacity of 6 million units. GE Appliances improved efficiency across all U.S. factories while advancing production transfers and greenfield projects globally. Fisher & Paykel relocated freestanding refrigerator production from Thailand to China. The Company operates a 10+N global innovation ecosystem, multiple manufacturing centers and marketing hubs, and an extensive sales network worldwide.

(4) Comprehensive Multi-Brand Portfolio

Through organic development and acquisitions, the Company has assembled a seven-brand portfolio — Haier, Casarte, Leader, GE Appliances, Candy, Fisher & Paykel, and AQUA — each positioned to serve distinct consumer segments across global markets. In China, Casarte, Haier, and Leader address premium, mainstream, and value segments, respectively. In the U.S., GE Appliances operates six brands — Monogram, Café, GE Profile, GE, Haier, and Hotpoint — spanning all price tiers and consumer preferences. The brand matrix was further enriched with CCR in commercial refrigeration and Kwikot in African water heating.

(5) Cross-Border M&A and Integration Capabilities

The Company has a proven track record in cross-border acquisitions and post-merger integration: Haier Group's overseas white goods business (including Sanyo's Japan and Southeast Asia operations) in 2015, GE Appliances in 2016, Fisher & Paykel in 2018, Candy in 2019, and CCR and Kwikot in 2024.

During the reporting period, CCR integration delivered strong early results: the business turned profitable in its first quarter post-closing, with global revenue growth outpacing the industry and China revenue growing at multiples of industry rates. On the organizational front, the RenDanHeYi model and ERP system integration were successfully completed, establishing a full end-to-end P&L accountability structure.

The Company's integration approach rests on three pillars. First, the RenDanHeYi model — an incentive mechanism aligning team value-sharing with value creation — energizes acquired organizations and their people. Second, the Company's global platform enables synergies in strategy, R&D, and procurement, strengthening acquired businesses' competitiveness. Third, the Company's open and inclusive culture supports autonomous, flexible management at acquired entities, fostering alignment and accelerating integration outcomes.

IV. ANALYSIS ON CORE COMPETITIVENESS DURING THE REPORTING PERIOD (continued)

(6) Global Synergies and Platform Leverage

The Company harnesses its global platform to replicate proven strategies and drive cross-regional synergies across the value chain:

- Product synergies:** Leveraging global R&D resources to co-develop products aligned with local consumer preferences. During the period, GE Appliances launched the Profile & Café shallow-depth refrigerator and Monogram wine storage; Fisher & Paykel introduced the Series 11 ultra-premium heat-pump washer-dryer; and Southeast Asia adopted global platform products, with T-door and TM refrigerator volumes up and front-load washer volumes up.
- Capability synergies:** A unified engineering talent development program (GEDP), conducted at both the Qingdao headquarters and GE Appliances, is producing a growing cohort of high-caliber young engineers who are becoming core contributors to product development teams. The Company is also adopting advanced automotive-industry development tools and design methodologies to enhance development precision and product quality.
- Design synergies:** A globally coordinated industrial design system, centered on user experience and brand identity, enables cross-regional design collaboration. During the period, the headquarters design team supported a comprehensive brand refresh for Candy, and the New Candy series achieved immediate success at launch — ranking No. 1 on Spain's Hitlist and top three in Italy — with a meaningful uplift in Candy's price index.
- Procurement synergies:** A Global Procurement Committee coordinates cross-category and cross-regional sourcing through a digital platform, aggregating group-level shared categories to achieve cost savings at scale. Standardized rules and differentiated sourcing strategies ensure efficiency and risk mitigation across the global supply chain.
- Supply chain synergies:** An end-to-end digital supply chain management system — from market demand through supplier management, production, and logistics — uses intelligent algorithms to dynamically optimize global capacity allocation. During the period, GE Appliances completed production transfers for air conditioning and refrigeration lines; Fisher & Paykel shifted Mexico factory capacity to Thailand for cost optimization; and European refrigerator and laundry plants in Romania and Italy were closed, with capacity fully consolidated in China.
- Marketing and brand synergies:** The Company operates a multi-tier global brand portfolio with coordinated promotion strategies. During the period, a sports-marketing-led approach was deployed globally: in Europe, the Haier brand partnered with Liverpool F.C. and Paris Saint-Germain, combining tennis for premium audiences with football for mass reach; in South Asia, cricket sponsorships boosted brand affinity; in Australia and New Zealand, the Australian Open partnership accelerated brand awareness. Successful sales and marketing models from China's lower-tier markets have been replicated in India, Pakistan, and Thailand.

IV. ANALYSIS ON CORE COMPETITIVENESS DURING THE REPORTING PERIOD (continued)

(7) Industry-Leading R&D and Technology

Backed by a comprehensive, industry-leading R&D infrastructure, the Company advances high-end, intelligent, and sustainable product solutions while delivering customized smart living experiences.

- **Proprietary technology leadership:** During the period, the Company continued to introduce category-defining innovations: MSA nitrogen-oxygen freshness technology in refrigeration (99%+ nutrient retention after seven days); three-drum zoned fabric care and heat-pump washer-dryer technology; “Crystal Tank” zero-corrosion water heater technology with PCC mineral infusion; and “AI Vision” technology enabling intelligent recognition in range hoods and ovens.
- **National-level recognition:** As of year-end 2025, the Company had received 17 National Science and Technology Progress Awards — the most in the industry. During the reporting period, multiple proprietary projects received provincial and ministerial-level first prizes for science and technology progress.
- **Patent leadership:** As of year-end 2025, the Company had filed over 112,000 patent applications globally, of which more than 73,000 were invention patents (over 60% of total). Haier Smart Home has ranked No. 1 globally on the “Global Smart Home Invention Patent Ranking” for 14 consecutive editions.
- **International standards leadership:** As of year-end 2025, the Company had led or participated in the publication of over 110 international standards and over 788 national/industry standards. It is the only company in the sector to fully cover IEC, ISO, IEEE, OCF, and Matter smart home standards, and the only company globally to serve on both the IEC CB (Conformity Board) and IEC MSB (Market Strategy Board), enabling deep participation in shaping international standards.
- **Design excellence:** The Company has received over 600 international design awards, including iF and Red Dot, with six international Gold awards — the most in the industry. It holds three China Ministry of Industry and Information Technology “Excellent Industrial Design Gold Awards”—the only company to achieve a three-time Gold streak.

IV. ANALYSIS ON CORE COMPETITIVENESS DURING THE REPORTING PERIOD (continued)

(8) Industry-Leading Logistics and Delivery Capabilities in China

Haier's RRS (Ri Ri Shun) supply chain demonstrates strong competitive advantages through full-process, multi-scenario supply chain management and a nationwide delivery-and-installation network. Powered by digital operations, the Company integrates warehousing, transportation, and service resources into a logistics network reaching every village in China.

During the reporting period, the Company accelerated digital inventory management and unified-warehouse (TC model) transformation. On the supply chain side, upgraded demand forecasting and automated replenishment models reduced Haier's central warehouse inventory turnover days. The unified-warehouse TC model now covers 22,000 clients, processing an average of 100,000 units per day. Direct-to-consumer orders account for 57% of total volume, with 24-hour delivery coverage across 1,944 districts and counties and a delivery-and-installation-in-one rate of 97%.

RRS is also transitioning from customized client solutions to standardized, scalable supply chain products for omni-channel needs, deepening strategic client relationships and improving solution profitability. Internationally, the Company is building a digital cross-border supply chain platform covering intermodal logistics, digital customs clearance, and localized warehousing to support global client expansion.

(9) Sustainability Capabilities

Robust ESG governance and strategic focus. The Company has established an ESG governance framework with deep board-level engagement and management-level execution accountability. During the reporting period, a double materiality assessment was conducted to systematically evaluate how ESG topics affect both business performance and stakeholder interests, ensuring alignment between ESG strategy and core business priorities.

Systematic stakeholder engagement. The Company maintains regular, multi-channel communication with investors, customers, employees, communities, and suppliers through ESG briefings, surveys, and interviews, integrating substantive feedback into ESG target-setting and performance improvement. During the period, the Company surveyed 1,543 consumers and 1,017 employees, and conducted in-depth interviews with 28 representatives from 20 global institutional investors — informing the identification of key ESG topics, strategy development, and disclosure practices.

Climate ambition and action. During the reporting period, the Company established and disclosed medium- and long-term carbon targets, committing to low-carbon transformation across both its own operations and the broader value chain. The publication of the *Haier Smart Home Carbon Neutrality White Paper* outlines a clear roadmap, key initiatives, and technology pathways toward carbon neutrality.

IV. ANALYSIS ON CORE COMPETITIVENESS DURING THE REPORTING PERIOD (continued)

(9) Sustainability Capabilities (continued)

Innovative green supply chain. The Company has built an industry-leading “6-Green” supply chain framework — green design, green procurement, green manufacturing, green logistics, green recycling, and green services — embedding sustainability across the full product lifecycle and driving green transformation throughout the supply chain.

Global community impact. The Company actively fulfills its corporate citizenship responsibilities worldwide through education support, disaster relief, and community service, strengthening ties with local communities and reinforcing brand trust.

In summary, the Company has deeply integrated ESG into governance, operations, and its value chain — managing material risks while building sustainable competitive advantages that create long-term value for shareholders and broader stakeholders.

(10) Commitment to “People Value First”

The principle of “People Value First” has guided Haier since its founding — from early self-managed work teams to the current RenDanHeYi model. RenDanHeYi aligns individual incentives with user value creation: “Ren” represents entrepreneurial employees, “Dan” represents user value, and “HeYi” represents the alignment between the two. Under this framework, the Company cultivates an ownership mindset at every level, empowering individuals to act as entrepreneurs within an open ecosystem platform — driving innovation and accountability in pursuit of the Company’s ambition to lead the global smart home industry in the IoT era.

V. DEVELOPMENT STRATEGY OF THE COMPANY

In an era defined by AI transformation and increasing consumer influence, Haier Smart Home is evolving from a global leader in major home appliances to a platform-based, service-oriented, user-centric technology ecosystem enterprise. To realize this long-term vision, we have established a strategic framework centered on “One Channel, Two Platforms, and Six Core Capabilities”. This framework is designed to drive comprehensive change, strengthen our core competencies, foster new avenues for growth, and ensure sustainable, high-quality development.

One Channel: Haier Smart Home

We are positioning the smart home business as our primary global competitive advantage. Focusing on this core channel, we are transforming our business, service, sales, and market operations from end to end. Our goal is to provide users with comprehensive, scenario-based solutions that encompass smart appliances, smart homes, and smart living. By fully upgrading the Haier Smart Home App and our overseas SmartHQ platform, we are creating a unified portal for direct user engagement and seamless partner integration. This approach fosters efficient connections between users and ecosystem resources, accelerating the global adoption and market leadership of our smart home vision.

V. DEVELOPMENT STRATEGY OF THE COMPANY (continued)

Two Major Platforms: A comprehensive direct-to-consumer platform and a user lifecycle experience management platform

The Company is committed to a thorough direct-to-customer transformation, reshaping our operations and customer relationships through the development of two platforms.

The first is the comprehensive direct-to-consumer distributor platform. We are building a universal direct-to-consumer model, creating the shortest and most efficient path to directly connect with users. By developing digital capabilities in inventory, sales, transactions, and logistics, we are establishing a direct factory-to-customer channel, which reduces intermediate steps, eases financial and inventory burdens for our distributors, and improves inventory turnover. The platform serves as a hub for optimizing business processes like product planning and policy creation, while synchronizing information across logistics and service networks, resulting in greater operational efficiency, streamlined process for distributors, and a superior, integrated delivery and installation experience for users.

The second is the user lifecycle experience management platform. This platform consolidates user data to provide continuous service and support throughout the entire customer journey. By collecting and analyzing user data, we can respond to user needs in real-time, deliver targeted services, and transform one-time transactions into lasting, trust-based relationships.

Six Core Capabilities:

Centered on the principle of user-centric management, the Company is systematically developing six strategic capabilities: Globalization, Premiumization, Digitalization, Smart Technology, Ecosystem Development, and Green Initiatives. These pillars provide a solid foundation for our sustainable development.

In terms of globalization, the Company is committed to global brand-building. We have established a global presence not only for our brands and products but also by standardizing ten major capabilities worldwide, including sales, marketing, service, logistics, procurement, R&D, manufacturing, finance, human resources, and IT. This comprehensive strategy ensures leading product competitiveness, rapid market responsiveness, and efficient governance. Our goal is to be a leader in business scale, product innovation, and operational efficiency in every market we serve.

In terms of premiumization, we are committed to a high-end brand strategy, rooted in localized global R&D and feedback-driven innovation to consistently launch best-selling products worldwide. By focusing on original product technology, refining our product suites, upgrading experience centers, and optimizing our direct-to-consumer service model, we strengthen our brand influence and solidify a leading price position in the market.

For digitalization, the Company implements a comprehensive, user-centric digital transformation to enhance operational efficiency and end-to-end user experience. By digitizing the entire processes of R&D, manufacturing, marketing, and service, we continuously optimize key performance indicators such as model efficiency, material utilization, and production efficiency. This enables our transition from experience-based management to data-driven operations.

V. DEVELOPMENT STRATEGY OF THE COMPANY (continued)

Six Core Capabilities: (continued)

For smart technology, we are committed to the comprehensive application of AI. By leveraging our Smart Home Brain and Uhome large model, we are evolving beyond individual smart products to deliver intelligent, scenario-based experiences. We use AI as a core engine to build an end-to-end marketing system and foster effective human-machine collaboration in R&D, manufacturing, and service, making smart technology a core driver for enhancing user experience and corporate efficiency.

Regarding ecosystem development, the Company is building an open ecosystem to offer users one-stop services for daily life, including clothing, food, housing, and entertainment. By expanding our network of resource partners, we are transforming the smart home from a physical space filled with appliances into a comprehensive ecosystem that addresses a full range of service scenarios.

For green initiatives, we integrate ESG principles into our corporate governance and are committed to carbon reduction across the entire product lifecycles. As the highest-rated company in our domestic industry by MSCI ESG, we view sustainable and low-carbon development as a critical strategy component, not a cost. We systematically implement green practices in product design, manufacturing (including energy optimization and the use of recycled materials), and related industries like large-scale HVAC and recycling to continuously strengthen our environmental competitiveness.

VI. BUSINESS PLAN

2026 marks a critical year in the execution of the Company's medium-term strategy. Priorities center on deepening the smart home ecosystem, completing the rollout of the DTC platform and user lifecycle management platform, and strengthening core capabilities in premiumization, globalization, digitalization, and ecosystem development.

Business Divisions: Sustained Leadership, Accelerated Expansion

We will sustain global leadership in refrigeration, laundry care, and kitchen appliances through continued technology-led differentiation. At the same time, we are accelerating the buildout of our HVAC business, integrating residential air conditioning, commercial building solutions, and water solutions into a unified platform spanning technology, supply chain, manufacturing, and distribution. Starting from real consumer needs, this business will offer integrated low-carbon energy solutions across design, installation, maintenance, and energy management — and is expected to become a meaningful contributor to the Company's growth.

Having completed its post-acquisition integration into Haier Smart Home, the CCR business has entered a new phase of efficient growth. In 2026, CCR will draw on its exclusive CO2 refrigeration technology license, shared R&D resources, and digital efficiency gains — alongside ongoing global expansion — to deliver stronger revenue growth and further operating margin improvement.

VI. BUSINESS PLAN (continued)

Business Divisions: Sustained Leadership, Accelerated Expansion (continued)

Looking further ahead, we are pursuing a vision of zero-effort housework through group intelligence that connects home appliances with service robots. Through proprietary R&D, partnerships, and strategic investments, we will increase our commitment to home robotics — leveraging our strengths in home-scenario data, appliance-level task coordination, and precision manufacturing — to deliver products that understand the home and can act on it.

China: Full-Scale Consumer-Centric Transformation

Channel network upgrade. We plan to open over 3,000 new specialty stores in county and township markets and upgrade more than 6,000 existing locations into integrated experience centers. An additional 1,000 Smart Kitchen experience stores will shift the in-store model from product display to lifestyle-driven presentation, with the aim of increasing bundled purchases.

Operating model transformation. We will complete the rollout of our DTC model, targeting 100% direct delivery to end consumers in 2026—further reducing handling steps, optimizing inventory, lowering channel costs, and improving overall efficiency.

AI-driven product innovation. Our AI Vision platform is driving home appliances toward proactive, autonomous service. In 2026, we will launch next-generation smart appliances equipped with AI Vision 2.0, enabling machines to perceive their environment — identifying ingredients, anticipating laundry color-bleeding risks — bringing us closer to truly hands-free home management.

Expanding premium reach. Casarte will deepen its presence in Tier 1–3 cities with 100 new experience centers and 300 flagship stores, increasing the proportion of bundled-set sales and reinforcing our premium market leadership.

Overseas: Deepening Localization Across Global Markets

Developed markets. In North America and Europe, we will transition from single-product penetration to integrated solutions and deeper brand engagement, leveraging our multi-brand portfolio to expand coverage while building B2B capabilities for commercial applications.

Emerging markets. We will deepen local manufacturing and premium brand-building, combining global coordination with local agility. Accelerated capacity deployment and full-lifecycle service offerings are expected to drive gains in both share and profitability.

VII. POTENTIAL RISKS OF THE COMPANY

1. Risk of decreasing market demand due to macroeconomic slowdown. Sales of white goods and home appliances exhibit inherent cyclicity tied to discretionary consumer spending patterns and their expectations of future disposable income growth. Economic downturn will reduce consumer spending and cause headwinds to industry growth. In addition, the persistent sluggish property market will also indirectly affect market demand for home appliances negatively.
2. Risk of price war caused by intensified industry competition. As the industry concentration level has continued to increase in recent years, the white goods industry is highly competitive with persistent commoditization pressures across core product categories. However, the increase in inventory levels in specific verticals due to demand-supply imbalance may lead to price wars. Furthermore, rapid technological development, scarcity of talent in the industry, shortened product life cycles, and the relative ease of copycatting increase the difficulty of maintaining margin levels. Nevertheless, new products, services and technologies are often associated with higher selling prices. The Company will actively invest more in R&D to sustain the product roll-out, attract more users through continuous innovation, and maintain our brand awareness.
3. Risk of fluctuations in raw material prices. The Company's products and core components use metals such as steel, aluminium, and copper, as well as commodities such as plastics and foams. If raw material prices continue to increase, it will put certain pressure on production and operations. In addition, the Company relies on third-party manufacturers and suppliers for selected raw materials, components, and manufacturing equipment. Any disruption in the supply chain or significant price increases will hurt the Company's business. As a leader in the industry, the Company will take actions and have contingency plans, including volume and price adjustments mechanisms and hedging to reduce the volatility of raw material prices.
4. Operational risks in overseas markets. As evidenced by the growing share of revenue from overseas markets, the Company has expanded its global business to a certain extent and established production bases, R&D centres, and marketing centres in key international regions. Overseas markets are subject to political and economic events (including events such as military conflicts and wars), different legal systems and regulatory regimes of those countries and regions. Significant changes in these factors will pose particular risks to the Company's local operations. The Company has taken various measures to mitigate the relevant impacts, including collaborating with suppliers and distributors, improving production efficiency to offset the selling expenses, potentially expanding the Company's supply resources to other countries, and adopting safety measures to protect our employees and assets.
5. Risk of tariff increases. Potential tariff policies implemented and/or to be introduced by the U.S. and other major economies could negatively impact the existing supply chains of the industry and the global home appliance players. Higher tariffs would incur extra costs for export and import, reduce profit margins, weaken consumer sentiment and demand, and intensify market competition in target markets. The increasing uncertainties regarding tariff policies would force home appliance players to reevaluate their supply chain strategies and footprints, increase operational complexities and management costs. To cope with the potential tariff shocks, the Company will actively leverage its localised supply chain resources in respective markets, further optimise supply chain management, enhance production flexibilities, and strengthen regional manufacturing and collaboration capabilities.

VII. POTENTIAL RISKS OF THE COMPANY (continued)

6. Risk of exchange rate fluctuations. In conjunction with the Company's ongoing expansion of global business operations, a material portion of its import/export transactions and cross-border settlements are denominated in foreign currencies, including but not limited to the US Dollar (USD), Euro (EUR), and Japanese Yen (JPY). If the exchange rates of these currencies fluctuate to a certain extent, it will impact the Company's financial performance and potentially increase the economic costs. In addition, the Company's consolidated financial statements are denominated in Renminbi, while subsidiaries' financial statements are measured and reported in the local currencies where they operate. To mitigate these exposures, the Company maintains a structured currency risk management program utilising authorised hedging instruments.
7. Risk of relevant policy changes. The home appliance industry is closely related to the consumer market and the property market. Changes in macroeconomic policies, consumption and investment policies, property policies, and relevant laws and regulations will affect demand, and in turn, the sales of the Company. The Company will closely monitor changes in applicable policies, rules, and regulations, and make forecasts of market changes to ensure the Company's further development.
8. Credit risk. There are possibilities that either the Company may be unable to collect all trade receivables from its distributors, or the distributors are unable to settle the Company's trade receivables promptly. If that is the case, the Company's business, financial status, and operational performance may be affected negatively. To mitigate this risk, the Company will maintain flexibility by offering a credit period of 30 to 90 days to certain distributors based on their credit history and transaction amount.
9. Inventory risk. Excess inventory may occur because the Company cannot always accurately predict trends and events, which can lead to suboptimal inventory levels. Therefore, the Company may be forced to offer discounts or promotions to accelerate the slow-moving inventory in these extreme cases. On the other hand, an inventory shortage may lead to a loss of revenue. The Company will actively manage its inventory and adjust levels according to market demand movements, in addition to the regular impairment tests.
10. Capital expenditure risk. In the current macroeconomic environment characterised by a slowing global economy and declining consumer demand, the existing production capacities may overwhelm the market in extreme cases. This could lead to a low utilisation rate across the industry, which in turn would lower profitability and ROEs. The Company will actively manage the changes in the macroeconomic environment by forecasting and recalibrating market demand trends, optimising capacity footprint, and improving existing utilisation rate, to minimise capital expenditure risks.

FINANCIAL REVIEW

In 2025, the Group's revenue amounted to approximately RMB302,329 million, representing an increase of 5.7% from RMB286,005 million (restated) in 2024. The profit for the year attributable to owners of the Company was RMB19,553 million, representing an increase of 4.39% from RMB18,731 million (restated) in 2024.

1. ANALYSIS OF REVENUE AND PROFIT

Items	2025 RMB'M	2024 RMB'M (Restated)	Change %
Revenue			
Household Food Storage and Cooking Solutions			
— Refrigerator/Freezers	84,763	83,556	1.4
— Kitchen Appliances	41,538	41,184	0.9
Air Solutions	54,391	49,617	9.6
Household Laundry Management Solutions	65,565	63,320	3.5
Household Water Solutions	17,964	16,175	11.1
Other Businesses	136,367	118,631	15.0
Inter-segment eliminations	(98,259)	(86,478)	13.6
Consolidated revenue	302,329	286,005	5.7
Adjusted operating profit*	20,504	20,410	0.5
Profit for the year attributable to owners of the Company	19,553	18,731	4.39
Earnings per share attributable to ordinary equity holders of the Company			
Basic			
— Profit for the year	2.12	2.02	5.0
Diluted			
— Profit for the year	2.10	2.02	4.0

1. ANALYSIS OF REVENUE AND PROFIT (continued)

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

	2025 RMB'M	2024 RMB'M (Restated)	Change %
China	146,537	142,191	3.1
Other countries/regions	155,792	143,814	8.3
Total	302,329	286,005	5.7

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

As at 31 December 2025, the Group had overseas assets of RMB150,675 million, accounting for 50.9% of the total assets. In 2025, the operating revenue and operating profit of the Group's overseas assets amounted to RMB155,792 million and RMB6,811million respectively.

In 2025, the Group's revenue increased by 5.7% from approximately RMB286,005 million (restated) to RMB302,329 million. Revenue growth was driven by both domestic and international markets. In the domestic market, this growth resulted from a successful product strategy that involved user co-creation, improved user engagement through omni-channel direct outreach, and a significant digital transformation of inventory management. In overseas markets, revenue growth was driven by rapid expansion in emerging regions such as South Asia, Southeast Asia, the Middle East and Africa, as well as the enhanced integration of the acquired CCR and KWIKOT businesses.

(1) Household Food Storage and Cooking Solutions

Revenue from the refrigerator/freezers increased by 1.4% from approximately RMB83,556 million in 2024 to approximately RMB84,763 million in 2025. Building on its leading scale advantage, the refrigerators/freezers division shifted its strategic focus to "quality growth", leveraging its "technology-to-blockbuster product transformation engine" and "digitally driven global collaborative system" to achieve business growth.

Revenue from the kitchen appliances increased by 0.9% from approximately RMB41,184 million in 2024 to approximately RMB41,538 million in 2025. Against a backdrop of macroeconomic volatility and geopolitical trade challenges facing the global kitchen appliance industry, our kitchen appliance business has demonstrated strong operational resilience and achieved business growth by leveraging the 'synergy of its global portfolio of premium brands' and 'enhanced local operational capabilities'.

1. ANALYSIS OF REVENUE AND PROFIT (continued)

(2) Air Solutions

Revenue from the Air Solutions increased by 9.6% from approximately RMB49,617 million in 2024 to approximately RMB54,391 million in 2025. As the home AC business continued to enhance its competitive edge through advancements in product technology, supply chain integration and channel model reforms, its growth potential is being fully realised, driving business expansion. The smart building industry deepened its layout of core technologies such as magnetic levitation, promoted strategic transformation and in-depth cultivation of scenarios in the domestic market, and accelerated the construction of localized organizations and differentiated solutions in overseas markets, achieving revenue growth.

(3) Household Laundry Management Solutions

Revenue from Household Laundry Management Solutions increased by 3.5% from approximately RMB63,320 million in 2024 to approximately RMB65,565 million in 2025. Facing market challenges, the washing machine industry adhered to the strategy of “product innovation, channel co-creation, and multi-brand”, resulting in revenue growth.

(4) Household Water Solutions

Revenue from Household Water Solutions increased by 11.1% from approximately RMB16,175 million in 2024 to approximately RMB17,964 million in 2025. Facing the complex market environment, we take being a “provider of comprehensive home water resource solutions” as our strategic anchor in the water appliances industry, systematically deploying resources across three dimensions: product positioning, channel efficiency, and global collaboration, achieving business revenue growth.

Profit for the Year Attributable to Owners of the Company

In 2025, the profit for the year attributable to owners of the Company was approximately RMB19,553 million, representing an increase of 4.39% from approximately RMB18,731 million (restated) in 2024.

Adjusted Operating Profit

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

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

1. ANALYSIS OF REVENUE AND PROFIT (continued)

Adjusted Operating Profit (continued)

In 2025, the adjusted operating profit of the Group was approximately RMB20,504 million, representing an increase of 0.5% as compared to approximately RMB20,410 million (restated) in 2024. The increase in adjusted operating profit was mainly attributed to the growth of the Group's profits across global markets.

The following table sets forth the reconciliation between the Group's adjusted operating profit and profit before tax prepared in accordance with IFRS in 2025 and 2024:

	2025 RMB'M	2024 RMB'M (Restated)
Profit before tax	23,479	22,723
Adjustments:		
Bank interest income	(1,709)	(1,858)
Foreign exchange (gains)/loss	(1,001)	119
Government grants	(1,316)	(1,336)
Return on investments in other financial assets	(160)	(69)
Dividend income from an equity investment designated at fair value through other comprehensive income	(48)	(58)
Finance costs	2,587	2,705
Share of profits or losses of associates	(1,328)	(1,816)
Adjusted operating profit	20,504	20,410

Gross Profit Margins

In 2025, the overall gross profit margin of the Group was approximately 26.1%, decreased by 1.1 percentage points year on year. Specifically, in the domestic market, the sustained price increases in commodities such as copper during the fourth quarter, coupled with the accelerated decline in industry average selling prices (ASP) resulting from intensifying competition, offset the cost reduction benefits derived from the Group's 'ultimate cost' strategy and the seamless integration of end-to-end process nodes; consequently, the gross profit margin decreased year-on-year. In overseas markets, while product competitiveness is driven by localised demand, the advancement of global supply chain layouts, the establishment of digital platforms, and the implementation of the ultimate cost strategy yielded positive impacts, these were offset by adverse factors such as elevated tariffs, leading to a year-on-year decrease in gross profit margin.

1. ANALYSIS OF REVENUE AND PROFIT (continued)

Adjusted Operating Profit (continued)

Selling and Distribution Expenses

The ratio of selling and distribution expenses of the Group to its revenue was 11.2% in 2025, a decrease of 0.5 percentage points compared to 2024. In the domestic market, digital transformation was promoted. Specifically, the domestic market accelerated the implementation of the 'Integrated Warehouse-to-C' (To-C) model and sustained the digital transformation of marketing, optimising resource allocation while enhancing market ROI (return on investment). On the logistics front, the Group optimised its warehouse network layout and delivery routes, resulting in a year-on-year improvement in the ratio of selling and distribution expenses to segment revenue. In overseas markets, the Group drove retail innovation, integrated global resources, and enhanced operational efficiency, resulting in a year-on-year improvement in the segment's selling and distribution expense ratio.

Administrative Expenses

The ratio of administrative expenses of the Group to its revenue was 8.4% in 2025, a decrease of 0.2 percentage points compared to 2024, which was primarily attributable to the optimisation of business processes and the enhancement of operational efficiency in the domestic market, driven by the digital platform and AI empowerment.

2. FINANCIAL POSITION

Items	2025 RMB'M	2024 RMB'M (Restated)
Non-current assets	142,962	138,622
Current assets	152,833	152,114
Current liabilities	142,545	149,926
Non-current liabilities	27,273	22,008
Net assets	125,977	118,802

2. FINANCIAL POSITION (continued)

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

As at 31 December 2025, the Group's total balance of cash and cash equivalents and wealth management products from other financial assets decreased by 14.3% from RMB55,741 million (restated) as at 31 December 2024 to RMB47,754 million as at 31 December 2025. The decrease was mainly due to the net cash inflows from operating activities being offset by the net cash outflows from investing and financing activities.

Items	2025 RMB'M	2024 RMB'M (Restated)
Cash and cash equivalents	46,268	54,995
Wealth management products from other financial assets — Current portion	1,486	746
Total	47,754	55,741

Net Assets

The Group's net assets increased by 6% from RMB118,802 million (restated) as at 31 December 2024 to RMB125,977 million as at 31 December 2025. The increase in net assets was mainly due to profit contribution during the year.

Working Capital

Trade and Bills Receivables Turnover Days

The Group's trade and bills receivables turnover days as at the end of 2025 was 44 days, representing a decrease of 1 day as compared to the end of 2024, which was mainly due to the decrease in bills receivable during the current period.

Inventory Turnover Days

The Group's inventory turnover days as at the end of 2025 was 74 days, representing an increase of 1 day as compared to the end of 2024, which was mainly due to the increase in inventory size during the current period.

Trade and Bills Payables Turnover Days

The Group's trade and bills payables turnover days as at the end of 2025 was 125 days, representing a decrease of 5 days as compared to the end of 2024, which was mainly due to the adjustment of payment strategy during the current period.

3. CASH FLOW ANALYSIS

Items	Note	2025 RMB'M	2024 RMB'M (Restated)
Cash and cash equivalents as stated in the statement of cash flows at the beginning of the year		54,995	56,715
Net cash flow generated from operating activities		26,003	26,318
Net cash flow used in investing activities	(a)	(17,075)	(20,079)
Net cash flow used in financing activities	(b)	(17,671)	(7,704)
Effect of foreign exchange rate changes, net		16	(255)
Cash and cash equivalents as stated in the statement of cash flows at the end of the year		46,268	54,995

Net cash inflow from operating activities for the year amounted to RMB26,003 million. Net cash flow from operation activities to net profit for the year was 1.29.

- (a) Net cash outflow from investing activities for the year amounted to RMB17,075 million, representing a decrease of 15% as compared to last year, with the details as follows:

Items	2025 RMB'M	2024 RMB'M (Restated)
Payment for purchases of non-current assets	(8,851)	(10,079)
Purchase of wealth management products	(9,247)	(6,498)
Net cash outflow for subsidiaries acquisition and disposal	130	(4,409)
Cash from disposal of fixed assets and leasehold land	118	42
Dividend from an associate	466	579
Interest received from wealth management products	122	136
Net cash inflow from other investing activities	187	150
Net cash flow used in investing activities	(17,075)	(20,079)

3. CASH FLOW ANALYSIS (continued)

- (b) Net cash outflow in financing activities for the year amounted to RMB17,671 million, representing an increase of 129.4% as compared to last year, with details as follows:

Items	2025 RMB'M	2024 RMB'M (Restated)
Proceeds from borrowings	33,147	13,647
Repayment of borrowings	(31,629)	(9,569)
Repurchase of shares	(1,234)	(559)
Dividend paid to shareholders and non-controlling interests	(11,579)	(7,537)
Interest paid	(2,294)	(2,444)
Lease payment	(1,801)	(1,709)
Cash payment for business combination under common control	(78)	—
Change in ownership interests in subsidiaries	(123)	255
Acquisition of non-controlling interests	(2,192)	(16)
Net cash outflow from other financing activities	112	228
Net cash flow used in financing activities	(17,671)	(7,704)

LIQUIDITY AND FINANCIAL RESOURCES

The Group focuses on cash flow management and has been able to maintain a healthy financial and liquidity position. As at 31 December 2025, the Group had a current ratio of 1.1 (31 December 2024: 1).

Items	2025 RMB'M	2024 RMB'M (Restated)
Cash and cash equivalents	46,268	54,995
Wealth management products from other financial assets	1,486	746
	47,754	55,741
Less:		
Interest-bearing borrowings	(36,382)	(33,793)
Net balance of cash and cash equivalents and wealth management products from other financial assets	11,372	21,948

LIQUIDITY AND FINANCIAL RESOURCES (continued)

As at 31 December 2025, the wealth management products from other financial assets amounted to RMB1,486 million as compared to RMB746 million in 2024.

As at 31 December 2025, the Group's net balance of cash and cash equivalents and wealth management products from other financial assets amounted to RMB11,372 million (31 December 2024: RMB21,948 million (restated)), representing a decrease of 48.2% as compared to 2024, which was mainly due to an increase in investment in debt instruments to boost returns on capital.

Among the cash and cash equivalents and the wealth management products from other financial assets balance, approximately 54% was denominated in Renminbi and the remaining 46% was denominated in Euro, Hong Kong dollars, U.S. dollars, New Zealand Dollars and other currencies.

As at 31 December 2025, the Group's interest-bearing borrowings amounted to RMB36,382 million (31 December 2024: RMB33,793 million (restated)). For details of the interest-bearing borrowings, please refer to financial statements.

In 2025, financial return of cash and cash equivalents and the return on wealth management products from other financial assets amounted to RMB1,803 million, representing a decrease of 6.48% as compared to RMB1,928 million (restated) in 2024, which was mainly affected by domestic interest rate cuts.

The Group will continue to maintain stable liquidity in its operations in 2025 to ensure meeting its working capital requirements in the coming year, and also for constructing super factory, as well as maintaining the financial flexibility for future strategic investment opportunities.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at the date of this report, the Group has not entered into any agreement with respect to material investments or capital assets, nor does it have any other plans with respect to material investments or capital assets. Nonetheless, if any potential investment opportunities arise in the future, the Company will conduct a feasibility study and prepare an implementation plan to consider whether it is beneficial to the Company and shareholders as a whole. Investment funds will be provided through the Company's own or external funds and debt financing.

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

As of 31 December 2025, 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 year ended 31 December 2025.

USE OF PROCEEDS FROM PLACEMENT OF SHARES

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. The above use was consistent with the intended use of proceeds previously disclosed by the Company.

Reference is made to the announcement of the Company dated 27 August 2024. In order to meet the ESG requirements and expectations of stakeholders for the Group as a responsible enterprise, and to better reflect the Group's value on its business, the Group's ESG-related work is in the internal upgrade stage of combining the Company's strategy and operation management, and the relevant ESG projects are in the preparation and initiation stage. In view of the above considerations, the expected timeline of the unutilized net proceeds was extended to 31 December 2026, and the actual use of funds will depend on the specific implementation progress of the projects.

Detailed breakdown and description of the net proceeds utilized during the year ended 31 December 2025 are set out below:

	Unutilized net proceeds as at 1 January 2025 HK\$'M	Amount of net proceeds utilized during year ended 31 December 2025 HK\$'M	Unutilized net proceeds as at 31 December 2025 HK\$'M
Investments in ESG (Environmental, Social and Governance) related areas	172.5	1.7	170.8
	172.5	1.7	170.8

CAPITAL EXPENDITURE

The Company assesses its capital expenditure and investments in each business segment of the Group in China and the overseas home appliances and smart home business from time to time. The capital expenditure during the year was RMB8,851 million (2024: RMB10,079 million (restated)), in which RMB4,597 million and RMB4,254 million was mainly used in China and overseas respectively for the construction of plant and equipment, property rental expenses, and investment of information infrastructure.

GEARING RATIO

As at 31 December 2025, the Group's gearing ratio (defined as total borrowings (including interest-bearing borrowings and lease liabilities) divided by net assets of the Group) was 33.8% (31 December 2024: 33.4%), representing an increase of 0.4 percentage points which was mainly due to the issuance of medium-term notes 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 the Renminbi, our reporting currency, against US dollar and, to a lesser extent, Euro and Japanese Yen. The translational effects of exchange rate fluctuations arise because the financial results of the Group's subsidiaries are measured in the currency of the primary economic environment in which they operate (its functional currency). The results of operations of our global subsidiaries are, therefore, measured in currencies other than Renminbi and are then translated into Renminbi for the presentation of our financial results in the consolidated financial statements. Consequently, fluctuations in the applicable foreign currency exchange rates may increase or decrease the Renminbi value of our non-Renminbi assets, liabilities, revenues and costs, even if their value has not changed in their local functional currency.

The transactional effects of exchange rate fluctuations arise when one of the Group's subsidiaries enters into a sale or purchase transaction in a currency other than its functional currency. We conduct most of our overseas businesses through 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 RMB4,757 million as at 31 December 2025 (31 December 2024: RMB5,920 million (restated)), which were mainly related to the Group's domestic and overseas factories construction projects.

CHARGE OF ASSETS

As at 31 December 2025, the Group's buildings and leasehold land with a net carrying value of RMB32 million (31 December 2024: Nil), the Group's trade and bills receivables with a net carrying value of RMB38 million (31 December 2024: RMB47 million (restated)), the Group's other intangible assets amounting to RMB351 million (31 December 2024: RMB97 (restated)) were pledged to secure certain of the Group's bank loans. The Group's bank loans are guaranteed by Haier Group, the controlling shareholder of the Company, with amount RMBNil million as at 31 December 2025 (31 December 2024: RMB320 million).

In addition, as at 31 December 2025, certain of the Group's bills payable were secured by the pledge of the Group's bank deposits amounting to RMB1,085 million (31 December 2024: RMB484 million (restated)) and the Group's bills receivable amounting to RMB1,196 million (31 December 2024: RMB5,068 million).

CONTINGENT LIABILITIES

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

RELATIONSHIP WITH EMPLOYEES, REMUNERATION POLICY

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

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

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 10.0% to 134,995 as at 31 December 2025 from 122,733 as at 31 December 2024.

There were no emoluments paid by the Group to any of the Directors or the five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office.

RELATIONSHIP WITH CUSTOMERS AND SUPPLIERS

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

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

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

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

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

RELATIONSHIP WITH CUSTOMERS AND SUPPLIERS (continued)

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

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

EVENTS AFTER THE REPORTING PERIOD

According to the resolution of the 4th meeting of the 12th session of the Board of Directors of the Company held on 26 March 2026, the profit for the year is proposed to be distributed on the basis of the total number of shares on the record date after deducting the repurchased shares from the repurchased account. The Company declared cash dividend of RMB8.867 (including taxes) for every 10 shares to all shareholders.

Save as disclosed in this annual report, there were no material events that have occurred in the Group from the end of the reporting period and up to the date of this annual report.

DIVIDENDS

During November 2025, the Company distributed an interim dividend for the six months ended 30 June 2025 of RMB2.692 in cash for every 10 shares (inclusive of tax), totalling RMB2,506,684,210.62.

The Board proposes the distribution of the final dividend for the year ended 31 December 2025 of RMB8.867 in cash for every 10 shares (inclusive of tax), totalling approximately RMB8,248,280,749.27 based on the current total issued capital, net of repurchased shares but not yet cancelled. This dividend, which together with the interim dividend for 2025 already distributed in November 2025, represented approximately 55% of the profit attributable to the owners of the Company. Where the total share capital of the Company changes before the registration date for the implementation of the equity distribution, it is expected to maintain the total distribution unchanged and adjust the distribution ratio per share accordingly.

This dividend distribution proposal shall be subject to the consideration and approval at the Company's 2025 annual general meeting, and the final dividend is expected to be distributed to shareholders in two months from the 2025 annual general meeting.

DIVIDENDS (continued)

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

Notice of the 2025 annual general meeting will announce the date of the 2025 annual meeting of the Company and details of relevant book closure of H Shares, as well as the arrangement of book closure of H Shares for the final dividend.

As at the date of this annual report, so far as the Directors are aware, no shareholder has waived or agreed to waive any dividends, and no such arrangement has been entered into by the Company or any of its shareholders.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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

The Company has complied with the applicable code provisions (the “Code Provision(s)”) and principles under the Corporate Governance Code (the “Code”) as set out in Appendix C1 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) during the year ended 31 December 2025 except for certain deviations as described below. The Board shall review its code from time to time to ensure its continuous compliance with the Code. This report describes the Company’s corporate governance practices, explains its applications of and deviations from the Code (if any), together with considered reasons for such deviations (if applicable).

BOARD OF DIRECTORS

In 2025, the directors actively fulfilled their duties by discussing and making decisions on major company matters through various specialized committees and the board of directors, advancing the company’s smart home strategy and enhancing corporate governance standards. Through the contributions of the directors, the board of directors played an active leadership role in areas such as strategy formulation, performance and operations, company risk and management, leadership and talent, and shareholder returns.

Composition

As at 31 December 2025, the Board comprised two Executive Directors (Mr. LI Huagang (Chairman) and Mr. Kevin Nolan), four Non-executive Directors (Mr. GONG Wei, Mr. YU Hon To, David, Mr. CHIEN Da-Chun and Mr. LI Shaohua), four Independent Non-executive Directors (Mr. WONG Hak Kun, Mr. LI Shipeng, Mr. WU Qi and Mr. Wang Hua) (the “INED(s)”), and an Employee Representative Director (Ms. SUN Danfeng). They formed the 12th session of the Board which commenced from June 2025 till the conclusion of the annual general meeting to be convened in May 2028.

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

At least one of the INEDs possesses appropriate professional qualifications or accounting or related financial management expertise under Rule 3.10 of the Listing Rules. The Directors are well-versed in respective areas such as business management, accounting and finance, and industry knowledge and the Board as a whole has achieved an appropriate balance of skills and experience. The chairman of the Board and the nomination committee will review the composition of the board from time to time so as to enhance it for meeting the strategic objectives of the Company. The Directors’ biographical details are set out on pages 15 to 21 of this annual report.

To the best of the Company’s knowledge, there is no financial, business, family or other material/relevant relationship(s) among the Board members and the supervisors. All of them are free to exercise their independent judgment on all matters concerning the Company.

BOARD OF DIRECTORS (continued)

Composition (continued)

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

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

Board diversity policy

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

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

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

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

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

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

The achievements made from above Board diversity measures during the transition from the 11th session of the Board to the current 12th session of the Board included the followings:

BOARD OF DIRECTORS (continued)

Board diversity policy (continued)

The current 12th session of the Board, which commenced from 28 May 2025, comprises of eleven Directors, including two executive Directors, four non-executive Directors, four independent non-executive Directors and one Employee Representative Director. In particular, the members of the Board are from different races, regions and cultures, further enhancing its international diversity. They have extensive knowledge and experience in industry experience, AI technologies, digitalization, corporate governance, global market experience, financial management and risk management, which will help the Board of Directors to make the best decisions for the sustainable and healthy development of the Company.

The Board achieved and maintained to have a female Director in the current 12th session of the Board. The Board considers that current gender diversity has met the diversity policy of the Company and has met the requirement stipulated in the relevant Listing Rules.

The Company will continue to maintain gender diversity on the Board, and the Nomination Committee will proactively ensure an appropriate proportion of female members when selecting and making recommendations on suitable candidates for Board membership. Through the Board diversity policy, the annual assessment by Nomination Committee on Board structure, and the measures for ensuring gender diversity when recruiting staff at mid to senior level, the Company could develop a pipeline of potential successors to the Board to achieve gender diversity.

The Company had 134,995 employees from about 50 countries around the world, including 53,692 overseas employees. Details break-down by gender at the end of reporting year are as follows:

	Male employees	Female employees
Percentage of employees by gender	72.5%	27.5%
Percentage of senior management by gender	85.7%	14.3%

The Group had targeted to increase the ratios of female members in senior management and the overall workforce. The Board considers that current gender diversity in senior management and the overall workforce have met the business needs.

Based on business development and operational needs, the Company will take into full consideration of the factors when recruiting its employees, including skills, age and gender diversity, and will strive to achieve a balanced workforce composition among our employees in skills, age and gender.

Corporate strategy

The Board is aware of and understands the Group's purpose, values, mission and long term strategic business plans, reflects this understanding on the related key issues discussions and satisfies that these and the Company's culture are aligned. The Chairman of the Board organises meetings and regularly presents the Group's values, mission and long-term strategic business plans to members of the Board as well as key management of local and overseas subsidiaries.

BOARD OF DIRECTORS (continued)

Delegation by the Board

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

The major functions of the Board and the Management are summarized as follows: The Board is principally responsible for:

1. determining the Company's business plans and investment schemes;
2. formulating the Company's annual budgets and final accounts;
3. formulating the Company's profit distribution plan and plan for covering losses;
4. formulating the Company's plans for increase or reduction of registered capital, issuance of bonds or other securities and listing plan;
5. formulating the Company's plans for significant acquisition, merger and acquisition, division, dissolution and change of corporate form;
6. determining establishment of the Company's internal management mechanisms;
7. determining establishment of the Company's basic management rules and the plans for amendment of the Articles of Association;
8. any other functions and powers accorded by laws, administrative regulations, departmental rules and the listing rules of the place where the securities of the Company are listed or the Articles of Association or other authorities granted by the shareholders' general meeting; and
9. subject to the requirements of the Listing Rules and other regulations, approving transactions in which connected person(s) (as defined in the Listing Rules) of the Company is/are considered having material interests.

BOARD OF DIRECTORS (continued)

Delegation by the Board (continued)

The Management is principally responsible for:

1. exercising all such other powers and performing all such other acts as may be exercised and performed by the Directors, save and except for those that may specifically be reserved by the Board and/or the committees set up by the Board for decision and implementation, or those that may only be exercised by the Board pursuant to the Company Law of the PRC and other regulations in the PRC, the Articles of Association, the Listing Rules, the Hong Kong Codes on Takeovers and Mergers and Share Buy-backs;
2. presiding over production and operation management of the Company, organizing implementation of Board resolutions and reporting to the Board of Directors on their work;
3. organising the implementation of the Company's annual business plans and investment plans;
4. formulating plans for establishment of internal management mechanisms of the Company;
5. formulating basic management rules, and specific rules and regulations of the Company;
6. determining the appointment or dismissal of management personnel other than those whose appointment or dismissal be decided by the Board of Directors; and
7. monitoring the execution of the continuing connected transactions between connected person(s) (as defined in the Listing Rules and other regulations) and the Company to ensure their compliance with the relevant rules and regulations.

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

Chairman and Chief Executive Officer ("CEO")

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

BOARD OF DIRECTORS (continued)

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

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 who also meets regularly on a quarterly basis to review the operations of the Group and to consider other major matters affecting the business of the Group.

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

Independent Non-executive Directors (the “INEDs”)

During the reporting period, the company's independent directors, in accordance with relevant laws, regulations, the Company's Articles of Association, and the company's related systems, participated in the Board of Directors and its specialized committees, as well as the shareholders' meetings, diligently performing their duties. Based on independent judgment, the independent directors provided independent opinions on major matters such as related-party transactions, profit distribution, and the appointment of auditing institutions, safeguarding the overall interests of the company and protecting the legal rights and interests of all shareholders, especially minority shareholders, from being harmed, thereby promoting the standardized operation of the company.

The independent directors perform their duties independently and are not influenced by the company's major shareholders or other entities or individuals that have interests with the listed company. The independent directors respectively serve as the chairpersons of the Audit Committee, the Nomination Committee, and the Remuneration and Assessment Committee of the Board of Directors, actively participating in the work of their respective specialized committees, providing professional advice on decisions regarding major company matters, and playing a positive role in the scientific decision-making of the Board and the healthy development of the company.

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

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

BOARD OF DIRECTORS (continued)

Independent Non-executive Directors (the “INEDs”) (continued)

No equity-based remuneration with performance-related elements is granted to INEDs.

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

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

Supply of and access to information

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

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

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

Professional development

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

During the year, all Directors (namely, LI Huagang, Kevin Nolan, GONG Wei, YU Hon To, David, CHIEN Da-chun, LI Shaohua, SHAO Xinzhì, Eva LI Kam Fun, WONG Hak Kun, LI Shipeng, WU Qi, WANG Hua, SUN Danfeng) have fully observed the previous Code Provision C.1.4 and have attended various relevant training programmes which include:

- (i) In-house seminars, conducted by professionals, for updates on changes on relevant laws and regulations of the places of listing;
- (ii) In-house seminars sessions on topics relating to the business development of the Company;
- (iii) Participation and/or as speakers in relevant conferences and seminars organized by various external organizations relevant to the business or directors' duties, for update on corporate governance, and for enhancing their business expertise; and
- (iv) Private study of materials relevant to the director's duties and responsibilities.

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

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

BOARD OF DIRECTORS (continued)

Board meetings

During the year ended 31 December 2025, the Board held five meetings to review and approve, among other things, the 2024 annual results, 2025 interim and quarterly results; to discuss and review the strategic transactions, connected transactions and other assets restructure plans; to discuss and review the share based award proposals such as the Core Employee Stock Ownership Plan (ESOP), the Restricted Share Unit Scheme (RSU), and the Share Option Incentive Scheme; to review the revision of the internal policies and basic management rules; to discuss and propose various resolutions for shareholders' general meetings. The Company's board meetings (the "Board Meeting(s)") are permitted to be held by means of telephone or other means of electronic communication.

All directors attended the meeting to hear reports and shares from management and external consulting institutions on topics such as the current political and economic situation overseas, trend judgments, AI development trends and responses, supply chain development, ESG capacity building, and carbon neutrality strategy, and to provide specific operational suggestions to management. At the same time, the directors also participated in special discussions on the company's development strategy for the next three to five years and the 2026 operating budget, and interacted with management. They provided valuable suggestions on company strategy and implementation, industry development opportunities, AI development and its application in smart homes, and the advancement of ESG work. The board promotes a vibrant culture and fosters an environment of open discussion.

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

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

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

Board minutes are prepared for recording all matters transacted and resolved at the Board Meetings. Draft versions of the Board minutes are sent to all Directors for their comments. The final versions would then be adopted by the Board for records. Also, the minutes of Board Meetings as well as meetings of Board committees are recorded in sufficient details of the matters considered and decisions made, including concerns raised by the Directors or dissenting views expressed. All the Board minutes are also kept by the Board Secretary and are open for inspection by the Directors.

BOARD OF DIRECTORS (continued)

Board meetings (continued)

The Company has mechanism to ensure independent views and input are available to the Board. This was achieved through the Board diversity and the appointment of independent directors. In May 2025, the Company completed the transition to the current 12th session of the Board. The new Board comprises of 4 independent Directors, accounting for 36.4% of the Board. All of the independent Directors of the Company are experienced professionals with expertise in accounting, finance and business management. In 2025, the independent Directors of the Company perform specific duties in accordance with the Articles of Association and the listing rules of the places of listing, including participating in the meetings of the special committees of the Company and advising the Company on its operation and management; providing independent advice on connected transactions, profit distribution plans and other significant transactions of the Company. By discharging their duties as mentioned above, the independent Directors help to protect the interests of the Company and its shareholders as a whole and to promote the development of the Company. The chairman of each of the Company's special committees (except the Strategy Committee and ESG Committee) is an independent Director. The number of independent Directors in the Audit Committee, the Remuneration and Assessment Committee, the Nomination Committee and the Strategy Committee accounts for one-half or more of the total number of committee members.

The following table shows the attendance of the Directors at the Board Meetings during the year ended 31 December 2025:

	No. of the Board Meetings attended/held
Executive Directors:	
Mr. LI Huagang (<i>Chairman</i>)	5/5
Mr. Kevin Nolan (appointed on 28 May 2025)	3/3
Mr. GONG Wei (till 28 May 2025)	2/2
Non-executive Directors:	
Mr. GONG Wei (since 28 May 2025)	3/3
Mr. YU Hon To, David	5/5
Mr. CHIEN Da-chun (since 28 May 2025)	3/3
Mr. LI Shaohua (appointed on 28 May 2025)	3/3
Ms. SHAO Xinzhi (<i>Vice Chairman</i>) (retired on 28 May 2025)	2/2
Ms. Eva LI Kam Fun (retired on 28 May 2025)	2/2
INEDs:	
Mr. WONG Hak Kun	5/5
Mr. LI Shipeng	5/5
Mr. WU Qi	5/5
Mr. WANG Hua (appointed on 28 May 2025)	3/3
Mr. CHIEN Da-chun (till 28 May 2025)	2/2
Employee Representative Director	
Ms. SUN Danfeng (appointed on 28 May 2025)	3/3

BOARD OF DIRECTORS (continued)

Board meetings (continued)

It is challenging to arrange the board meetings that fits in with the tight and busy schedules of all the Directors. To enable all the Directors to keep abreast of the Group's latest development and to discharge their duties properly, the Board Secretary and the Company Secretary would brief the Directors on those matters transacted at the board meetings that they are unable to attend.

Model Code for Securities Transactions by Directors and Supervisors

The Company has adopted a model code for Securities Transactions by Directors and Supervisors (the "Model Code") on no less exacting terms than the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules. Upon enquiry by the Company, all Directors and Supervisors of the Company have confirmed that they have complied with the required standard as set out in the Model Code throughout the year ended 31 December 2025.

In addition, the Board has adopted written guidelines (the "Employees' Guidelines for Securities Transactions") for securities transactions by employees (the "Relevant Employees") who are likely to be in possession of unpublished price sensitive information of the Company on no less exacting terms than the Model Code. Having made specific enquiries of all the Relevant Employees, the Company confirmed that all the Relevant Employees had complied with the required standards as set out in the Employees' Guidelines for Securities Transactions throughout the year ended 31 December 2025.

Board Committees

During the reporting period, the company's directors diligently and responsibly carried out various tasks by participating in specialized committees, ensuring the scientific nature of the board's decisions and laying a solid foundation for the construction of a sound corporate governance structure.

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

(1) Audit Committee

During the year ended 31 December 2025, the Audit Committee comprised five members throughout the year. The members are as follows:

Mr. WONG Hak Kun;
Mr. YU Hon To, David;
Mr. WU Qi;
Mr. LI Shaohua (appointed on 28 May 2025);
Mr. WANG Hua (appointed on 28 May 2025);
Ms. SHAO Xinzhi (retired on 28 May 2025); and
Mr. CHIEN Da-chun (retired on 28 May 2025)

BOARD OF DIRECTORS (continued)

Board Committees (continued)

(1) Audit Committee (continued)

The Audit Committee was chaired by Mr. WONG Hak Kun. Mr. WONG, Mr. YU and Ms. SHAO possess the required accounting expertise. Mr. LI possesses rich experience in risk management and internal control. The terms of reference of the Audit Committee (as revised) are available on the respective websites of the Company and the Hong Kong Stock Exchange.

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

During the year ended 31 December 2025, the Audit Committee held five meetings, the major agenda items included the followings:

- to review with the management the accounting principles and practices adopted by the Group and to discuss financial reporting matters including the review of 2024 annual results and 2025 interim and quarterly results of the Group;
- review the adequacy of resources, accounting staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting functions;
- review of the risk management and internal control procedures;
- review of the connected transactions and the continuing connected transactions;
- review of the significant transactions of the Group;
- review the reappointment of external auditors, and
- review the terms of reference of the Audit Committee, and other related issues.

There is no disagreement between the Board and the Audit Committee regarding the selection, appointment, resignation or dismissal of external auditor. The annual results for the year ended 31 December 2025 were also reviewed by the Audit Committee.

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

BOARD OF DIRECTORS (continued)

Board Committees (continued)

(1) Audit Committee (continued)

The following table shows the attendance of members of the Audit Committee during the year ended 31 December 2025:

	No. of Audit Committee meetings attended/held
Non-executive Directors:	
Mr. YU Hon To, David	5/5
Mr. LI Shaohua (appointed on 28 May 2025)	3/3
Ms. SHAO Xinzhi (retired on 28 May 2025)	2/2
INEDs:	
Mr. WONG Hak Kun	5/5
Mr. WU Qi	5/5
Mr. WANG Hua (appointed on 28 May 2025)	3/3
Mr. CHIEN Da-chun (retired on 28 May 2025)	2/2

(2) Remuneration and Appraisal Committee

The Remuneration and Appraisal Committee currently comprises three members including:

Mr. WU Qi (appointed on 28 May 2025);
 Mr. LI Shipeng;
 Mr. WANG Hua (appointed on 28 May 2025);
 Mr. LI Huagang (retired on 28 May 2025); and
 Mr. CHIEN Da-chun (retired on 28 May 2025)

The Remuneration and Appraisal Committee is chaired by an INED (Mr. CHIEN Da-chun till 28 May 2025, and Mr. WU Qi since 28 May 2025). The terms of reference of the Remuneration and Appraisal Committee (as revised) are available on the respective websites of the Company and the Hong Kong Stock Exchange.

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

The Company's remuneration policy is to ensure that the remuneration offered to employees, including Directors and senior management, is based on skill, knowledge, responsibilities and involvement in the Company's affairs.

The remuneration packages of executive Directors are also determined with reference to the Company's performance, the prevailing market conditions and the performance or contribution of each executive Director. The remuneration for the executive Directors comprises basic salaries, pensions and discretionary bonuses.

BOARD OF DIRECTORS (continued)

Board Committees (continued)

(2) Remuneration and Appraisal Committee (continued)

The remuneration for non-executive Directors and independent non-executive Directors is to ensure that non-executive Directors and Independent Non-executive Directors are adequately compensated for their efforts and time dedicated to the Company's affairs, including their participation in Board committees. The remuneration for the non-executive Directors and independent non-executive Directors mainly comprises Director's fees which are determined with reference to their duties and responsibilities and are subject to shareholders' approval at general meetings.

During the year ended 31 December 2025 the Remuneration and Appraisal Committee held two meetings. At the meetings, members of the Remuneration and Appraisal Committee reviewed and made recommendations to the Board on the remuneration proposals and the performance based structures of the Directors and senior management, including the share based award proposals such as the 2025 A-share and H-share Core Employee Stock Ownership Plan (ESOP), and the 2025 H-share Restricted Share Unit Scheme (RSU). The Remuneration and Appraisal Committee considered these proposals by taking into account the factors such as remuneration packages and benefits offered by comparable companies, the respective contribution of each of the Directors and senior management to the Group and the business objectives of the Group. The Remuneration and Appraisal Committee also considered the execution reports of incentive schemes (Core Employee Stock Ownership Plan and A-share Option Incentive Scheme) in relation to the assessment of the Executive Directors and senior management.

Particularly, in approving the 2025 share award and share option scheme, the Remuneration and Appraisal Committee has reviewed the important matters including:

- (i) appropriateness of the number of share awards and share options to be granted;
- (ii) vesting period of no less than 12 months;
- (iii) plan of exercise or vesting which is linked with performance targets to be fulfilled by participants.

There are no unusual or exceptional features in the share award and share option scheme that are contradictive with the relevant rules for which special approval from the Remuneration and Appraisal Committee are required.

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

BOARD OF DIRECTORS (continued)**Board Committees (continued)****(2) Remuneration and Appraisal Committee (continued)**

The following table shows the attendance of members of the Remuneration and Appraisal Committee during the year ended 31 December 2025:

	No. of Remuneration and Appraisal Committee meetings attended/held
Executive Director:	
Mr. LI Huagang (retired on 28 May 2025)	2/2
INEDs:	
Mr. WU Qi (appointed on 28 May 2025)	0/0
Mr. LI Shipeng	2/2
Mr. WANG Hua (appointed on 28 May 2025)	0/0
Mr. CHIEN Da-chun (retired on 28 May 2025)	2/2

Refer to note 13(b) to the consolidated financial statements for the details of remuneration payable to key management personnel (excluding Directors) of the Group by band.

(3) Nomination Committee

The Nomination Committee currently comprises three members including:

Mr. LI Shipeng;
Mr. WU Qi;
Mr. WONG Hak Kun (appointed on 28 May 2025);
Ms. SUN Danfeng (appointed on 28 May 2025); and
Mr. LI Huagang (retired on 28 May 2025)

The Nomination Committee was chaired by an INED (Mr. WU Qi till 28 May 2025, and Mr. LI Shipeng since 28 May 2025). The terms of reference of the Nomination Committee (as revised) are available on the respective websites of the Company and the Hong Kong Stock Exchange.

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

BOARD OF DIRECTORS (continued)

Board Committees (continued)

(3) Nomination Committee (continued)

Nomination procedures include identification and acknowledgement of qualified individuals by the Nomination Committee and review and approval of such nomination by the Board. The Nomination Committee shall proactively communicate with the Company's relevant departments, examine the Company's demand for new directors and senior managers.

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

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

During the year ended 31 December 2025, the Nomination Committee held two meetings. At the meetings, members of the Nomination Committee have identified and recommended qualified individual to the Board for the appointment of a director, reviewed the composition of the Board and diversity of the Board. Particularly, as the term of the 11th session of the Board expired in May 2025, in accordance with relevant requirements of the Company Law and the Articles of Association, the Nomination Committee had considered and recommended to the Board two Executive Directors, four Non-executive Directors, four Independent Non-executive Directors, and an Employee Representative Director for the composition of the 12th session of the Board.

The Nomination Committee discussed and agreed the measurable objectives for achieving diversity on the Board and recommended them to the Board for adoption. The Nomination Committee assessed the composition and diversity of the Board on objectives of offering relevant industry experience and business skill to the Board for the Company's strategic business developments, while maintaining diversity of perspectives appropriate to the requirements of the Group's business.

BOARD OF DIRECTORS (continued)

Board Committees (continued)

(3) Nomination Committee (continued)

The following table shows the attendance of members of the Nomination Committee during the year ended 31 December 2025:

	No. of Nomination Committee meetings attended/held
Executive Director:	
Mr. LI Huagang (retired on 28 May 2025)	2/2
INEDs:	
Mr. WU Qi	2/2
Mr. LI Shipeng	2/2
Mr. WONG Hak Kun (appointed on 28 May 2025)	0/0
Employee Representative Director:	
Ms. SUN Danfeng (appointed on 28 May 2025)	0/0

(4) Strategy Committee

The Strategy Committee currently comprises seven members including:

Mr. LI Huagang;
 Mr. LI Shipeng;
 Mr. WU Qi;
 Mr. GONG Wei;
 Mr. CHIEN Da-chun (appointed on 28 May 2025);
 Mr. Kevin Nolan (appointed on 28 May 2025); and
 Mr. WANG Hua (appointed on 28 May 2025)

The Strategy Committee is chaired by Mr. LI Huagang.

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

BOARD OF DIRECTORS (continued)

Board Committees (continued)

(4) Strategy Committee (continued)

The primary responsibilities and authorities of the Strategy Committee include:

- (I) to study the Company's long-term development strategy plans and make recommendations;
- (II) to study major investment and financing programs that require approval by the Board of Directors as stated in the Articles of Association and make recommendations;
- (III) to study major capital operation and assets management projects that require approval by the Board of Directors as stated in the Articles of Association and make recommendations;
- (IV) to study shareholders' return plan of the Company and make recommendations;
- (V) to study other important matters affecting the Company's development and make recommendations;
- (VI) to review the implementation of the above matters;
- (VII) to handle other matters as authorized by the Board.

During the year ended 31 December 2025, the Strategy Committee held one meeting. At the meeting, members of the Strategy Committee have discussed and reviewed a capital expenditure project (washing machine production facilities); and reviewed the status of execution of the Company's development strategy, and made recommendations to the Board.

The following table shows the attendance of members of the Strategy Committee during the year ended 31 December 2025:

	No. of Strategy Committee meetings attended/held
Executive Directors:	
Mr. LI Huagang	1/1
Mr. GONG Wei (till 28 May 2025)	1/1
Mr. Kevin Nolan (appointed on 28 May 2025)	0/0
Non-executive Directors:	
Mr. GONG Wei (since 28 May 2025)	0/0
Mr. CHIEN Da-chun (appointed on 28 May 2025)	0/0
INEDs:	
Mr. LI Shipeng	1/1
Mr. WU Qi	1/1
Mr. WANG Hua (appointed on 28 May 2025)	0/0

BOARD OF DIRECTORS (continued)

Board Committees (continued)

(5) Environmental, Social and Governance Committee

The Company has established the Environmental, Social and Governance Committee (“ESG Committee”) to better implement the ecological brand strategy of the Company in the age of the Internet of Things, integrate the idea of “Social, Environmental and Corporate Governance” into the corporate strategy, promote sustainable development, generate long-term value for all stakeholders and build a green, intelligent and mutual beneficial ecosystem of the Internet of Things.

The ESG Committee currently comprises four members including:

Mr. CHIEN Da-Chun;
Mr. GONG Wei;
Mr. LI Shaohua (appointed on 28 May 2025);
Mr. WU Qi (appointed on 28 May 2025); and
Ms. Eva LI Kam Fun (retired on 28 May 2025)

Ms. Eva LI Kam Fun served as the chairwoman of the ESG Committee till 28 May 2025, and thereafter Mr. CHIEN Da-Chun serves as the chairman of the ESG Committee.

The ESG Committee serves as the specific working body for evaluating the Company’s working progress on the environmental, social and governance (ESG) responsibilities and the risks and opportunities it faces, reviewing the framework of ESG management structure, and for formulating the Company’s ESG vision, goals and strategies.

The ESG Committee strives to improve and enhance the Company’s capabilities of managing environment and social responsibilities, and to promote the sustainable development of the Company. The ESG Committee also promotes the ESG risk management practices and internal control enhancements, and provides direction for the work of the Company’s ESG task force.

During the year ended 31 December 2025, the ESG Committee held two meetings. At the meeting, members of the ESG Committee have discussed and reviewed the Company’s 2024 ESG report for publication; discussed the issues such as global carbon project progress on Scope 1 and Scope 2 target setting in China, and research insights and findings on dual materiality assessment; discussed ESG goals, strategies and other related matters; and made recommendations to the Board.

BOARD OF DIRECTORS (continued)

Board Committees (continued)

(5) Environmental, Social and Governance Committee (continued)

The following table shows the attendance of members of the ESG Committee during the year ended 31 December 2025:

	No. of ESG Committee meetings attended/held
Executive Director:	
Mr. GONG Wei (till 28 May 2025)	1/1
Non-executive Director:	
Mr. GONG Wei (since 28 May 2025)	1/1
Mr. CHIEN Da-chun (since 28 May 2025)	1/1
Mr. LI Shaohua (appointed on 28 May 2025)	1/1
Ms. Eva LI Kam Fun (retired on 28 May 2025)	1/1
INED:	
Mr. CHIEN Da-chun (till 28 May 2025)	1/1
Mr. WU Qi (appointed on 28 May 2025)	1/1

Corporate Governance Function

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

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company's communication policy for shareholders is summarized as follows:

The Company follows a policy of disclosing relevant information to shareholders and the investment community in a timely manner, and will regularly review this policy to ensure its effectiveness. Information shall be communicated to shareholders and the investment community mainly through the Company's quarterly, interim and annual financial reports, and general meetings that may be convened, as well as by making available all the disclosures submitted to the stock exchanges where the securities are listed, and its corporate communications and other corporate publications on the Company's website.

Effective and timely dissemination of information to shareholders and the investment community shall be ensured at all times. Shareholders and the investment community may at any time, e.g. at the investors meetings and discussions or via enquiry emails, etc., express their views or make a request for the Company's information to the extent such information is publicly available.

The Company's website provides comprehensive and updated information about the Company, including our financial results, announcements, circulars, composition of the Board or Board Committees and their respective terms of reference, and other corporate documents such as the articles of the Company.

The annual general meeting ("AGM") provides an opportunity for communication between the Board and the Company's shareholders. The Company ensures that shareholders' views are communicated to the Board. The chairman of the AGM proposes separate resolutions for each issue to be considered. Circulars to Shareholders provide information on matters that require to be brought to the attention or action of shareholders, such as appointments of Directors, amendments to the articles of the Company, matters relating to poll voting at the AGM, etc.

AGM proceedings are reviewed from time to time and revised (if needed) to ensure that the Company follows the best corporate governance practices.

The Company has reviewed the implementation of the shareholders' communication policy conducted during the year ended 31 December 2025 and considered it effective based on the following achievements:

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS (continued)

The Board attaches great importance to investor relations management and provides a variety of communication channels for investors. It maintains positive interaction with investors through annual investor conferences, online collective reception day for investors, emails, on-site and online surveys and other means to protect the legitimate rights and interests of investors. The management of the Company maintained active communication with investors on issues of concern to investors, such as corporate governance, operating conditions, development plan and strategies, and ESG information, based on public information, and received active participation from its investors.

In respect of information disclosure, to protect the interests of investors and other stakeholders, in particular small and medium-sized shareholders, the Company strictly complied with the domestic and overseas information disclosure regulatory requirements and fulfilled its information disclosure obligations. In addition to providing high-quality mandatory information disclosure, the Company would provide voluntary disclosure of key issues of concern to investors and the capital market when deemed necessary, such as those related to corporate strategy and development, corporate governance matters, and ESG information. The Company continues to enhance its disclosure, which have been highly rated by external organizations.

During the year ended 31 December 2025, the Company held eight general meetings, including the AGM, two A-shares class meetings, two D-shares class meetings, two H-shares class meetings, and one extraordinary general meeting. In these general meetings and class meetings, various resolutions were passed.

All Directors of the Company attended the shareholders' meeting with a responsible, diligent, and honest attitude, participated in the discussion of proposals and responded to investors' inquiries, safeguarded the interests of the company and the rights of investors, and earnestly implemented the resolutions passed by the shareholders' meeting, fully protecting the legitimate rights and interests of all shareholders.

Regarding shareholder returns, the Board of Directors of the Company has formulated an annual dividend plan and launched a mid-term dividend plan for the first time in 2025, further enhancing shareholders' sense of gain by increasing the frequency of dividends. The aforementioned dividend plans were successfully implemented. At the same time, during the reporting period, the company continued to advance share repurchase activities to return value to investors.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS (continued)

The following table shows the attendance of the Directors at the general meetings held during the year ended 31 December 2025:

	No. of the General meetings attended/held
Executive Directors:	
Mr. LI Huagang (<i>Chairman</i>)	8/8
Mr. Kevin Nolan (appointed on 28 May 2025)	4/4
Mr. GONG Wei (till 28 May 2025)	4/4
Non-executive Directors:	
Mr. GONG Wei (since 28 May 2025)	4/4
Mr. YU Hon To, David	8/8
Mr. CHIEN Da-chun (since 28 May 2025)	4/4
Mr. LI Shaohua (appointed on 28 May 2025)	4/4
Ms. SHAO Xinzhi (<i>Vice Chairman</i>) (retired on 28 May 2025)	4/4
Ms. Eva LI Kam Fun (retired on 28 May 2025)	4/4
INEDs:	
Mr. WONG Hak Kun	8/8
Mr. LI Shipeng	8/8
Mr. WU Qi	8/8
Mr. WANG Hua (appointed on 28 May 2025)	4/4
Mr. CHIEN Da-chun (till 28 May 2025)	4/4
Employee Representative Director:	
Ms. SUN Danfeng (appointed on 28 May 2025)	4/4

Reference is made to the announcement of the Company dated 29 April 2025. During the year ended 31 December 2025, there have been changes in the Company's constitutional documents, principally for the Company to reflect the recent requirements of applicable domestic regulations and laws to improve the practice of our Company's corporate governance, and the protections of shareholders' rights and interests. Upon the amendment to the Articles of Association became effective, the Company no longer has a board of supervisors and the powers and functions of the board of supervisors are exercised by the Audit Committee of the Board. The Rules of Procedure for the Board of Supervisors of Haier Smart Home Co., Ltd. were repealed accordingly.

SHAREHOLDERS' RIGHTS

Procedures by which Shareholders may convene a special general meeting

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

- (1) Two or more shareholders who hold, in aggregate, 10% or more of the shares carrying the right to vote at the proposed meeting may sign one or several written requisitions of the same format and contents, requesting the Board of Directors to convene an extraordinary general meeting or a class shareholders' meeting. The agenda of the proposed meeting shall be stated therein. The Board of Directors shall convene the extraordinary general meeting or a class shareholders' meeting responsively after receipt of the aforesaid written requisition(s). The number of the aforesaid shares shall be calculated as of the date on which the requisition(s) is/are made.
- (2) Where the Board of Directors gives consent for convening of an extraordinary general meeting, a notice on convening of the extraordinary general meeting or the class shareholders' meeting shall be issued within 5 days from such decision, and the changes made to the original request in the notice shall be approved by relevant shareholders.
- (3) Where the Board of Directors does not give consent for convening of an extraordinary general meeting or does not issue a feedback within 10 days upon the receipt of the requisition(s), the shareholders holding 10% or more of the Company's shares separately or in aggregate shall have the right to propose to the Board of Supervisors on convening of an extraordinary general meeting and such proposal shall be made to the Board of Supervisors in writing.
- (4) Where the Board of Supervisors gives consent for convening an extraordinary general meeting, a notice on convening of the extraordinary general meeting shall be issued within 5 days upon the receipt of the requisition(s) and the changes made to the original request in the notice shall be approved by relevant shareholders.
- (5) Where the Board of Supervisors fails to issue a notice of a shareholders' general meeting within the stipulated period, the Board of Supervisors shall be deemed as not convening and chairing the shareholders' general meeting, and the shareholders who hold 10% or more of the Company's shares individually or jointly for 90 or more consecutive days may proceed to convene and chair a shareholders' general meeting on their own initiative.
- (6) If the shareholders' general meeting is convened by the Board of Supervisors or shareholders on their own, a written notice shall be issued to the Board of Directors, and such meeting shall be filed with the stock exchange of the place where the securities of the Company are listed.

SHAREHOLDERS' RIGHTS (continued)

Procedures by which Shareholders may convene a special general meeting (continued)

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

Procedures by which enquiries may be put to the Board

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

Mail: Board Secretary
Haier Smart Home Co., Ltd.
Board of Directors Building,
Haier Industrial Park,
1 Haier Road, Laoshan District, Qingdao City, the PRC

Email: finance@haier.com

Mail: Company Secretary
Haier Smart Home Co., Ltd.
Unit 1908, 19/F, Harbour Centre,
25 Harbour Road,
Wan Chai, Hong Kong

E-mail: ir@haier.hk

Procedures for putting forward proposals at a Shareholders' meeting

When the Company decides to convene a shareholders' general meeting, the Board of Directors, the Board of supervisors and shareholders severally or jointly holding 1% or more of the shares of the Company shall be entitled to put forward proposals to the Company.

The shareholders severally or jointly holding 1% or more of the shares of the Company may raise interim proposals and submit them in writing to the convener 10 days prior to the convening of the shareholders' general meeting. Where shareholders subject to the conditions as mentioned above raise interim proposals before the convening of the shareholders' general meeting, their aggregate shareholding percentage shall not be less than 1% during the period from the date of the issuance of notice on proposals to the announcement of the resolutions. The convener shall, within 2 days after the receipt of such proposals, issue a supplemental notice of the shareholders' general meeting and announce the contents of the interim proposals.

SHAREHOLDERS' RIGHTS (continued)

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

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

1. According to Clause 76 of the Articles of Association, the shareholders' general meeting may exercise the following functions and powers: (1) to elect and replace directors and supervisors who are not employee representatives, and to decide on the remuneration matters of the relevant directors and supervisors; (8) to amend the Articles of Association and deliberate proposals put forward by shareholders who represent 1% or more of the Company's voting shares.
2. According to Clause 88 of the Articles of Association, when the Company decides to convene a shareholders' general meeting, the Board of Directors and shareholders that severally or jointly hold 1% or more of the shares of the Company shall be entitled to put forward proposals to the Company. The shareholders that severally or jointly hold more than 1% of the Company's shares may raise interim proposals and submit them in writing to the convener 10 days prior to the convening of the shareholders' general meeting. The convener shall, within 2 days after the receipt of such proposals, issue a supplemental notice of the shareholders' general meeting and announce the contents of the interim proposals.
3. According to Clause 93, Clause 124, Clause 133 and Clause 167 of the Articles of Association and the Independent Directors System, the election of directors shall comply with the following provisions:
 - (I) The list of candidates for directors shall be presented in the form of a proposal at a shareholders' general meeting for voting.
 - (II) Upon the expiration of the term of office of the Board of Directors or in need of replacement of directors due to vacancies within the Board of Directors, the shareholders, individually or jointly, holding 1% or more of the total number of the outstanding shares with voting rights of the Company may recommend candidates for directors to the Board of Directors in writing. Upon the Board of Directors' review and examination, if the candidates comply with the provisions by law and the Articles of Association, the Board of Directors shall submit the candidate list, curriculum vitae and basic information in the form of a proposal to the shareholders' general meeting for deliberation and election.
 - (III) Where a shareholders' general meeting proposes to discuss election matters of directors, the notice of the shareholders' general meeting shall fully disclose the detailed information of the proposed candidates for directors.

SHAREHOLDERS' RIGHTS (continued)

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

- (IV) The Company's Board of Directors and shareholders who hold 1% or more of the issued shares of the Company, individually or jointly, may nominate candidates for independent directors, who will be decided through election by the shareholders' general meeting. The nominator shall be fully aware of such details of the nominee as occupation, educational background, title, work experience, all concurrent positions and whether having any bad conduct records such as material breach of integrity etc. The nominator shall prudently verify whether the nominee meets the conditions and qualifications for appointment, the ability to perform the duties of the office, and whether there are any circumstances affecting his/her independence, and shall make a declaration and an undertaking in respect of the results of such verification. The nominee shall make declarations and undertakings as to whether they comply with the laws and regulations and the relevant requirements of the stock exchange in respect of the conditions of office, qualifications for office and independence of independent director.
- (V) When a shareholders' general meeting votes on the election of directors, the cumulative voting method may be implemented pursuant to the provisions of the Articles of Association or the resolution of a shareholders' general meeting. The cumulative voting system referred to in the preceding paragraph shall mean that when a shareholders' general meeting elects directors, each share shall have the same number of voting rights as the number of directors to be elected and the voting rights held by a shareholder may be used together. The Board of Directors shall announce the curriculum vitae and basic information of candidates for directors to the shareholders before the holding of the shareholders' general meeting.
- (VI) Where the shareholders' general meeting has passed the proposal on the election of the relevant directors, the newly-elected directors shall take office on the date when the resolution is passed at the shareholders' general meeting, unless otherwise resolved by the shareholders' general meeting.

INSURANCE

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

POLICY ON PAYMENT OF DIVIDENDS

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

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

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

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

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

After the completion of the Privatisation Proposal of Haier Electronics Group Co., Ltd. and with the improvement in the efficiency of capital use and operating capacity, the Company gradually increased the dividend rate since 2021 to enhance the return of all shareholders.

From 2026 to 2028, the proportion of dividend to profit (consolidated profit attributable to owners of the Company) to be distributed in cash each year shall be gradually increased. In 2026, the proportion of cash dividend payout ratio shall be no less than 58%. For 2027 and 2028, the cash dividend payout ratio shall be no less than 60%.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for preparing financial statements of the Group in accordance with relevant statutory requirements and generally accepted accounting principles and ensuring that the financial statements give a true and fair view of the Group's financial position. In preparing the financial statements of the Group for the year ended 31 December 2025, the Directors have adopted suitable accounting policies and applied them consistently; made judgments and estimates that are prudent and reasonable; and prepared the financial statements on a going concern basis.

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

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

The Board is responsible for overseeing adequate internal controls and risk management procedures in the Group, reviewing their effectiveness on an on-going basis, and ensuring the Management has clearly defined the authorities and key responsibilities of each business and operational unit for adequate checks and balances.

The Board has delegated to the Management the design, implementation and monitoring of the Group's risk management and internal control systems covering all material aspects, including financial, operational, ESG, information security, risk management functions and in compliance with all relevant regulations. Such systems are designed to manage the risk of failure to achieve business objectives, and provide reasonable, but not absolute assurance against material misstatement or loss.

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

Control Environment

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

RISK MANAGEMENT AND INTERNAL CONTROL (continued)

Internal Auditing Function

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

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

Risk Management

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

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

Control Process

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

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

RISK MANAGEMENT AND INTERNAL CONTROL (continued)

Control Process (continued)

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

During the year ended 31 December 2025, the Internal Audit Department has conducted a review of the effectiveness of the Group's internal control procedures on the major business and operational processes. Findings and recommendations for further improvements have been reported to the Audit Committee as well as the Board. Such recommendations have been or are being implemented by the Management with regular review.

Review of Control Effectiveness

The Audit Committee reviewed the effectiveness of the risk management and internal control systems by reviewing the internal control assessment report of the Internal Audit Department at least twice in a year. The Board has, through the Audit Committee, reviewed and considered that for the year ended 31 December 2025, the Group's risk management and internal control systems were effective and adequate.

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

Inside Information

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

- (i) the Company keeps updated on the obligations under the Securities and Futures Ordinance, the applicable listing rules and other statutory regulations with regard to the timely and proper disclosure of inside information and authorizes the disclosure through the publication of announcements as required;
- (ii) the Company implemented an Inside Information Disclosure Policy which the Company's spokespersons have to strictly follow in communicating with the public;
- (iii) the Company adopted a Model Code for securities transactions by Directors, and by employees who are likely to be in possession of unpublished inside information of the Company on no less exacting terms than that for the Directors; and
- (iv) the Company included in the employee conduct code that unauthorised uses of confidential and inside information are strictly prohibited.

ANTI-CORRUPTION

Haier Smart Home strictly complies with the laws and regulations in China and other overseas places of operations related to anti-bribery, anti-fraud, anti-extortion and anti-money laundering. The Company has formulated and strictly implemented the Code of Commercial Conduct of Haier Group, the Anti-fraud Regulations, the Employee Code of Conduct of Haier Smart Home, the Management Policy of Black List of suppliers and other related policies in the world. The Board of Directors is responsible for reviewing and supervising the Company's policies and measures that are related to compliance of laws and regulations.

The Company has set up an anti-fraud working committee in 2022 comprising of staff of internal control, legal and various business lines to perform anti-corruption and anti-malpractice tasks, actively promoted the development and implementation of anti-corruption, anti-money laundering and other systems related to commercial ethics. The working committee regularly identifies commercial ethics risks, so as to carry out specialised anti-corruption audits and report to and are monitored by the Board of Directors and the Audit Committee, and strive to create an honest and ethical business environment.

The Company continues to optimize the Anti-fraud Regulations, improve the functions of each department in the audit of anti-corruption, anti-fraud and anti-money laundering, strengthen the early risk management, put forward the requirement to strengthen self-detection capabilities, and upgrade the internal control system and the measures to promote anti-fraud, as well as further enhance risk identification. Meanwhile, the Company applies big data cloud monitoring system to conduct early risk warning and investigation, regularly identify and sort out fraud risks at all levels of the Company, including factories, industries and platforms, identify risks in business scenarios through risk audits, and facilitate governance and mitigation of risks through establishing various mechanisms.

REMUNERATION OF EXTERNAL AUDITORS

The domestic and overseas auditors of the Company for 2025 were Hexin Certified Public Accountants LLP and HLB Hodgson Impey Cheng Limited.

During the year ended 31 December 2025, the annual audit fees and non-audit fee payable/paid by the Group to Hexin Certified Public Accountants LLP was RMB6.55 million and RMB2.23 million, respectively. The non-audit services mainly included internal control review service.

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

REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements of the Group for the year ended 31 December 2025.

PRINCIPAL ACTIVITIES

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

Further discussion and analysis of these activities as required by Schedule 5 to the Companies Ordinance, including a discussion of the principal risks and uncertainties faced by the Group and an indication of the Group's likely future developments, can be found in the Chairman's Letter to Shareholders and Business Review and Financial Review set out on pages 5 to 14 and 26 to 81 of this Annual Report. Such information forms part of the Report of The Directors.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2025 and the Group's financial position as at that date are set out in the financial statements on pages 163 to 315.

On 28 August 2025, the Directors of the Company recommended the payment of an interim dividend for the six months ended 30 June 2025 of RMB2.69 in cash for every 10 shares (inclusive of tax) (for the six months ended 30 June 2024: nil). This interim dividend distribution proposal was approved at the Company's 2025 first extraordinary general meeting on 16 October 2025, and the interim dividend (RMB2.692 as adjusted for every 10 shares) was distributed to shareholders during November 2025.

The Directors of the Company recommend the payment of a final dividend for the year ended 31 December 2025 of RMB8.867 (2024: RMB9.6504 (adjusted)) in cash for every 10 shares (inclusive of tax).

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 316. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment, and investment properties of the Group during the year ended 31 December 2025 are set out in notes 14 and 15 to the financial statements, respectively.

SHARE CAPITAL

Details of movements in the Company's share capital during the year ended 31 December 2025 are set out in note 36 to the financial statements.

Report of the Directors

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**Repurchases of H-Shares**

During the year ended 31 December 2025, 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:

Month	Number of H-Shares repurchased	Price per share		Total price paid HK\$'M
		Highest HK\$	Lowest HK\$	
September 2025	2,450,000	27.00	24.76	62.86
December 2025	1,361,000	27.30	26.58	36.71
	3,811,000			99.57

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 RMB87 million has been charged to the share premium account of the Company. The repurchase of the Company's H-Shares during the year was effected by the Directors, pursuant to the mandate from shareholders sought at the annual general meeting and the class meetings held on 28 May 2025 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.

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

Repurchases of A-Shares

During the year ended 31 December 2025, the Company repurchased certain of its ordinary A-Shares on The Shanghai Stock Exchange. The summary details of those transactions are as follows:

Months	Number of A-Share repurchased	Price per share		Total price paid RMB'M
		Highest RMB	Lowest RMB	
April 2025	6,071,800	25.29	23.60	148.79
May 2025	6,364,200	26.30	25.07	163.59
June 2025	19,394,800	25.28	24.30	481.97
July 2025	1,550,000	26.05	24.83	39.71
August 2025	2,565,400	25.65	24.82	64.93
September 2025	4,536,300	26.64	25.16	117.83
November 2025	420,000	27.53	26.82	11.36
December 2025	1,923,200	27.54	26.02	51.64
	42,825,700			1,079.83

The repurchases of the Company's A-Shares during the year were effected by the Directors, pursuant to a board resolution passed on 27 March 2025 regarding the repurchase of A-Shares. The A-shares repurchased will be used in the Company's share incentive plans.

A total of 42,825,700 A-Share were repurchased during the year but not yet cancelled as at 31 December 2025, and will be used in other share incentive plans of the Company.

During the year, 31,481,400 A-share treasury shares had been transferred to the 2025 A-share Core Employee Stock Ownership Plan of the Company in June 2025, and 1,472,684 A-Share treasury shares were cancelled in December 2025 in accordance with a resolution passed at the 2025 First Extraordinary General Meeting of the Company. As at 31 December 2025, the Company held a total of 69,791,486 A-Share treasury shares and will be used in other 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 (including sale of treasury shares) during the year ended 31 December 2025.

Saved as disclosed above, there were no other treasury shares held by the Company as at 31 December 2025.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 49 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2025, the Company's reserves available for distribution, calculated in accordance with the provisions of the Company Law of the PRC, amounted to approximately RMB11.6 billion, of which RMB8 billion has been proposed as a final dividend for the year.

ENVIRONMENTAL AND SOCIAL POLICIES AND PERFORMANCE

The Board of Directors is the highest governing and decision-making body for ESG matters of the Company. Environmental, Social and Governance Committee (ESG Committee) is to assist the Board with ESG governance and information disclosure issues. The Board regularly assesses, prioritizes and manages ESG issues (including risks and materiality to the Company's business). It also regularly reviews the results of the assessment, identifies ESG issues material to the Company's development, and is informed of management actions and recommendations taken.

The Company has established effective ESG strategies and continuously explores ways to enhance ESG performance. The Board regularly reviews these strategies to ensure alignment with the Company's business development strategy. The ESG Executive Working Group, comprising senior executives from various departments, regularly reports on internal ESG matters to the ESG Committee, implements the Company's ESG policies, and provides recommendations.

The Company has established multi-dimensional ESG goals linked to business operations, balancing ESG goals with business objectives. The Board has reviewed and discussed these goals and regularly monitors progress. During the reporting year, all ESG work objectives have achieved planned progress.

Throughout the year, the Board has continued to monitor the latest ESG regulatory requirements and trends both domestically and internationally. These latest requirements, such as the disclosure of sustainability-related financial information and climate-related disclosures etc., further standardize sustainability disclosure requirements for listed companies. To address these regulatory requirements and enhance ESG performance, the Board has actively undertaken preparatory work, including relevant general training, organizing discussions and research, and developing action plans.

In 2025, a year of significant transformation and challenge, Haier Smart Home remained firmly committed to putting users first, integrating sustainability principles into both our corporate strategy and daily operations. We believe that strong ESG practices are not only a corporate responsibility in the face of global challenges, but also a key driver of long-term growth and future competitiveness. In 2025, we maintained our industry-leading position across multiple authoritative ESG ratings. These achievements are made with the dedication of all Haier Smart Home employees, and with the trust and support of our global ecosystem partners, investors, and communities.

At Haier Smart Home, we have always treated ESG as a strategic pillar of corporate governance. Rooted in the "RenDanHeYi" model, our ESG philosophy aims to deliver the best user experiences through innovative products, services, and business models, while achieving harmony between business growth, the environment, and society. We have elevated ESG management to the heart of our corporate strategy, embedding it across governance, operations, and the full product lifecycle to create sustainable long-term value for all stakeholders.

ENVIRONMENTAL AND SOCIAL POLICIES AND PERFORMANCE (continued)

Over the past year, we have made systematic and substantive progress across ESG governance, stakeholder engagement, climate action, zero-carbon parks, green supply chains, and community contributions:

- (i) We have established a global ESG governance framework covering governance, management, and execution;
- (ii) We have built routine, multi-channel stakeholder engagement mechanisms, including ESG-focused briefings, surveys, and interviews, to continuously gather expectations and feedback from investors, customers, employees, communities, and suppliers. Actionable feedback has been incorporated into ESG target-setting and performance improvement;
- (iii) In 2025, we formally established a Climate Change Committee led by our top management decision-making body and published the Haier Smart Home Carbon Neutrality White Paper. The white paper sets out our carbon neutrality roadmap, key initiatives, and technology pathways, reflecting a firm and transparent commitment to addressing climate change;
- (iv) We have also developed an industry-leading “6-Green” supply chain system (Green Design, Green Procurement, Green Manufacturing, Green Logistics, Green Recycling, and Green Services), embedding sustainability principles throughout the entire product lifecycle. This system has driven green upgrades across the supply chain;
- (v) In 2025, we continued to implement the “RenDanHeYi” management model globally, encouraging employee innovation, valuing individual contributions, and fostering an open, diverse, and inclusive work environment. This has cultivated a corporate culture of entrepreneurship and innovation;
- (vi) As a responsible corporate citizen, we actively fulfill our social responsibility worldwide. Through education support, disaster relief, community development, and other initiatives, we give back to local communities, strengthening relationships and continuing to build our brand reputation and trust.

Further discussions of the above is set out in the Environmental, Social and Governance Report which are issued separately.

Report of the Directors

COMPLIANCE WITH LAWS AND REGULATIONS

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

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

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

MAJOR CUSTOMERS AND SUPPLIERS

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

During the year ended 31 December 2025, Haier Group Corporation, the substantial shareholders of the Company, had beneficial interests in one of the Group's five largest suppliers.

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

DIRECTORS

The Directors of the Company during the year were:

Executive directors:

Mr. LI Huagang
(Chairman and Chief Executive Officer)
Mr. Kevin Nolan (appointed on 28 May 2025)

Non-executive directors:

Mr. GONG Wei (Vice Chairman)
Mr. YU Hon To, David
Mr. CHIEN Da-chun
Mr. LI Shaohua (appointed on 28 May 2025)
Ms. SHAO Xinzhi (Vice Chairman) (retired on 28 May 2025)
Ms. Eva LI Kam Fun (retired on 28 May 2025)

Independent Non-executive directors:

Mr. WONG Hak Kun
Mr. LI Shipeng
Mr. WU Qi
Mr. WANG Hua (appointed on 28 May 2025)

Employee Representative Director:

Ms. SUN Danfeng (appointed on 28 May 2025)

DIRECTORS (continued)

As the term of the 11th session of the Board expired in June 2025, in accordance with relevant requirements of the Company Law and the Articles of Association, and the opinions from the nomination committee of the Board, the appointments of two Executive Directors, four Non-executive Directors, four Independent Non-executive Directors and an Employee Representative Director of the 12th session of the Board have been considered and approved by the Board as follows:

1. Executive Directors: Mr. LI Huagang and Mr. Kevin Nolan;
2. Non-executive Directors: Mr. GONG Wei (as executive director till 28 May 2025), Mr. YU Hon To, David, Mr. CHIEN Da-Chun (as independent non-executive director till 28 May 2025) and Mr. Li Shaohua;
3. Independent Non-executive Directors: Mr. WONG Hak Kun, Mr. LI Shipeng, Mr. WU Qi and Mr. Wang Hua;
4. Employee Representative Director: Ms. SUN Danfeng

The resolution on the changes of the Board of Directors had been duly adopted as an ordinary resolution at the annual general meeting of the Company convened on 28 May 2025 ("AGM"). These eleven Directors were elected at the AGM and compose the 12th session of the Board of the Company. Each of these eleven Directors has obtained the legal advice referred to in Rule 3.09D of the Hong Kong Listing Rules on 28 May 2025 and confirmed that he/she understood his/her obligations as a director of the Company.

The term of the 12th session of the Board of the Company would be three years. The term of office for each Director has been effective upon the consideration and approval at the annual general meeting of the Company convened on 28 May 2025. Each of the Directors has entered into a service contract with the Company.

The retiring Directors of the 11th session of the Board, namely Ms. SHAO Xinzhi and Ms. Eva LI Kam Fun, confirmed that they had no disagreement with the Board, and there were no other matters that should be brought to the attention of the shareholders.

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

DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and Supervisors of the Company and the senior management of the Group are set out on pages 15 to 25 of the annual report.

CHANGES OF INFORMATION OF DIRECTORS

There is no changes of Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the publication of the Company's 2025 interim report.

Report of the Directors

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

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

PERMITTED INDEMNITY

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

DIRECTORS' REMUNERATION

The Directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's Board with reference to Directors' duties, responsibilities and performance and the results of the Group.

Details of directors' remuneration are set out in notes 8 and 13 to the financial statements.

The remuneration of non-executive Directors consists of three components: fixed remuneration, service compensation and floating allowances:

- i) Fixed remuneration: RMB360,000 per year before tax.
- ii) Service compensation: depending on the non-executive Directors' positions on the relevant special committees, the allowance before tax for chairman of the relevant special committees is RMB30,000 each year, the allowance before tax for member of the relevant special committees is RMB20,000 each year, if he/she serves as the chairman/chairlady or member of more than one committee, the allowance amount can be calculated cumulatively and paid based on the annual performance assessment.
- iii) Floating allowance: Allowances for non-executive Directors' on-site participations in the general meetings, the Board meetings, relevant special committee meetings, researches are standardized at RMB5,000/person/day. In addition, the travel expenses for attending Board meetings and general meetings and fees incurred reasonably in the performance of their duties under the articles of the associations of the Company by non-executive Directors are reimbursed as expensed.

The non-executive Directors who have labor contractual relationships with Haier Group Corporation and its subsidiaries do not receive Directors' remuneration from the Company.

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

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

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

At 31 December 2025, the interests and short positions of the Directors and chief executive (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	1,156,699	Beneficial owner	0.0185%	0.0123%
		H Share	1,049,745	Beneficial owner	0.0368%	0.0112%
Mr. Kevin Nolan	Executive Director, Vice President	H Share	315,546	Beneficial owner	0.0111%	0.0034%
Mr. GONG Wei	Vice Chairman of the Board, Non-executive Director	A Share	2,124,906	Beneficial owner	0.0340%	0.0227%
		H Share	142,600	Beneficial owner	0.0050%	0.0015%
Mr. YU Hon To, David	Non-executive Director	H Share	810,000	Beneficial owner	0.0284%	0.0086%
Mr. Li Shaohua	Non-executive Director	A Share	102,633	Beneficial owner	0.0016%	0.0011%
		H Share	401,577	Beneficial owner	0.0141%	0.0043%
Ms. SUN Danfeng	Employee Representative Director	A Share	42,563	Beneficial owner	0.0007%	0.0005%
		H Share	154,921	Beneficial owner	0.0054%	0.0017%

* The percentage is calculated on the basis that the share capital of the Company as at 31 December 2025 totalling 9,377,629,650 comprise 6,253,028,411 A Shares, 271,013,973 D Shares and 2,853,587,266 H Shares, representing approximately 66.68%, 2.89% and 30.43% of the total share capital of the Company, respectively.

Report of the Directors

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

Long positions in shares of the Company: (continued)

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

Names	Positions	Class of Shares	Number of outstanding shares of ESOP/RSU Scheme (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	95,056 (2023 ESOP)	0.0015%	0.0010%
			240,331 (2024 ESOP)	0.0038%	0.0026%
			282,744 (2025 ESOP)	0.0045%	0.0030%
		H Share	98,060 (2023 ESOP)	0.0034%	0.0010%
			242,478 (2024 ESOP)	0.0085%	0.0026%
			325,827 (2025 ESOP)	0.0114%	0.0035%
			431,537 (vested ESOP)	0.0151%	0.0046%
Mr. Kevin Nolan	Executive Director, Vice President	H Share	580,224	0.0203%	0.0062%
			(2023 RSU Scheme)		
			956,512	0.0335%	0.0102%
			(2025 RSU Scheme)		
Ms. GONG Wei	Vice Chairman of the Board, Non-executive Director	A Share	46,859 (2023 ESOP)	0.0007%	0.0005%
			90,597 (2024 ESOP)	0.0014%	0.0010%
			98,233 (2025 ESOP)	0.0016%	0.0010%
		H Share	48,340 (2023 ESOP)	0.0017%	0.0005%
			91,406 (2024 ESOP)	0.0032%	0.0010%
			113,201 (2025 ESOP)	0.0040%	0.0012%
			233,921 (vested ESOP)	0.0082%	0.0025%
Mr. LI Shachua	Non-executive Director	A Share	26,616 (2023 ESOP)	0.0004%	0.0003%
			47,470 (2024 ESOP)	0.0008%	0.0005%
			56,133 (2025 ESOP)	0.0009%	0.0006%
		H Share	27,458 (2023 ESOP)	0.0010%	0.0003%
			47,893 (2024 ESOP)	0.0017%	0.0005%
			64,686 (2025 ESOP)	0.0023%	0.0007%
			31,422 (vested ESOP)	0.0011%	0.0003%
Ms. SUN Danfeng	Employee Representative Director	A Share	35,701 (2023 ESOP)	0.0006%	0.0004%
			74,336 (2024 ESOP)	0.0012%	0.0008%
			99,792 (2025 ESOP)	0.0016%	0.0011%

* The percentage is calculated on the basis that the share capital of the Company as at 31 December 2025 totalling 9,377,629,650 comprise 6,253,028,411 A Shares, 271,013,973 D Shares and 2,853,587,266 H Shares, representing approximately 66.68%, 2.89% and 30.43% of the total share capital of the Company, respectively.

INTERESTS AND SHORT POSITIONS OF DIRECTORS 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 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 remaining as at 31 December 2025 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	7.34	262,122	0.0092%	0.0028%
Mr. GONG Wei	Vice Chairman of the Board, Non-executive Director	3.67	131,061	0.0046%	0.0014%

* The percentage is calculated on the basis that the share capital of the Company as at 31 December 2025 totalling 9,377,629,650 comprise 6,253,028,411 A Shares, 271,013,973 D Shares and 2,853,587,266 H Shares, representing approximately 66.68%, 2.89% and 30.43% of the total share capital of the Company, respectively.

Report of the Directors

INTERESTS AND SHORT POSITIONS OF DIRECTORS 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	182,788	0.0029%	0.0019%
Mr. GONG Wei	Vice Chairman of the Board, Non-executive Director	A Share	91,394	0.0015%	0.0010%
Mr. LI Shaohua	Non-executive Director	A Share	31,214	0.0005%	0.0003%
Ms. SUN Danfeng	Employee Representative Director	A Share	18,728	0.0003%	0.0002%

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

* The percentage is calculated on the basis that the share capital of the Company as at 31 December 2025 totalling 9,377,629,650 comprise 6,253,028,411 A Shares, 271,013,973 D Shares and 2,853,587,266 H Shares, representing approximately 66.68%, 2.89% and 30.43% of the total share capital of the Company, respectively.

Save as disclosed above, as at 31 December 2025, none of the Directors 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.

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. The decision would be based on the rules of the A Share ESOP and H Share ESOP, changes in the workforce and performance assessment results, and the Board was 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.

SHARE AWARD SCHEMES (continued)

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

A Share ESOP and H Share ESOP (continued)

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 year, in order to improve the corporate governance mechanism, create value for shareholders and promote the full implementation of the Company's smart home brand strategy, the Company introduced the A Share Core Employee Stock Ownership Plan (2025) and the H Share Core Employees Ownership Plan (2025) upon the approval at the meeting of the Board of Directors of the Company convened on 29 April 2025, with the subsequent authorization at the 2024 AGM of the Company.

A Share ESOP (2023)

There were no more than 2,400 employees participating in the 2023 ESOP. The total amount of funds used to participate in the 2023 ESOP was RMB565.50 million. There are 14 directors, supervisors and senior officers with a total holding of RMB31.42 million, accounting for 5.6% of the ESOP. There are 2,386 core technical (business) personnel of the Company and its subsidiaries, with a total holding of RMB534.08 million, accounting for 94.4% of the ESOP.

The source of shares for the ESOP were the repurchased shares of the Company in the repurchase special account. The 2023 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 17 July 2023, 25,117,000 Shares (average purchase cost was RMB22.49 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 (2023)" through non-trading transfer. The lock-up period is from 19 July 2023 to 18 July 2024.

After the end of the lock-up period of the 2023 ESOP, the corresponding underlying shares shall be vested to the participants in two phases (40% and 60% respectively). The specific vesting time shall be determined by the Management Committee after the end of the lock-up period.

SHARE AWARD SCHEMES (continued)

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

A Share ESOP (2024)

There were no more than 2,366 employees participating in the 2024 ESOP. The total amount of funds used to participate in the 2024 ESOP was RMB706.5 million. There are 13 directors, supervisors and senior officers with a total holding of RMB34.59 million, accounting for 4.9% of the ESOP. There are 2,353 core technical (business) personnel of the Company and its subsidiaries, with a total holding of RMB671.91 million, accounting for 95.1% of the ESOP.

The source of shares for the ESOP were the repurchased shares of the Company in the repurchase special account. The 2024 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 12 July 2024, 31,266,608 Shares (average purchase cost was RMB22.58 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 (2024)” through non-trading transfer. The lock-up period is from 13 July 2024 to 12 July 2025.

After the end of the lock-up period of the 2024 ESOP, the corresponding underlying shares shall be vested to the participants in two phases (40% and 60% respectively). The specific vesting time shall be determined by the Management Committee after the end of the lock-up period.

A Share ESOP (2025)

There should be no more than 2,570 employees participating in the 2025 ESOP. The total amount of funds to be used to participate in the ESOP shall be RMB757.0 million, with “shares” as the subscription unit, and each share is RMB1. There are 10 directors and senior officers with a total share of RMB31.34 million, accounting for 4.1% of the ESOP. There are 2,560 core technical (business) personnel of the Company and its subsidiaries, with a total share of RMB725.66 million, accounting for 95.9% of the ESOP.

The source of shares for the ESOP shall be the repurchased shares of the Company in the repurchase special account. The ESOP shall establish 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 19 June 2025, 31,481,400 Shares (average purchase cost was RMB24.03 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 (2025)” through non-trading transfer. The lock-up period is from 21 June 2025 to 20 June 2026.

After the end of the lock-up period, the Management Committee shall appraise the Participants according to the performance appraisal system of the Company. The appraisal period is two years. During the duration of the ESOP, the Management Committee shall have the right to extend or shorten the appraisal period and adjust the corresponding proportion of vesting. The underlying shares of the ESOP will be vested to the participants in two phases. After the end of the lock-up period of the ESOP, the corresponding underlying shares shall be vested to the participants in two phases (40% and 60% respectively). The specific vesting time shall be determined by the Management Committee after the end of the lock-up period.

Report of the Directors

SHARE AWARD SCHEMES (continued)**Introduction of the new phase of A-Share and H-Share ESOPs, and H-Share restricted shares award scheme (continued)**

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

Name or category of Participants	On 1 January 2025	Granted during the year	Vested during the year (Note)	Cancelled during the year	Lapsed during the year	On 31 December 2025	Date of grant of A Share ESOP	Vesting period for A Share ESOP
Directors								
Mr. Li Huagang	48,282	—	—	48,282	—	—	10/08/2022	10/08/2022–30/07/2024
	158,899	—	63,843	—	—	95,056	28/07/2023	28/07/2023–30/07/2025
	282,743	—	42,412	—	—	240,331	12/07/2024	12/07/2024–30/07/2026
	—	282,744	—	—	—	282,744	20/06/2025	20/06/2025–30/06/2027
Mr. GONG Wei	489,924	282,744	106,255	48,282	—	618,131		
	25,966	—	—	25,966	—	—	10/08/2022	10/08/2022–30/07/2024
	78,331	—	31,472	—	—	46,859	28/07/2023	28/07/2023–30/07/2025
	111,504	—	20,907	—	—	90,597	12/07/2024	12/07/2024–30/07/2026
	—	98,233	—	—	—	98,233	20/06/2025	20/06/2025–30/06/2027
Mr. Li Shaohua	215,801	98,233	52,379	25,966	—	235,689		
	45,080	—	18,464	—	—	26,616	28/07/2023	28/07/2023–30/07/2025
	59,735	—	12,265	—	—	47,470	12/07/2024	12/07/2024–30/07/2026
	—	56,133	—	—	—	56,133	20/06/2025	20/06/2025–30/06/2027
Ms. SUN Danfeng	104,815	56,133	30,729	—	—	130,219		
	59,680	—	23,979	—	—	35,701	28/07/2023	28/07/2023–30/07/2025
	92,920	—	18,584	—	—	74,336	12/07/2024	12/07/2024–30/07/2026
	—	99,792	—	—	—	99,792	20/06/2025	20/06/2025–30/06/2027
Subtotal	152,600	99,792	42,563	—	—	209,829		
Subtotal	963,140	536,902	231,926	74,248	—	1,193,868		
Other employees								
In aggregate	11,880	—	—	11,880	—	—	10/08/2022	10/08/2022–30/07/2024
	16,847,427	—	8,597,166	8,250,261	—	—	28/07/2023	28/07/2023–30/07/2025
	30,719,706	—	7,313,388	—	—	23,406,318	12/07/2024	12/07/2024–30/07/2026
	—	30,944,498	—	—	—	30,944,498	20/06/2025	20/06/2025–30/06/2027
	47,579,013	30,944,498	15,910,554	8,262,141	—	54,350,816		
Total	48,542,153	31,481,400	16,142,480	8,336,389	—	55,544,684		
The five highest paid employees among the Participants are as follows:								
In aggregate	48,282	—	—	48,282	—	—	10/08/2022	10/08/2022–30/07/2024
	417,177	—	148,141	173,980	—	95,056	28/07/2023	28/07/2023–30/07/2025
	731,858	—	107,071	—	—	624,787	12/07/2024	12/07/2024–30/07/2026
	—	740,124	—	—	—	740,124	20/06/2025	20/06/2025–30/06/2027
Total	1,197,317	740,124	255,212	222,262	—	1,459,967		

Ms. SHAO Xinzhi retired as director on 28 May 2025. Mr. LIU Dalin and Mr. YU Miao retired as supervisors on 28 May 2025. Their A Share ESOPs up to 28 May 2025 were 183,985, 87,612 and 29,227, respectively.

SHARE AWARD SCHEMES (continued)

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

The closing price of the Company's A Share immediately before the grant date of the A Share ESOP was RMB24.7 per share. The fair values of the A Share ESOP granted on 20 June 2025 is RMB776 million. The weighted average closing price of the share immediately before the vesting date of the A Share ESOP was RMB25.1 per share.

The fair value of the A Share ESOP was calculated based on the market closing price of the Company's shares at the grant date. The expected dividends during the vesting period have been taken into account when assessing the fair value of these awarded shares. Refer to note 37 of the consolidated financial statements for the details of the fair value measurement of the A Share ESOP.

The purchase price of the above cancelled shares is RMB25.33 per share.

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 annual report. As at 1 January and 31 December 2025, the number of share awards available for grant under the A Share ESOPs was nil.

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

Notes:

1. The assessment indicators under the A Share and H Share ESOP (2023) ("**2023 ESOP**") are as follows:
 - a. Where the participants under the 2023 ESOP are the directors, president, supervisors and platform personnel of the Company, the appraisal rules for 2023 and 2024 are based on a weighted average of the completion rate of the compound growth rate of net profit attributable to the parent company after non-recurring items and the completion rate of return on equity (hereinafter "**Comprehensive Completion Rate**"). The specific appraisal objectives and rules are as follows:

	Net profit attributable to the parent company after non-recurring items	Return on equity (Note)
Performance appraisal indicators for 2023	Growth rate of audited net profit attributable to the parent company after non-recurring items for 2023 over net profit attributable to the parent company after non-recurring items for 2022 not less than 15% (inclusive)	Audited return on equity (ROE) for 2023 not less than 16.8% (inclusive)
Performance appraisal indicators for 2024	Compound growth rate of audited net profit attributable to the parent company after non-recurring items for 2024 over net profit attributable to the parent company after non-recurring items for 2022 not less than 15% (inclusive)	Audited return on equity (ROE) for 2024 not less than 16.8% (inclusive)
Appraisal weighting	50%	50%

Note: Return on equity (ROE) refers to the weighted average return on equity. If the Company raises fund through capital market such as a public offering or issuance of shares to specific targets during the term of the 2023 ESOP that may have an impact on the Company's net assets and ROE, the impact of such actions shall be excluded from the calculation of ROE attributable to shareholders of the listed company for each appraisal year, and the appraisal indicators in relation to ROE in each year's appraisal criteria shall be adjusted accordingly. The details of the adjustment plan will be considered by the Remuneration and Appraisal Committee and submitted to the board of directors for approval before implementation.

SHARE AWARD SCHEMES (continued)

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

Notes: (continued)

1. The assessment indicators under the A Share and H Share ESOP (2023) ("2023 ESOP") are as follows: (continued)

- a. (continued)

Comprehensive Completion Rate = 50%*completion rate of compound growth rate of net profit attributable to the parent company after non-recurring items + 50%*completion rate of return on equity

Of which:

Completion rate of compound growth rate of net profit attributable to the parent company after non-recurring items = compound growth rate of audited net profit attributable to the parent company after non-recurring items for the year over net profit attributable to the parent company after non-recurring items for 2022/15%

Completion rate of return on equity = audited return on equity for the year/16.8%

- (1) Appraisal indicators and vesting for 2023

If the results of the Management Committee's appraisal of such Participants in 2023 are up to the standard, and the Comprehensive Completion Rate in 2023 is more than 1 (inclusive), 40% of the interests of the Underlying Shares under the ESOP shall be vested to the Participants.

If the Comprehensive Completion Rate is between 0.8 (inclusive) to 1: ① for the completion rates of compound growth rate of net profit attributable to the parent company after non-recurring items and return on equity exceeding 0.8 (inclusive), vesting shall be made after the proportion of vesting is determined by the Management Committee and submitted to the Remuneration and Appraisal Committee for approval; ② for any of the completion rate of compound growth rate of net profit attributable to the parent company after non-recurring items and return on equity below 0.8 (exclusive), vesting shall be made after the proportion of vesting is determined by the Remuneration and Appraisal Committee and submitted to the board of directors for approval.

If the Comprehensive Completion Rate is less than 0.8 (exclusive), 40% of the Underlying Shares under the ESOP will not be vested.

- (2) Appraisal indicators and vesting for 2024

If the results of the Management Committee's appraisal of such Participants in 2024 are up to the standard, and the Comprehensive Completion Rate in 2024 is more than 1 (inclusive), 60% of the interests of the Underlying Shares under the ESOP shall be vested to the Participants.

If the Comprehensive Completion Rate is between 0.8 (inclusive) to 1: ① for the completion rates of compound growth rate of net profit attributable to the parent company after non-recurring items and return on equity exceeding 0.8 (inclusive), vesting shall be made after the proportion of vesting is determined by the Management Committee and submitted to the Remuneration and Appraisal Committee for approval; ② for any of the completion rate of compound growth rate of net profit attributable to the parent company after non-recurring items and return on equity below 0.8 (exclusive), vesting shall be made after the proportion of vesting is determined by the Remuneration and Appraisal Committee and submitted to the board of directors for approval.

If the Comprehensive Completion Rate is less than 0.8 (exclusive), 60% of the Underlying Shares under the ESOP will not be vested.

- b. Where the participants under the 2023 ESOP are the persons other than those mentioned in item a above, 40% and 60% of the interests of the underlying shares under the 2023 ESOP shall be vested respectively if the results of the Management Committee's assessment in 2023 and 2024 are up to the standard.

SHARE AWARD SCHEMES (continued)

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

Notes: (continued)

2. The assessment indicators under the A Share and H Share ESOP (2024) ("**2024 ESOP**") are as follows:

- Where the Participants under the ESOP are the directors, president, supervisors and platform personnel of the Company, the appraisal rules for 2024 and 2025 are based on a weighted average of the completion rate of the compound growth rate of net profit attributable to the parent company after non-recurring items and the completion rate of return on equity (hereinafter "**Comprehensive Completion Rate**"). The specific appraisal objectives and rules are as follows:

	Net profit attributable to the parent company after non-recurring items	Return on equity (Note)
Performance appraisal indicators for 2024	Growth rate of audited net profit attributable to the parent company after non-recurring items for 2024 over net profit attributable to the parent company after non-recurring items for 2023 not less than 15% (inclusive)	Audited return on equity (ROE) for 2024 not less than 16.8% (inclusive)
Performance appraisal indicators for 2025	Compound growth rate of audited net profit attributable to the parent company after non-recurring items for 2025 over net profit attributable to the parent company after non-recurring items for 2023 not less than 15% (inclusive)	Audited return on equity (ROE) for 2025 not less than 16.8% (inclusive)
Appraisal weighting	50%	50%

Note: Return on equity (ROE) refers to the weighted average return on equity. If the Company raises fund through capital market such as a public offering or issuance of shares to specific targets during the term of the ESOP that may have an impact on the Company's net assets and ROE, the impact of such actions shall be excluded from the calculation of ROE attributable to shareholders of the listed company for each appraisal year, and the appraisal indicators in relation to ROE in each year's appraisal criteria shall be adjusted accordingly. The details of the adjustment plan will be considered by the Remuneration and Appraisal Committee and submitted to the board of directors for approval before implementation.

Comprehensive Completion Rate = 50%*completion rate of compound growth rate of net profit attributable to the parent company after non-recurring items + 50%*completion rate of return on equity

Of which:

Completion rate of compound growth rate of net profit attributable to the parent company after non-recurring items = compound growth rate of audited net profit attributable to the parent company after non-recurring items for the year over net profit attributable to the parent company after non-recurring items for 2023/15%

SHARE AWARD SCHEMES (continued)

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

Notes: (continued)

2. The assessment indicators under the A Share and H Share ESOP (2024) ("**2024 ESOP**") are as follows: (continued)

1. (continued)

Completion rate of return on equity = audited return on equity for the year/16.8%

(1) Appraisal indicators and vesting for 2024

If the results of the Management Committee's appraisal of such Participants in 2024 are up to the standard, and the Comprehensive Completion Rate in 2024 is more than 1 (inclusive), 40% of the interests of the Underlying Shares under the ESOP shall be vested to the Participants.

If the Comprehensive Completion Rate is between 0.8 (inclusive) to 1: ① for the completion rates of compound growth rate of net profit attributable to the parent company after non-recurring items and return on equity exceeding 0.8 (inclusive), vesting shall be made after the proportion of vesting is determined by the Management Committee and submitted to the Remuneration and Appraisal Committee for approval; ② for any of the completion rate of compound growth rate of net profit attributable to the parent company after non-recurring items and return on equity below 0.8 (exclusive), vesting shall be made after the proportion of vesting is determined by the Remuneration and Appraisal Committee and submitted to the board of directors for approval.

If the Comprehensive Completion Rate is less than 0.8 (exclusive), 40% of the Underlying Shares under the ESOP will not be vested.

(2) Appraisal indicators and vesting for 2025

If the results of the Management Committee's appraisal of such Participants in 2025 are up to the standard, and the Comprehensive Completion Rate in 2025 is more than 1 (inclusive), 60% of the interests of the Underlying Shares under the ESOP shall be vested to the Participants.

If the Comprehensive Completion Rate is between 0.8 (inclusive) to 1: ① for the completion rates of compound growth rate of net profit attributable to the parent company after non-recurring items and return on equity exceeding 0.8 (inclusive), vesting shall be made after the proportion of vesting is determined by the Management Committee and submitted to the Remuneration and Appraisal Committee for approval; ② for any of the completion rate of compound growth rate of net profit attributable to the parent company after non-recurring items and return on equity below 0.8 (exclusive), vesting shall be made after the proportion of vesting is determined by the Remuneration and Appraisal Committee and submitted to the board of directors for approval.

If the Comprehensive Completion Rate is less than 0.8 (exclusive), 60% of the Underlying Shares under the ESOP will not be vested.

2. Where the Participants under the ESOP are the persons other than the Company's directors, president, supervisors and personnel of the Company's platform mentioned in item 1 above, 40% and 60% of the interests of the Underlying Shares under the ESOP shall be vested respectively if the results of the Management Committee's appraisal conducted according to its results in 2024 and 2025 are up to the standard.

SHARE AWARD SCHEMES (continued)

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

Notes: (continued)

3. The assessment indicators under the A Share and H Share ESOP ("2025 ESOP") are as follows:

1. Where the participants under the ESOP are the directors, president and platform personnel of the Company, the appraisal rules for 2025 and 2026 are based on the completion rate of return on equity (ROE). The specific appraisal objectives and rules are as follows:

	Return on equity (Note)
Performance appraisal indicators for 2025	If ROE exceeds 17.7% (inclusive), 40% of the interest of the underlying shares under the ESOP shall be vested to the participants.
Performance appraisal indicators for 2026	- If ROE is between 16.8% (inclusive) to 17.7%, vesting shall be made after the proportion of vesting is determined by the Management Committee and submitted to the Remuneration and Appraisal Committee for approval. - If ROE is below 16.8%, 40% of the underlying shares under the ESOP will not be vested.

Note: (1) Excluding the impact of refinancing on ROE: If the Company raises fund through capital market by offering to specific or nonspecific targets that may have an impact on the Company's net assets and ROE, the impact of such actions shall be excluded from the calculation of ROE attributable to shareholders of the listed company for each appraisal year, and the appraisal indicators in relation to ROE in each year's appraisal criteria shall be adjusted accordingly. The details of the adjustment plan will be considered and approved by the board of directors before implementation; (2) Excluding the impact of mergers and acquisitions on ROE: The impact of mergers and acquisitions occurring in the appraisal year on the appraisal indicators shall be excluded in the appraisal year; (3) Exclusion of the impact of asset sales on ROE: The impact of asset sales (including equity asset sales) occurring in the appraisal year on the appraisal indicators shall be excluded in the appraisal year.

2. Where the participants under the ESOP are the persons other than the Company's directors, president and personnel of the Company's platform mentioned in item 1 above, 40% and 60% of the interests of the underlying shares under the ESOP shall be vested respectively if the results of the Management Committee's appraisal conducted according to their performance in 2025 and 2026 are up to the standard.

SHARE AWARD SCHEMES (continued)

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

H Share ESOP (2023)

Participants of the 2023 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 34 persons. There are 11 directors and senior officers, with a total holding of RMB33.19 million, accounting for 47.1% of the 2023 ESOP. There are 23 other core management personnel of the Company, with a total holding of RMB37.31 million, accounting for 52.9% of the 2023 ESOP.

The source of funds of the 2023 ESOP were the incentive funds withdrawn by the Company in the amount of RMB70.50 million. The source of shares of the 2023 ESOP were H shares of the Company purchased from the secondary market through the Shanghai-Hong Kong Stock Connect.

The lock-up period is 12 months, calculated from the date when the Company announces that the last of underlying shares purchased are recorded in the 2023 ESOP.

The Company entrusted an asset management company to purchase a total of 3,230,400 H Shares of the Company in the secondary market through the Hong Kong Stock Connect, with an average transaction price of HKD23.62 per share and a transaction amount of approximately HK\$76.3 million. The lock-up period is from 26 July 2023 to 25 July 2024.

The assessment period is for two years, and upon the expiration of the lock-up period of the 2023 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.

Upon the vesting of the H Shares, the participants entrust the Management Committee to sell the underlying shares of the 2023 ESOP during the duration of the ESOP for cash settlement.

H Share ESOP (2024)

Participants of the 2024 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 29 persons. There are 11 directors and senior officers, with a total holding of RMB36.57 million, accounting for 53.8% of the 2024 ESOP. There are 18 other core management personnel of the Company, with a total holding of RMB31.43 million, accounting for 46.2% of the 2024 ESOP.

The source of funds of the 2024 ESOP were the incentive funds withdrawn by the Company in the amount of RMB68 million. The source of shares of the 2024 ESOP were H shares of the Company purchased from the secondary market through the Shanghai-Hong Kong Stock Connect.

The lock-up period is 12 months, calculated from the date when the Company announces that the last of underlying shares purchased are recorded in the 2024 ESOP.

SHARE AWARD SCHEMES (continued)

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

H Share ESOP (2024) (continued)

The Company entrusted an asset management company to purchase a total of 3,035,400 H Shares of the Company in the secondary market through the Hong Kong Stock Connect, with an average transaction price of HKD23.9203 per share and a transaction amount of approximately HK\$72.6 million. The lock-up period is from 27 July 2024 to 26 July 2025.

The assessment period is for two years, and upon the expiration of the lock-up period of the 2024 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.

Upon the vesting of the H Shares, the participants entrust the Management Committee to sell the underlying shares of the 2024 ESOP during the duration of the ESOP for cash settlement.

H Share ESOP (2025)

Participants of the 2025 ESOP shall 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 27 persons. The total amount of funds to be used to participate in the ESOP shall be RMB63.0 million (inclusive), with “shares” as the subscription unit, and each share is RMB1. There are 10 directors and senior officers with a total share of RMB34.56 million, accounting for 54.9% of the ESOP. There are 17 other core management personnel of the Company, with a total share of RMB28.44 million, accounting for 45.1% of the ESOP.

Considering the continuity of the Company's remuneration assessment mechanism, the source of funds of the ESOP shall be the incentive fund withdrawn by the Company in the amount of RMB63.0 million. The source of shares of the ESOP shall be H shares of the Company purchased from the secondary market through the Shanghai-Hong Kong Stock Connect.

The lock-up period of the underlying shares under the ESOP 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 ESOP.

The Company entrusted an asset management company to complete the purchase a total of 3,018,400 H Shares of the Company in the secondary market through the Hong Kong Stock Connect, with an average transaction price of HKD22.8188 per share and a transaction amount of approximately HK\$68.9 million. The lock-up period is from 3 July 2025 to 2 July 2026.

After the end of the lock-up period, the Management Committee shall appraise the Participants according to the performance assessment system of the Company. The assessment period is for two years. During the duration of the ESOP, the Management Committee shall have the right to extend or shorten the assessment period and adjust the corresponding proportion of vesting. The underlying shares of the ESOP will be vested to the participants in two phases (40% and 60% respectively). The specific vesting time shall be determined by the Management Committee after the end of the lock-up period.

Report of the Directors

SHARE AWARD SCHEMES (continued)**Introduction of the new phase of A-Share and H-Share ESOPs, and H-Share restricted shares award scheme (continued)****H Share ESOP (2025) (continued)**

Upon the vesting of the H Shares, the participants entrust the Management Committee to sell the underlying shares of the 2025 ESOP during the duration of the ESOP for cash settlement.

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

Name or category of Participants	On 1 January 2025	Granted during the year	Vested during the year (Note)	Cancelled during the year	Lapsed during the year	On 31 December 2025	Date of grant of H Share ESOP	Vesting period for H Share ESOP
Directors								
Mr. LI Huagang	54,143	—	—	54,143	—	—	10/08/2022	10/08/2022–30/07/2024
	163,921	—	65,861	—	—	98,060	28/07/2023	28/07/2023–30/07/2025
	285,268	—	42,790	—	—	242,478	26/07/2024	26/07/2024–30/07/2026
	—	325,827	—	—	—	325,827	02/07/2025	02/07/2025–30/07/2027
	503,332	325,827	108,651	54,143	—	666,365		
Mr. GONG Wei	29,119	—	—	29,119	—	—	10/08/2022	10/08/2022–30/07/2024
	80,807	—	32,467	—	—	48,340	28/07/2023	28/07/2023–30/07/2025
	112,500	—	21,094	—	—	91,406	26/07/2024	26/07/2024–30/07/2026
	—	113,201	—	—	—	113,201	02/07/2025	02/07/2025–30/07/2027
	222,426	113,201	53,561	29,119	—	252,947		
Mr. LI Shaohua	46,505	—	19,047	—	—	27,458	28/07/2023	28/07/2023–30/07/2025
	60,268	—	12,375	—	—	47,893	26/07/2024	26/07/2024–30/07/2026
	—	64,686	—	—	—	64,686	02/07/2025	02/07/2025–30/07/2027
	106,773	64,686	31,422	—	—	140,037		
Subtotal	832,531	503,714	193,634	83,262	—	1,059,349		
Other employees								
In aggregate	2,048,774	—	736,003	1,312,771	—	—	28/07/2023	28/07/2023–30/07/2025
	2,577,364	—	432,614	—	—	2,144,750	26/07/2024	26/07/2024–30/07/2026
	—	2,514,686	—	—	—	2,514,686	02/07/2025	02/07/2025–30/07/2027
	4,626,138	2,514,686	1,168,617	1,312,771	—	4,659,436		
Total	5,458,669	3,018,400	1,362,251	1,396,033	—	5,718,785		
The five highest paid employees among the Participants are as follows:								
In aggregate	54,143	—	—	54,143	—	—	10/08/2022	28/07/2023–30/07/2025
	430,363	—	152,824	179,479	—	98,060	28/07/2023	12/07/2024–30/07/2026
	738,393	—	108,027	—	—	630,366	26/07/2024	20/06/2025–30/06/2027
	—	852,900	—	—	—	852,900	02/07/2025	02/07/2025–30/07/2027
Total	1,222,899	852,900	260,851	233,622	—	1,581,326		

Ms. SHAO Xinzhi retired as director on 28 May 2025. Her H Share ESOPs up to 28 May 2025 was 187,430.

SHARE AWARD SCHEMES (continued)

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

H Share ESOP (2025) (continued)

The closing price of the Company's H Share immediately before the grant date of the H Share ESOP was HK\$22.45 per share. The fair values of the H Share ESOP granted on 2 July 2025 is RMB64 million, the Group recognised a total A and H Share ESOP expense of RMB868 million during year ended 31 December 2025. The weighted average closing price of the shares immediately before the vesting date of the H Share ESOP was HK\$24.3 per share. Refer to note 37 of the consolidated financial statements for the details of the fair value measurement of the H Share ESOP. The purchase price of the above cancelled shares is HK\$25.663 per share.

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 annual report. As at 1 January and 31 December 2025, the number of share awards available for grant under the H Share ESOPs was nil.

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

Note:

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

H Share Restricted Share Unit Scheme (2022, 2023, 2024 and 2025)

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.

SHARE AWARD SCHEMES (continued)

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

H Share Restricted Share Unit Scheme (2022, 2023, 2024 and 2025) (continued)

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.

The appraisal period is generally two years (40% and 60% of the corresponding underlying shares to be vested to the participants in two phases) or three years (100% of corresponding underlying shares to be vested to the participants in one phase) upon the expiration of the vesting period of the RSU Scheme. The specific vesting time shall be determined by the Management Committee upon the expiration of the vesting period.

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.

SHARE AWARD SCHEMES (continued)

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

H Share Restricted Share Unit Scheme (2022, 2023, 2024 and 2025) (continued)

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 year 2023, a total of 6,158,959 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.

During the year 2024, a total of 4,689,425 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.

During the year 2025, a total of 7,462,016 H Share RSU of the Company were granted to and accepted by staff members of the Company (including a director) who play an important role in the overall performance and development of the Company.

Report of the Directors

SHARE AWARD SCHEMES (continued)**Introduction of the new phase of A-Share and H-Share ESOPs, and H-Share restricted shares award scheme (continued)****H Share Restricted Share Unit Scheme (2022, 2023, 2024 and 2025) (continued)**

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

Name or category of Participants	On 1 January 2025	Number of H Share RSU					On 31 December 2025	Date of grant of RSU	Vesting period for RSU
		Granted during the year	Vested during the year	Cancelled during the year	Lapsed during the year				
Director									
Mr. Kevin Nolan	1,057,309	—	171,547	305,538	—	580,224	23/6/2023	23/6/2023–15/3/2026	
	—	956,512	—	—	—	956,512	20/6/2025	20/6/2025–15/3/2028	
	1,057,309	956,512	171,547	305,538	—	1,536,736			
Non-director employees									
In aggregate	3,474,571	—	989,252	2,367,451	117,868	—	25/5/2022, 23/6/2022, 9/9/2022	25/5/2022–15/3/2024, 23/6/2022–1/7/2025, 9/9/2022–1/7/2025	
In aggregate	4,596,151	—	203,241	60,776	460,328	3,871,806	23/6/2023, 1/11/2023	23/6/2023–1/7/2026, 1/11/2023–1/7/2026	
In aggregate	4,505,920	—	162,257	—	423,114	3,920,549	24/6/2024, 22/11/2024	24/6/2024–1/7/2027, 22/11/2024–1/7/2027	
In aggregate	—	6,505,504	—	—	313,352	6,192,152	20/6/2025, 14/11/2025	20/6/2025–1/7/2028, 14/11/2025–14/11/2028	
	13,633,951	7,462,016	1,526,297	2,733,765	1,314,662	15,521,243			
The five highest paid employees Among the Participants are as follows:									
In aggregate	1,057,309	—	171,547	305,538	—	580,224	23/6/2023	23/6/2023–15/3/2026	
	—	956,512	—	—	—	956,512	20/6/2025	20/6/2025–15/3/2028	
	1,057,309	956,512	171,547	305,538	—	1,536,736			

SHARE AWARD SCHEMES (continued)

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

H Share Restricted Share Unit Scheme (2022, 2023, 2024 and 2025) (continued)

The closing prices of the Company's H Share immediately before the grant date of the RSU on 20 June 2025 and on 14 November 2025 were HK\$22.5 per share and HK\$26.78 per share, respectively. The fair values of the RSU granted on 20 June 2025 and on 14 November 2025 were HK\$167 million and HK\$4 million, respectively. The fair value of the H Share RSU was calculated based on the market closing price of the Company's shares at the grant date. The expected dividends during the vesting period have been taken into account when assessing the fair value of these awarded shares. The Group recognised a total restricted share expense of RMB25 million during year ended 31 December 2025. The weighted average closing price of the shares immediately before the vesting date of the H Share RSU was HK\$25.5 per share. Refer to note 37 of the consolidated financial statements for the details of the fair value measurement of the H Share RSU.

The purchase price of the above cancelled shares is HK\$26.63 per share.

The granting mandate of each of the H Share RSU schemes is only valid and effective for that particular year, and therefore there is no remaining life for H Share RSU schemes as at the date of this annual report. As at 1 January and 31 December 2025, the number of share awards available for grant under the H Share RSU schemes was nil.

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

At the date of approval of these financial statements, the Company had 15,521,243 H Share RSU outstanding under the RSU Scheme, which represented approximately 0.54% of the Company's total number of H Shares in issue (excluding treasury shares) as at that date.

Further details of the H Share RSU is set out in note 37 to the consolidated 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 all 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.

A-SHARE OPTION SCHEME (continued)

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.

A-SHARE OPTION SCHEME (continued)

2022 A Share Option Incentive Scheme (continued)

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 year:

Name or category of Participants	Number of A-Share options						Date of grant of options	Exercise period of share options	Exercise price of share options per share (note 2) RMB
	On 1 January 2025	Granted during the year	Exercised during the year	Cancelled during the year (note 3)	Lapsed during the year	31 December 2025			
Directors									
Mr. LI Huagang	365,576	—	—	182,788	—	182,788	15/09/2021	15/09/2022 to 15/09/2027	25.63
Mr. GONG Wei	182,788	—	—	91,394	—	91,394	15/09/2021	15/09/2022 to 15/09/2027	25.63
Mr. LI Shaohua	31,214	—	—	—	—	31,214	15/09/2021	15/09/2022 to 15/09/2027	25.63
Ms. SUN Danfeng	18,728	—	—	—	—	18,728	15/09/2021	15/09/2022 to 15/09/2027	25.63
Other employees									
In aggregate	16,273,214	—	—	7,721,460	880,236	7,671,518	15/09/2021	15/09/2022 to 15/09/2027	25.63
In aggregate	1,189,970	—	—	413,713	362,544	413,713	15/12/2021	15/12/2022 to 15/12/2027	25.63
In aggregate	48,810,366	—	—	23,547,639	1,715,088	23,547,639	28/06/2022	28/06/2023 to 28/06/2027	23.86
	66,871,856	—	—	31,956,994	2,957,868	31,956,994			

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 annual report. As at 1 January and 31 December 2025, the number of share options available for grant under the A Share option schemes was nil.

Report of the Directors

A-SHARE OPTION SCHEME (continued)**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%

A-SHARE OPTION SCHEME (continued)

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:

1. 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.

2. 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.

3. 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 prices of the cancelled share options granted in 2021 and 2022 are RMB25.63 and RMB23.86, respectively.

A-SHARE OPTION SCHEME (continued)

The number of A shares that may be issued in respect of A Share options granted under all schemes of the Company during the year ended 31 December 2025 represented 0.52% of the weighted average number of shares of the A Shares in issue (excluding treasury shares) for the year 2025. The total number of A Shares available for issue under the A-share option scheme is 31,956,994 as at 31 December 2025, representing approximately 0.34% of the total share capital (excluding treasury shares) as at 31 December 2025 and approximately 0.34% of the total share capital (excluding treasury shares) as at 27 April 2026 (the date of publication of 2025 annual report of the Company).

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

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

Save as the share awards (ESOPs and RSU scheme) and share options granted and vested to the Directors and Supervisors, at no time during the year ended 31 December 2025 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors, Supervisors or their respective spouses or minor children, or were any such rights exercised by them, or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors and supervisors to acquire such rights in any other body corporate.

CONTRACT OF SIGNIFICANCE

The Group has contracts with Haier Corp and their subsidiaries and/or associates (collectively referred to as "Haier Affiliates") for the transactions include those for Services Supply Framework Agreement, Services Procurement Framework Agreement, Products and Materials Sales Framework Agreement, Products and Materials Procurement Framework Agreement, and Financial Services Framework Agreement.

Further details of the transactions undertaken in connection with these contracts during the year are included in the section "CONNECTED TRANSACTIONS".

Save as disclosed in this annual report, no controlling shareholders or their respective subsidiaries had a material interest, either directly or indirectly, in any contract of significance, whether for the provision of services or otherwise, to the Group to which the Company or any of its subsidiaries was a party subsisting during or at the end of the year ended 31 December 2025.

EQUITY-LINKED AGREEMENT

Save as the A-Share option incentive scheme, the Company has not engaged in any equity-linked agreement during the year ended 31 December 2025.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 December 2025, 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	42.18%	28.12%
	H Share	538,560,000	Interest in controlled corporation	18.87%	5.74%
	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	20.13%	13.42%
HCH (HK) Investment Management Co., Limited ^{Note 3}	H Share	538,560,000	Beneficial owner	18.87%	5.74%
Haier International Co., Limited ^{Note 4}	D Share	58,135,194	Beneficial owner	21.45%	0.62%
Other H Class Shareholders ^{Note 5}					
Other D Class Shareholders ^{Note 6}					

* The percentage is calculated on the basis that the share capital of the Company as at 31 December 2025 totalling 9,377,629,650 comprise 6,253,028,411 A Shares, 271,013,973 D Shares and 2,853,587,266 H Shares, representing approximately 66.68%, 2.89% and 30.43% 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 163,958,958 H Shares, representing approximately 5.74% of the total number of H Shares. BlackRock, Inc. held 211,126,185 H Shares, representing approximately 7.40% of the total number of H Shares. Pzena Investment Management LLC held 144,056,898 H Shares, approximately 5.04% 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 13,967,871 H Shares, representing approximately 0.48% of the total number of H Shares; and had a lending pool of 96,505,870 H Shares, representing approximately 3.38% of the total number of H Shares. BlackRock, Inc. had a short position of 3,200 H Shares, representing approximately 0.00% of the total number of H Shares.

Save as disclosed above, as at 31 December 2025, no person, other than the Directors and CEO of the Company, whose interests are set out in the section "Interests and short positions of directors 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.

CONNECTED TRANSACTIONS

Haier Group directly and indirectly owns 34.49% of the voting rights of the Company. Haier Group, together with its associates as defined under Rule 14A.13 of the Listing Rules, are therefore the Company's connected persons by virtue of Rules 14A.07(1) and 14A.07(4) of the Listing Rules.

CONNECTED TRANSACTIONS (continued)

Connected Transactions

Capital Increase In Haier Finance

In order to improve the capital adequacy ratio and support business development, on 27 March 2025, Haier Group Finance Co., Ltd. (海爾集團財務有限責任公司) ("Haier Finance") plans to increase its registered capital by converting undistributed profits into capital. The total capital increase amounts to RMB3,000 million. Qingdao Haier Air-Conditioner Co., Ltd. (青島海爾空調器有限總公司) ("Haier Air-Conditioner") and Qingdao Haier Air-Conditioner Electronics Co., Ltd. (青島海爾空調電子有限公司), the Company's subsidiaries, as well as Haier Group Corporation ("Haier Group") and its subsidiary Qingdao Haikeda Electronics Co., Ltd. (青島海科達電子有限公司) have agreed to increase their capital in Haier Finance using undistributed profits in proportion to their existing shareholding by RMB900 million, RMB360 million, RMB150 million and RMB1,590 million, respectively. Upon completion of the Capital Increase, the shareholding of each party in Haier Finance will remain unchanged.

Acquisition of Real Estates Assets of Haier White Goods R&D Center

On 27 March 2025, Haier Air-Conditioner, a subsidiary of the Company, entered into the Assets Transfer Agreement with Haier Group, pursuant to which, Haier Air-Conditioner agreed to acquire and Haier Group agreed to sell the Subject Assets (namely the real estate assets of Haier White Goods R&D Center) in order to fulfill the needs of Haier Air-Conditioner in research and development (R&D), testing and office functions. The consideration paid by Haier Air-Conditioner for the acquisition of the Subject Assets is RMB267.24 million (exclusive of tax).

Acquisition of Equity Interest in Haiyunlian

In order to meet the needs of the business development of Qingdao Haier Carrier Refrigeration Equipment Co., Ltd. ("Haier Carrier"), a wholly-owned subsidiary of the Company, on 28 August 2025, Haier Carrier entered into the Equity Transfer Agreement with Qingdao Haier Industrial Development Co., Ltd.* (青島海爾產業發展有限公司) ("Haier Industrial Development"), a subsidiary of Haier Group, pursuant to which Haier Carrier agreed to acquire and Haier Industrial Development agreed to sell 100% equity interest of Qingdao Haiyunlian Industrial Development Co., Ltd.* (青島海雲聯產業發展有限公司) ("Haiyunlian"), which is 100% owned by Haier Industrial Development. The consideration paid by Haier Carrier for the transaction was RMB68,316,905.46.

Continuing Connected Transactions

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

Report of the Directors

CONNECTED TRANSACTIONS (continued)**Continuing Connected Transactions (continued)**

The non-exempt continuing connected transactions include those for Services Supply Framework Agreement, Services Procurement Framework Agreement, Products and Materials Sales Framework Agreement, Products and Materials Procurement Framework Agreement, and Financial Services Framework Agreement. These continuing connected transaction agreements (except the Financial Services Framework Agreement), which were renewed in 2022, shall remain in force until 31 December 2025.

Upon the Voting Rights Entrustment Agreement becoming effective, Gooday has been included in the consolidated statements of the Company, the Company would incur additional connected transactions in respect of the provision of services to Haier Group and its controlled subsidiaries from Gooday and thus have to revise the existing annual caps of the Services Supply Framework Agreement accordingly. The Board considered and approved the revision of the existing annual caps of the Services Supply Framework Agreement on 29 October 2024 and agreed that the Company would enter into a supplemental agreement to the Services Supply Framework Agreement with Haier Group to revise the existing annual caps of the Services Supply Framework Agreement, and extend the service contents to include “logistics services”. The supplemental agreement shall remain in force up to 31 December 2025.

Given that these agreements (except the Financial Services Framework Agreement) and their proposed annual caps will expire on 31 December 2025 and the Company will continue to conduct such transactions subsequent to 31 December 2025, the Company and Haier Group entered into the New Services Supply Framework Agreement, the New Services Procurement Framework Agreement, the New Products and Materials Sales Framework Agreement, and the New Products and Materials Procurement Framework Agreement on 27 March 2025 for a term of three years commencing from 1 January 2026 to 31 December 2028.

The Financial Services Framework Agreement had been renewed on 25 June 2021 (date of the 2020 Annual General Meeting of the Company) and on 26 June 2023 (date of 2022 Annual General Meeting of the Company), and shall remain in force up to 31 December 2026. Further details and reasons of these transactions are as follows:

During the year ended 31 December 2025, the Group had the following material transactions with Haier Group:

		Cap Amounts 2025 RMB'000	Transaction Amounts 2025 RMB'000	2024 RMB'000
	Notes			
Services Supply Framework Agreement	(i)	600,000	207,000	288,000
Services Procurement Framework Agreement	(ii)	9,380,000	742,000	706,000
Products and Materials Sales Framework Agreement	(iii)	3,940,000	2,207,000	2,341,000
Products and Materials Procurement Framework Agreement	(iv)	20,000,000	12,068,000	13,046,000
Financial Services Framework Agreement	(v)			

CONNECTED TRANSACTIONS (continued)**Continuing Connected Transactions (continued)**

	Notes	Cap Amounts 2025 RMB'000	Transaction Amounts 2025 RMB'000	2024 RMB'000
Deposit Services	(v)			
(a) Maximum daily outstanding balance		34,000,000	33,988,000	33,993,000
(b) Interest income		1,020,000	795,000	874,000
Loan Services	(v)			
(a) Maximum daily outstanding balance		10,000,000	3,790,000	196,000
(b) Interest expense		400,000	56,000	2,000
Other Financial Services	(v)			
(a) Maximum daily trading balance of Foreign exchange derivative products		5,500,000	2,508,000	400,000
(b) Service fee		80,000	9,000	8,000

Notes:

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

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

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

CONNECTED TRANSACTIONS (continued)

Continuing Connected Transactions (continued)

Notes: (continued)

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

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

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

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

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

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

- The prices of sales of products and the smart home solutions would be determined taking into account the type of products and solutions, retail volume, market conditions and others, and would be not lower than the price of products and solutions of the similar nature, type and quality provided by our Group to comparable independent third parties in the market.
- The prices of sales of components and materials would be determined based on actual sales prices of the components and materials plus a commission fee rate (which is for the purpose of covering the relevant operational and administrative expenses of the members of our Group in providing the components and materials) of no more than 1.25%.

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

CONNECTED TRANSACTIONS (continued)

Continuing Connected Transactions (continued)

Notes: (continued)

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

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

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

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

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

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

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

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

CONNECTED TRANSACTIONS (continued)

Continuing Connected Transactions (continued)

Notes: (continued)

(v) (continued)

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

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

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

- (i) in the ordinary and usual course of business of the Group;
- (ii) on normal commercial terms or on terms no less favorable to the Group than terms available to or from independent third parties; and
- (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

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

CONNECTED TRANSACTIONS (continued)

Continuing Connected Transactions (continued)

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

- a. nothing has come to their attention that causes the auditors to believe that the disclosed continuing connected transactions have not been approved by the Company's board of directors.
- b. for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes the auditors to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group.
- c. nothing has come to their attention that causes the auditors to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.
- d. with respect to the aggregate amount of each of the continuing connected transactions set out in the above list of continuing connected transactions, nothing has come to their attention that causes the auditors to believe that the disclosed continuing connected transactions have exceeded the annual caps as set by the Company.

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

MANAGEMENT CONTRACTS

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

DONATIONS

During the year, the Company's expenditure on charitable donation was approximately RMB7.88 million.

TAXATION POLICIES FOR DIVIDEND

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

Report of the Directors

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, during the year at least 25% of the Company's total issued share capital was held by the public, and the H Shares were more than 15% of our Company's total number of issued shares.

At the date of this report, the Company's H Shares held by the public were more 5% of the total number of issued shares in the class to which the listed H Shares belong (excluding treasury shares) (*the applicable threshold applicable to a PRC issuer with other listed shares*). Therefore, the Company is able to comply with the applicable public float requirement under the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events of the Group after the reporting period are set out in note 51 to the financial statements.

AUDITORS

There have been no changes of auditors in the preceding three years, and Hexin Certified Public Accountants LLP audited the 2025 annual financial statements prepared by the Company in accordance with Accounting Standards for Business Enterprises (PRC Accounting Standards).

HLB Hodgson Impey Cheng Limited audited the 2025 annual financial statements prepared by the Company in accordance with International Financial Reporting Standards.

On behalf of the Board

Li Huagang

Chairman

Qingdao, the PRC
26 March 2026

INDEPENDENT AUDITORS' REPORT



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

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

TO THE SHAREHOLDERS OF HAIER SMART HOME CO., LTD.

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

OPINION

We have audited the consolidated financial statements of Haier Smart Home Co., Ltd. (the **"Company"**) and its subsidiaries (collectively referred to as the **"Group"**) set out on pages 163 to 315, which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2025, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (**"IASB"**) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Provision for impairment of goodwill and other intangible assets	
<i>Refer to Notes 2.3, 3, 17 and 18 to the consolidated financial statements</i>	
The Group had goodwill and other intangible assets with carrying amounts of approximately RMB27,300 million and RMB10,782 million respectively as at 31 December 2025.	Our procedures in relation to the management's impairment assessment included but not limited to:
This impairment assessment conclusion was arrived at based on estimation of the recoverable amount of the goodwill and other intangible assets as at 31 December 2025 using the value-in-use model, which required exercise of management judgement with respect to the determination of appropriate discount rate and estimation of forecasted cash flows for the financial projection period, in particular future revenue growth.	• Evaluating the competency, capabilities and objectivity of the independent professional external valuer; • Assessing the appropriateness of the methodology and key assumptions and inputs used with the assistance of our valuation experts; • Challenging management about the valuation reasonableness of key assumptions and inputs used based on our knowledge of the business and industry; and • Checking, on sampling basis, the accuracy and relevance of the input data used.
We focused on this area due to the size of the balances and the impairment assessment requires significant management's judgments. Independent external valuation was obtained in order to support management's impairment assessment as at 31 December 2025.	Based on the procedures performed, we found the management judgement and estimates used in impairment assessment were supported by the available evidence.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Provision for obsolete and slow-moving inventories <i>Refer to Notes 2.3, 3 and 24 to the consolidated financial statements</i> As at 31 December 2025, the Group had inventories of approximately RMB46,847 million and recognised provision for obsolete and slow-moving inventories of approximately RMB994 million to consolidated statement of profit or loss during the year ended 31 December 2025. The provision against obsolete and slow-moving inventories is estimated based on the net realisable value of the inventories with reference to the latest selling prices and current market conditions. Management judgement is involved in estimating the selling price for inventories, the costs of completion and the costs necessary to make the sale. We focused on this area due to the size of the balances and the judgement exercised by management in determining value of provision for the obsolete and slow-moving inventories.	Our procedures in relation to the management's assessment on provision for obsolete and slow-moving inventory included but not limited to: - Evaluating the estimates made by management and used to determine the value of provision for obsolete and slow-moving inventories during the year and compare to the provisions made in prior year; - Performing a recalculation, on a sample basis, of the inventory provision made on individual inventories; - Sample checking on the subsequent selling price of finished goods; and - Checking the ageing profile of inventories, the historical sales and usage records of the inventories. Based on the procedures performed, we considered management judgement and estimates in the provision assessment against obsolete and slow-moving inventories, to be supported by the available evidence.

Independent Auditors' Report

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design, and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

Independent Auditors' Report

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

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

The engagement partner on the audit resulting in this independent auditors' report is Yau Wai Ip (practising certificate number: P07849).

HLB Hodgson Impey Cheng Limited*Certified Public Accountants*

Hong Kong, 26 March 2026

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2025

	Notes	2025 RMB'M	2024 RMB'M (Restated)
REVENUE	5	302,329	286,005
Cost of sales		(223,374)	(208,098)
Gross profit		78,955	77,907
Other gains, net	5	5,206	3,905
Selling and distribution expenses		(33,878)	(33,609)
Administrative expenses		(25,545)	(24,591)
Finance costs	7	(2,587)	(2,705)
Share of profits and losses of associates		1,328	1,816
PROFIT BEFORE TAX	6	23,479	22,723
Income tax expenses	10	(3,316)	(3,157)
PROFIT FOR THE YEAR		20,163	19,566
OTHER COMPREHENSIVE (LOSS)/INCOME			
Items that may be reclassified to profit or loss in subsequently periods:			
Share of other comprehensive loss of associates		(347)	(17)
Effective portion of changes in fair value of hedging instrument for cash flow hedges, net of tax		(11)	(27)
Exchange differences on translating foreign operations		309	(847)
		(49)	(891)
Items that will not be reclassified to profit or loss in subsequent periods:			
Changes arising from re-measurement of defined benefit plans		192	(1)
Change in fair value of equity investments designated at fair value through other comprehensive income ("FVTOCI"), net of tax		(546)	(267)
		(354)	(268)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		(403)	(1,159)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		19,760	18,407

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2025

	Notes	2025 RMB'M	2024 RMB'M (Restated)
Profit for the year attributable to:			
Owners of the Company		19,553	18,731
Non-controlling interests		610	835
		20,163	19,566
Total comprehensive income attributable to:			
Owners of the Company		19,158	17,570
Non-controlling interests		602	837
		19,760	18,407
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
— Basic (RMB per share)	12	2.12	2.02
— Diluted (RMB per share)	12	2.10	2.02

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

	Notes	2025 RMB'M	2024 RMB'M (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	14	45,708	43,703
Investment properties	15	334	246
Right-of-use assets	16(a)	9,467	9,127
Goodwill	17	27,300	27,384
Other intangible assets	18	10,782	10,758
Interests in associates	19	21,757	20,932
Equity investments designated at FVTOCI	20	5,405	6,074
Financial assets measured at amortised cost	22	16,518	15,699
Long-term prepayments	27	1,680	1,381
Deferred tax assets	35	2,779	2,477
Other non-current assets		1,232	841
Total non-current assets		142,962	138,622
CURRENT ASSETS			
Inventories	24	46,847	43,189
Trade and bills receivables	25	33,548	38,675
Receivables at FVTOCI	26	1,788	413
Contract assets	31(a)	1,008	998
Prepayments, deposits and other receivables	27	9,916	9,931
Financial assets measured at fair value through profit or loss ("FVTPL")	21	2,034	1,236
Financial assets measured at amortised cost	22	9,989	1,931
Derivative financial instruments	23	81	143
Pledged deposits	28	1,218	533
Other deposit with limited use	28	136	70
Cash and cash equivalents	28	46,268	54,995
Total current assets		152,833	152,114
CURRENT LIABILITIES			
Trade and bills payables	29	77,415	75,886
Other payables and accruals	30	28,289	32,265
Contract liabilities	31(b)	8,535	10,865
Interest-bearing borrowings	32	21,716	24,127
Lease liabilities	16(b)	1,631	1,352
Tax payables		2,130	2,650
Provisions	33	2,638	2,710
Derivative financial instruments	23	191	71
Total current liabilities		142,545	149,926

Consolidated Statement of Financial Position

As at 31 December 2025

	Notes	2025 RMB'M	2024 RMB'M (Restated)
NET CURRENT ASSETS		10,288	2,188
TOTAL ASSETS LESS CURRENT LIABILITIES		153,250	140,810
NON-CURRENT LIABILITIES			
Interest-bearing borrowings	32	14,666	9,666
Lease liabilities	16(b)	4,551	4,481
Deferred income	34	1,243	1,081
Deferred tax liabilities	35	1,631	1,547
Provisions for pensions and similar obligations	44	2,444	2,562
Provisions	33	2,490	2,386
Other non-current liabilities		248	285
Total non-current liabilities		27,273	22,008
Net assets		125,977	118,802
EQUITY			
Share capital	36	9,378	9,383
Reserves	38	109,320	102,396
Equity attributable to owners of the Company		118,698	111,779
Non-controlling interests		7,279	7,023
Total equity		125,977	118,802

The consolidated financial statements were approved and authorised for issue by the board of directors on 26 March 2026 and signed on its behalf by:

Mr. Li Huagang
Chairman

Mr. Kevin Nolan
Executive Director

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

As at 31 December 2025

	Attributable to owners of the Company													
	Reserves													
	Issued equity RMBM	Capital reserve RMBM	Share-based payments reserve RMBM	Remeasurement of defined benefits plans reserve RMBM	Cash flow hedges reserve RMBM	FVTOCI reserve RMBM	Equity investments reserve RMBM	Reserve funds (Note 38)) RMBM	Related profits RMBM	Exchange differences on translation reserve (Note 38(iii)) RMBM	Treasury shares reserve (Note 38(v)) RMBM	Total reserve RMBM	Non-controlling interests Total RMBM	Total equity RMBM
At 1 January 2024	9,438	19,722	1,785	146	(89)	1,333	(345)	4,841	68,338	925	10	91,828	101,266	107,530
Effect of business combination under common control	-	195	-	-	-	16	-	-	306	-	-	517	517	517
At 1 January 2024 (restated)	9,438	19,917	1,785	146	(89)	1,349	(345)	4,841	68,844	925	10	92,345	101,783	108,047
Profit for the year	-	-	-	-	-	-	-	-	18,731	-	-	18,731	18,731	19,566
Other comprehensive (loss)/income for the year	-	-	-	-	-	-	(17)	-	-	-	-	(17)	(17)	(17)
- Share of other comprehensive loss of associates	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Effective portion of changes in fair value of hedging instrument for cash flow hedges, net of tax	-	-	-	-	(28)	-	-	-	-	-	-	(28)	(28)	(27)
- Exchange differences on translating foreign operations	-	-	-	-	-	-	-	-	-	(847)	-	(847)	(847)	(847)
- Changes arising from re-measurement of defined benefit plans	-	-	-	(1)	-	-	-	-	-	-	-	(1)	(1)	(1)
- Change in fair value of equity investments designated at FVTOCI	-	-	-	-	-	(288)	-	-	-	-	-	(288)	(288)	(287)
Total comprehensive income/(loss) for the year	-	-	(1)	(1)	(28)	(288)	(17)	-	18,731	(847)	-	17,570	17,570	18,407
Dividend payable to owners of the Company (Note 38(p))	-	-	-	-	-	-	-	-	(7,444)	-	-	(7,444)	-	(7,444)
Dividend payable to non-controlling interests (Note 38(p))	-	-	-	-	-	-	-	-	-	-	-	-	(108)	(108)
Transfer to reserves fund	-	-	-	-	-	-	-	454	(454)	-	-	-	-	-
Recognition of equity settled share-based payment in ownership interests in subsidiaries that do not result in a loss of control	-	-	374	-	-	-	-	-	-	-	-	374	374	-
Purchase of treasury shares	-	161	-	-	-	-	-	-	-	-	-	161	161	192
Share repurchased and cancelled (Note 38)	(65)	(1,465)	-	-	-	-	-	-	-	-	-	(559)	(559)	(559)
Other charges	-	7	(476)	-	-	-	-	-	(200)	-	-	(106)	(106)	(107)
At 31 December 2024	9,383	18,620	1,883	145	(121)	1,081	(382)	5,285	79,477	78	10	103,966	111,779	118,802

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

	Notes	2025 RMB'M	2024 RMB'M (Restated)
Cash flows from operating activities			
Profit before tax		23,479	22,723
Adjustments for:			
Finance costs	7	2,587	2,705
Interest income	5	(1,814)	(1,968)
Share of profits and losses of associates		(1,328)	(1,816)
Dividends income from equity investment designated at FVTOCI	5	(48)	(58)
(Gain)/loss on disposal of financial assets/liabilities measured at FVTPL, net	5	(66)	1
Loss on disposal of associates and subsidiaries	5	6	27
Loss on disposal of non-current assets, net	5	198	50
Fair value gain on financial assets/liabilities measured at FVTPL, net	5	(92)	(47)
Depreciation of property, plant and equipment	6	5,486	5,103
Depreciation of right-of-use assets and investment properties	6	1,877	1,601
Amortisation of other intangible assets and other non-current assets	6	1,387	1,398
Provision for obsolete and slow-moving inventories, net	6	994	975
Impairment of trade and bills receivables, prepayments, deposits and other receivables and long-term prepayments, net	6	272	557
Impairment of property, plant and equipment, interests in associates, other intangible assets and contract assets, net	6	74	45
Equity-settled share-based expense	6	490	374
Operating cash inflow before movements in working capital		33,502	31,670
Increase in inventories		(4,652)	(3,665)
Decrease/(increase) in trade and bills receivables, prepayments, deposits and other receivables and contract assets		2,960	(7,742)
(Decrease)/increase in trade and bills payables, other payable and accruals and contract liabilities		(3,647)	7,597
Change in other working capital		189	(6)
Cash generated from operations		28,352	27,584
Interest received		1,631	1,308
Income tax paid		(3,980)	(2,844)
Net cash generated from operating activities		26,003	26,318

Consolidated Statement of Cash Flows

For the year ended 31 December 2025

	Notes	2025 RMB'M	2024 RMB'M (Restated)
Cash flows from investing activities			
Payment for purchases of non-current assets		(8,851)	(10,079)
Proceeds from disposals of non-current assets		118	42
Proceeds from and payments for acquisition and disposals of subsidiaries, net		130	(4,409)
Payment for acquisition of associates		(27)	(3)
Proceeds from disposal of associates		80	68
Payment for purchases of equity investments designated at FVTOCI		(1)	(7)
Proceeds from disposals of equity investments designated at FVTOCI		87	38
Payment for purchases of financial assets measured at amortised cost and financial assets at FVTPL		(53,947)	(23,612)
Proceeds from disposals of financial assets measured at amortised cost and financial assets at FVTPL		44,700	17,114
Dividends received from associates		466	579
Dividends and interest received from equity investment designated at FVTOCI, financial assets measured at amortised cost and financial assets at FVTPL		170	190
Net cash used in investing activities		(17,075)	(20,079)
Cash flows from financing activities			
Repurchases of shares		(1,234)	(559)
Proceeds from borrowings		33,147	13,647
Repayments of borrowings		(31,629)	(9,569)
Dividends paid to shareholders		(11,483)	(7,444)
Dividends paid to non-controlling interests		(97)	(93)
Lease payments		(1,801)	(1,709)
Interest paid for borrowings		(2,294)	(2,444)
Payment of put option liabilities		(2,155)	—
Other financing cash flows		(125)	467
Net cash used in financing activities		(17,671)	(7,704)

Consolidated Statement of Cash Flows

For the year ended 31 December 2025

	Notes	2025 RMB'M	2024 RMB'M (Restated)
Net decrease in cash and cash equivalents		(8,743)	(1,465)
Cash and cash equivalents at beginning of the year		54,995	56,715
Effect of foreign exchange rate changes, net		16	(255)
Cash and cash equivalents at end of the year		46,268	54,995
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Non-pledged cash and bank balances		37,807	34,106
Time deposits		8,461	20,889
Cash and cash equivalents as stated in the Statement of financial position		46,268	54,995

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

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 set up by directional fund raising of RMB150 million. In 1993, after converting to a public subscription company and issuing additional 50 million shares to the public, the A shares of the Company were listed on Shanghai Stock Exchange in November 1993. The D shares and H shares of the Company were listed on the Frankfurt Stock Exchange in December 2018 and the Stock Exchange of Hong Kong Limited in December 2020 respectively.

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

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

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

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

Notes to Consolidated Financial Statements

For the year ended 31 December 2025

1. GENERAL INFORMATION OF THE GROUP (continued)

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of Incorporation/ registration of business	Issued ordinary/ registered share capital 'M	Percentage of equity attributable to the Company as at 31 December				Principal activities	Type of legal status
			2025		2024			
			Direct	Indirect	Direct	Indirect		
Haier U.S. Appliance Solutions, Inc.	USA/USA	United States Dollars ("USD") 2,307	—	100	—	100	Home appliances production and distribution business	Limited liability company
Haier Singapore Investment Holding Co., Ltd.	Singapore/ Singapore	USD1,708	—	100	—	100	Home appliances production and distribution business	Limited liability company
Haier New Zealand Investment Holding Company Limited	New Zealand/ New Zealand	New Zealand Dollars ("NZD") 596	—	100	—	100	Home appliances production and distribution business	Limited liability company
Candy S.p.A	Europe/Italy	Euro ("EUR") 42	—	100	—	100	Home appliances production and distribution business	Limited liability company
CO2OLtec Commercial Refrigeration B.V. (formerly known as Carrier Refrigeration Benelux B.V.) ("CCR")	Netherlands/ Netherlands	EUR0.057	—	100	—	100	Home appliances production and distribution business	Limited liability company
Kwikot (Haier) SA (Pty) Ltd. (formerly know as Electrolux South Africa (Ptd) Ltd.) ("Kwikot")	South Africa/South Africa	South African Rand ("ZAR") 0.0499	—	100	—	100	Water heater production and distribution business	Limited liability company
Haier Electronics Group Co., Ltd.	Mainland China/ Bermuda	Hong Kong Dollar ("HKD") 3,107	100	—	100	—	Investment holding	Limited liability company
Haier Shareholdings (Hong Kong) Limited	Hong Kong/ Hong Kong	RMB37,034	100	—	100	—	Investment holding	Limited liability company
Qingdao Haier Air Conditioner Gen Corp., Ltd.	Mainland China/ Mainland China	RMB918	92.37	—	92.37	—	Manufacture and sale of household air- conditioners	Limited liability company
Guizhou Haier Electronics Co., Ltd.	Mainland China/ Mainland China	RMB141	59	—	59	—	Manufacture and sale of refrigerator	Limited liability company
Hefei Haier Air- conditioning Co., Limited	Mainland China/ Mainland China	RMB12	100	—	100	—	Manufacture and sale of air-conditioners	Limited liability company
Wuhan Haier Electronics Holding Co., Ltd.	Mainland China/ Mainland China	RMB62	59.86	—	59.86	—	Manufacture and sale of air-conditioners	Limited liability company

Notes to Consolidated Financial Statements

For the year ended 31 December 2025

1. GENERAL INFORMATION OF THE GROUP (continued)

Name	Place of Incorporation/ registration of business	Issued ordinary/ registered share capital 'M	Percentage of equity attributable to the Company as at 31 December				Principal activities	Type of legal status
			2025		2024			
			Direct	Indirect	Direct	Indirect		
Qingdao Haier Air-Conditioner Electronics Co.,	Mainland China/ Mainland China	RMB958	97.43	—	97.43	—	Manufacture and sale of air-conditioners	Limited liability company
Qingdao Haier Information Plastic Development Co., Ltd.	Mainland China/ Mainland China	RMB78	100	—	100	—	Manufacture of plastic product	Limited liability company
Dalian Haier Precision Products Co., Ltd.	Mainland China/ Mainland China	RMB48	90	—	90	—	Manufacture and sale of precise plastics	Limited liability company
Hefei Haier Plastic Co., Ltd.	Mainland China/ Mainland China	RMB41	95.17	4.83	95.17	4.83	Manufacture and sale of plastic parts	Limited liability company
Qingdao Meier Plastic Powder Co., Ltd.	Mainland China/ Mainland China	RMB12	40	60	40	60	Manufacture of plastic powder, plastic sheet and high-performance coatings	Limited liability company
Chongqing Haier Precision Plastic Co., Ltd.	Mainland China/ Mainland China	RMB65	90	10	90	10	Plastic products, sheet metal work, electronics and hardware	Limited liability company
Qingdao Haier Refrigerator Co., Ltd.	Mainland China/ Mainland China	RMB207	97.91	—	97.91	—	Manufacture and production of fluorine-free refrigerators	Limited liability company
Qingdao Haier Refrigerator (International) Co., Ltd.	Mainland China/ Mainland China	RMB260	100	—	100	—	Manufacture of refrigerators	Limited liability company
Qingdao Household Appliance Technology and Equipment Research Institute	Mainland China/ Mainland China	RMB67	100	—	100	—	Research and development of home appliances mold and technological equipment	Limited liability company
Qingdao Haier Whole Set Home Appliance Service Co., Ltd.	Mainland China/ Mainland China	RMB120	98.33	—	98.33	—	Research, development and sale of Health-related of small home appliance	Limited liability company
Qingdao Haier Special Refrigerator Co., Ltd.	Mainland China/ Mainland China	RMB166	100	—	100	—	Manufacture and sales of fluorine-free refrigerators	Limited liability company
Qingdao Haier Dishwasher Co., Ltd.	Mainland China/ Mainland China	RMB180	99.59	—	99.59	—	Manufacture of dish washing machine and gas stove	Limited liability company

Notes to Consolidated Financial Statements

For the year ended 31 December 2025

1. GENERAL INFORMATION OF THE GROUP (continued)

Name	Place of Incorporation/ registration of business	Issued ordinary/ registered share capital 'M	Percentage of equity attributable to the Company as at 31 December				Principal activities	Type of legal status
			2025		2024			
			Direct	Indirect	Direct	Indirect		
Qingdao Haier Special Freezer Co., Ltd.	Mainland China/ Mainland China	RMB388	96.78	—	96.78	—	Research, manufacture and sales of freezer and other refrigeration products	Limited liability company
Dalian Haier Air-Conditioning Co., Ltd.	Mainland China/ Mainland China	RMB110	90	—	90	—	Air conditioner processing and manufacturing	Limited liability company
Dalian Haier Refrigerator Co., Ltd.	Mainland China/ Mainland China	RMB110	100	—	100	—	Refrigerator processing and manufacturing	Limited liability company
Qingdao Haier Electronic Plastic Co., Ltd.	Mainland China/ Mainland China	RMB60	100	—	100	—	Development, assembling and sales of plastics, electronics and product	Limited liability company
Wuhan Haier Freezer Co., Ltd.	Mainland China/ Mainland China	RMB57	82.93	4.36	82.93	4.36	Research, manufacture and sales of freezer and other refrigeration products	Limited liability company
Qingdao Haidarui Procurement Service Co., Ltd.	Mainland China/ Mainland China	RMB110	98	2	98	2	Development, purchase and sales of electrical products and components	Limited liability company
Qingdao Haier Intelligent Home Appliance Technology Co., Ltd.	Mainland China/ Mainland China	RMB357	91.46	1.01	91.46	1.01	Development and application of household appliances, communication, network engineering technology	Limited liability company
Chongqing Haier Air-conditioning Co., Ltd.	Mainland China/ Mainland China	RMB130	76.92	23.08	76.92	23.08	Manufacture and sales of air conditioners	Limited liability company
Qingdao Haier Precision Products Co., Ltd.	Mainland China/ Mainland China	RMB10	—	70	—	70	Development and manufacture of precise plastic, metal plate, mould and electronic products for home appliances	Limited liability company
Qingdao Haier Air Conditioning Equipment Co., Ltd.	Mainland China/ Mainland China	RMB20	—	100	—	100	Manufacture of home appliances and electronics	Limited liability company

Notes to Consolidated Financial Statements

For the year ended 31 December 2025

1. GENERAL INFORMATION OF THE GROUP (continued)

Name	Place of Incorporation/ registration of business	Issued ordinary/ registered share capital 'M	Percentage of equity attributable to the Company as at 31 December				Principal activities	Type of legal status
			2025		2024			
			Direct	Indirect	Direct	Indirect		
Dalian Free Trade Zone Haier Air-conditioning Trading Co., Ltd.	Mainland China/ Mainland China	RMB1	—	100	—	100	Domestic trade	Limited liability company
Dalian Free Trade Zone Haier Refrigerator Trading Co., Ltd.	Mainland China/ Mainland China	RMB1	—	100	—	100	Domestic trade	Limited liability company
Chongqing Haier Electronics Sales Co., Ltd.	Mainland China/ Mainland China	RMB10	95	5	95	5	Sales of home appliances	Limited liability company
Chongqing Haier Refrigeration Appliance Co., Ltd.	Mainland China/ Mainland China	RMB108	84.95	15.05	84.95	15.05	Processing and manufacturing of refrigerator	Limited liability company
Hefei Haier Refrigerator Co., Ltd.	Mainland China/ Mainland China	RMB49	100	—	100	—	Processing and manufacturing of refrigerator	Limited liability company
Qingdao Haier Intelligent Building Technology Co., Ltd.	Mainland China/ Mainland China	RMB100	—	100	—	100	Air-conditioning engineer	Limited liability company
Chongqing Lianmai Electric Appliance Sale Co., Ltd.	Mainland China/ Mainland China	RMB5	—	51	—	51	Sale of home appliances and electronics	Limited liability company
Qingdao Haier (Jiaozhou) Air-conditioning Co., Ltd.	Mainland China/ Mainland China	RMB119	—	100	—	100	Manufacture and sale of air-conditioners	Limited liability company
Qingdao Haier Component Co., Ltd.	Mainland China/ Mainland China	RMB80	—	100	—	100	Manufacture and sale of plastic and precise sheet metal products	Limited liability company
Shenyang Haier Refrigerator Co., Ltd.	Mainland China/ Mainland China	RMB100	100	—	100	—	Manufacture and sales of refrigerator	Limited liability company
Foshan Haier Freezer Co., Ltd.	Mainland China/ Mainland China	RMB100	100	—	100	—	Manufacture and sales of refrigerator	Limited liability company
Zhengzhou Haier Air-conditioning Co., Ltd.	Mainland China/ Mainland China	RMB100	100	—	100	—	Manufacture and sales of freezer	Limited liability company
Qingdao Haidayuan Procurement Service Co., Ltd.	Mainland China/ Mainland China	RMB20	100	—	100	—	Development, purchase and sales of electrical product and components	Limited liability company

Notes to Consolidated Financial Statements

For the year ended 31 December 2025

1. GENERAL INFORMATION OF THE GROUP (continued)

Name	Place of Incorporation/ registration of business	Issued ordinary/ registered share capital 'M	Percentage of equity attributable to the Company as at 31 December				Principal activities	Type of legal status
			2025		2024			
			Direct	Indirect	Direct	Indirect		
Qingdao Haier Intelligent Technology Development Co., Ltd.	Mainland China/ Mainland China	RMB130	100	—	100	—	Development and research of home appliances products	Limited liability company
Qingdao Hairi High Technology Co., Ltd.	Mainland China/ Mainland China	RMB7	—	100	—	100	Design, manufacture and sales of product model and mould	Limited liability company
Qingdao Hai Gao Design and Manufacture Co., Ltd.	Mainland China/ Mainland China	RMB1	—	75	—	75	Industrial design and prototype production	Limited liability company
Shanghai Haier Medical Technology Co., Ltd.	Mainland China/ Mainland China	RMB38	—	66.87	—	66.87	Wholesale and retail of medical facility	Limited liability company
Qingdao Haier Technology Co., Ltd.	Mainland China/ Mainland China	RMB80	100	—	100	—	Development and sales of software and information product	Limited liability company
Qingdao Haier Technology Investment Co., Ltd.	Mainland China/ Mainland China	RMB410	100	—	100	—	Entrepreneurship investment and consulting	Limited liability company
Qingdao Casarte Smart Living Appliances Co., Ltd.	Mainland China/ Mainland China	RMB50	—	100	—	100	Development, production and sales of appliances	Limited liability company
Qingdao Haichuangyuan Appliances Sales Co., Ltd.	Mainland China/ Mainland China	RMB10	—	100	—	100	Sales of home appliances and digital products	Limited liability company
Haier Overseas Electric Appliance Co., Ltd.	Mainland China/ Mainland China	RMB500	100	—	100	—	Sales of home appliances, international freight forwarding	Limited liability company
Haier Group (Dalian) Electrical Appliances Industry Co., Ltd	Mainland China/ Mainland China	RMB5	100	—	100	—	Sales of home appliances, international freight forwarding	Limited liability company
Qingdao Haier Central Air Conditioning Co., Ltd.	Mainland China/ Mainland China	RMB110	—	100	—	100	Production and sale of air conditioning and refrigeration equipment	Limited liability company

Notes to Consolidated Financial Statements

For the year ended 31 December 2025

1. GENERAL INFORMATION OF THE GROUP (continued)

Name	Place of Incorporation/ registration of business	Issued ordinary/ registered share capital 'M	Percentage of equity attributable to the Company as at 31 December				Principal activities	Type of legal status
			2025		2024			
			Direct	Indirect	Direct	Indirect		
Chongqing Haier Home Appliance Sale Hefei Co., Ltd.	Mainland China/ Mainland China	RMB5	—	100	—	100	Sale of household appliances	Limited liability company
Qingdao Weixi Smart Technology Co., Ltd.	Mainland China/ Mainland China	RMB4	—	85	—	85	Intelligent sanitary ware	Limited liability company
Haier U+smart Intelligent Technology (Beijing) Co., Ltd.	Mainland China/ Mainland China	RMB143	100	—	100	—	Software development	Limited liability company
Haier (Shanghai) Electronics Co., Ltd.	Mainland China/ Mainland China	RMB13	100	—	100	—	Sale, research and development of home appliances	Limited liability company
Shanghai Haier Zhongzhi Fang Chuang Ke Management Co., Ltd.	Mainland China/ Mainland China	RMB2	100	—	100	—	Business management consulting Chuang Ke management	Limited liability company
Qingdao Haier Smart Kitchen Appliances Co., Ltd.	Mainland China/ Mainland China	RMB180	—	85.82	—	85.82	Production and sales of kitchen smart home appliances	Limited liability company
GE Appliance (Shanghai) Co., Ltd.	Mainland China/ Mainland China	RMB10	—	100	—	100	Sale of home appliances	Limited liability company
Qingdao Haier Special Refrigerating Appliance Co., Ltd.	Mainland China/ Mainland China	RMB100	—	100	—	100	Production and sale of home appliances	Limited liability company
Shanghai Zhihan Technology Co., Ltd.	Mainland China/ Mainland China	RMB27	—	100	—	100	Promotion of technological development	Limited liability company
Laiyang Haier Smart Kitchen Appliance Co., Ltd.	Mainland China/ Mainland China	RMB100	—	100	—	100	Production and sale of home appliances	Limited liability company
Hefei Haier Air Conditioning Electronics Co., Ltd.	Mainland China/ Mainland China	RMB100	—	100	—	100	Production and sale of home appliances	Limited liability company
Haier (Shanghai) Home Appliance Research and Development Center Co., Ltd.	Mainland China/ Mainland China	RMB5	—	100	—	100	Research and development of home appliances	Limited liability company

Notes to Consolidated Financial Statements

For the year ended 31 December 2025

1. GENERAL INFORMATION OF THE GROUP (continued)

Name	Place of Incorporation/ registration of business	Issued ordinary/ registered share capital 'M	Percentage of equity attributable to the Company as at 31 December				Principal activities	Type of legal status
			2025		2024			
			Direct	Indirect	Direct	Indirect		
Haier (Shenzhen) R&D Co., Ltd.	Mainland China/ Mainland China	RMB15	—	100	—	100	Development, research and technical services of household and commercial electrical	Limited liability company
Guangzhou Haier Air Conditioner Co., Ltd.	Mainland China/ Mainland China	RMB200	—	100	—	100	Manufacturing of refrigeration and air conditioning equipment	Limited liability company
Qingdao Yunshang Yuyi IOT Technology Co., Ltd.	Mainland China/ Mainland China	RMB20	—	60	—	60	IoT technology research and development	Limited liability company
Qingdao Jija Cloud Intelligent Technology Co., Ltd.	Mainland China/ Mainland China	RMB1	—	80	—	80	R&D and sales of lighting appliances	Limited liability company
Qingdao Haimeihui Management Consulting Co., Ltd.	Mainland China/ Mainland China	RMB5	—	100	—	100	Leasing and business services	Limited liability company
Wuxi Yunshang Internet of Clothing Technology Co., Ltd.	Mainland China/ Mainland China	RMB3	—	100	—	100	Internet of Things technology R&D	Limited liability company
Qingdao Haidacheng Procurement Service Co., Ltd.	Mainland China/ Mainland China	RMB100	100	—	100	—	Develop, purchase and sell electrical products and components	Limited liability company
Guangdong Haier Intelligent Technology Co. Ltd.	Mainland China/ Mainland China	RMB33	—	76.72	—	76.72	Scientific research and technical service sector	Limited liability company
Beijing Haixianghui Technology Co., Ltd.	Mainland China/ Mainland China	RMB8	—	100	—	100	Scientific research and technical service sector	Limited liability company
Haier Smart Home Experience Cloud Ecological Technology Co., Ltd.	Mainland China/ Mainland China	RMB100	100	—	100	—	Technology development of smart home products, whole furniture customization	Limited liability company
Haier Smart Home (Qingdao) Network Co., Ltd.	Mainland China/ Mainland China	RMB100	—	100	—	100	Technical services, development, consulting, transfer, etc.	Limited liability company

Notes to Consolidated Financial Statements

For the year ended 31 December 2025

1. GENERAL INFORMATION OF THE GROUP (continued)

Name	Place of Incorporation/ registration of business	Issued ordinary/ registered share capital 'M	Percentage of equity attributable to the Company as at 31 December				Principal activities	Type of legal status
			2025		2024			
			Direct	Indirect	Direct	Indirect		
Haier Smart Home (Qingdao) Network Operation Co., Ltd	Mainland China/ Mainland China	RMB100	—	100	—	100	Residential interior decoration, professional construction operation, special equipment installation, upgrading and repair, etc.	Limited liability company
Qingdao Internet of Wine Technology Co., Ltd	Mainland China/ Mainland China	RMB70	—	100	—	100	Urban distribution and transportation services, import and export of goods, technology import and export and food business, etc.	Limited liability company
Qingdao Linghai Air Conditioning Equipment Co., Ltd.	Mainland China/ Mainland China	RMB10	—	100	—	100	Manufacture and production of air conditioners and refrigeration equipment	Limited liability company
Qingdao Haixiangxue Human Resources Co., Ltd.	Mainland China/ Mainland China	RMB5	100	—	100	—	Professional intermediary activities	Limited liability company
Jiangxi Haier Medical Technology Co., Ltd.	Mainland China/ Mainland China	RMB5	—	100	—	100	Wholesale and retail of medical equipment	Limited liability company
Qingdao Haizhi Shenlan Technology Co., Ltd.	Mainland China/ Mainland China	RMB10	—	100	—	100	Technology service development	Limited liability company
Qingdao Haishengze Technology Co., Ltd.	Mainland China/ Mainland China	RMB1	—	100	—	100	Air conditioning equipment technical services	Limited liability company
Qingdao Hailvyuan Recycling Technology Co., Ltd.	Mainland China/ Mainland China	RMB55	—	100	—	100	Electrical and electronic products waste treatment	Limited liability company
Qingdao Haier HVAC Equipment Co., Ltd	Mainland China/ Mainland China	RMB400	75	25	75	25	Manufacture and sale of air-conditioners	Limited liability company

Notes to Consolidated Financial Statements

For the year ended 31 December 2025

1. GENERAL INFORMATION OF THE GROUP (continued)

Name	Place of Incorporation/ registration of business	Issued ordinary/ registered share capital 'M	Percentage of equity attributable to the Company as at 31 December				Principal activities	Type of legal status
			2025		2024			
			Direct	Indirect	Direct	Indirect		
Qingdao Haier Home AI Industry Innovation Center Co., Ltd.	Mainland China/ Mainland China	RMB100	—	100	—	100	Integrated service of AI industry application system	Limited liability company
Zhejiang Weixi IoT Technology Co., Ltd.	Mainland China/ Mainland China	RMB10	—	100	—	100	IoT application service	Limited liability company
Qingdao Haier Quality Inspection Co., Ltd.	Mainland China/ Mainland China	RMB1	100	—	100	—	Inspection and testing of household Appliances	Limited liability company
Qingdao Haiyongcheng Certification Service Co., Ltd.	Mainland China/ Mainland China	RMB1	—	100	—	100	Production certification service	Limited liability company
Qingdao Zhonghai Borui Testing Technology Service Co., Ltd.	Mainland China/ Mainland China	RMB5	—	100	—	100	Home appliance testing and technology consulting	Limited liability company
Qingdao Haier Special Plastic Development Co., Ltd.	Mainland China/ Mainland China	RMB86	—	100	—	100	Manufacture and sale of refrigerator doors	Limited liability company
Qingdao Haizhiling Air Conditioning Engineering Co., Ltd.	Mainland China/ Mainland China	RMB8	—	100	—	100	Software development and sale of daily necessities	Limited liability company
Haier Smart Home (Xiongan, Hebei) Technology Co., Ltd.	Mainland China/ Mainland China	RMB50	—	100	—	100	Promotion of energy-saving technology	Limited liability company
Qingdao Ruibo Ecological Environmental Technology Co., Ltd.	Mainland China/ Mainland China	RMB55	89.13	—	89.13	—	Environmental and AI technology consulting	Limited liability company
Qingdao Sanyiniao Technology Co., Ltd.	Mainland China/ Mainland China	RMB100	—	100	—	100	Technology service and advertisement design	Limited liability company
Qingdao Jingzhi Recycle Environmental Technology Co., Ltd.	Mainland China/ Mainland China	RMB30	—	100	—	100	Operation of dangerous waste	Limited liability company
Qingdao Yunshang Jieshen Yilian Technology Co., Ltd.	Mainland China/ Mainland China	RMB4	—	51	—	51	Professional cleaning and sale of daily necessities	Limited liability company
Shanghai Yunshang Yuyi IoT Technology Co., Ltd.	Mainland China/ Mainland China	RMB3	—	100	—	100	Professional cleaning and sale of daily necessities	Limited liability company
Shijiazhuang Yunshang Yilian Technology Co., Ltd.	Mainland China/ Mainland China	RMB1	—	51	—	51	Professional cleaning and sale of daily necessities	Limited liability company

Notes to Consolidated Financial Statements

For the year ended 31 December 2025

1. GENERAL INFORMATION OF THE GROUP (continued)

Name	Place of Incorporation/ registration of business	Issued ordinary/ registered share capital 'M	Percentage of equity attributable to the Company as at 31 December				Principal activities	Type of legal status
			2025		2024			
			Direct	Indirect	Direct	Indirect		
Nanjing Yunshang Yilian Technology Co., Ltd.	Mainland China/ Mainland China	RMB5	—	80	—	80	Professional cleaning and sale of daily necessities	Limited liability company
Shanxi Yunshang Yilian Technology Co., Ltd.	Mainland China/ Mainland China	RMB2	—	51	—	51	Professional cleaning and sale of daily necessities	Limited liability company
Tianjin Yunshang Yilian Technology Co., Ltd.	Mainland China/ Mainland China	RMB5	—	51	—	51	Professional cleaning and sale of daily necessities	Limited liability company
Chengdu Yunshang Meier Yilian Technology Co., Ltd.	Mainland China/ Mainland China	RMB12	—	80	—	80	Professional cleaning and sale of daily necessities	Limited liability company
Qingdao Haier Smart Dishwasher Co., Ltd.	Mainland China/ Mainland China	RMB50	—	100	—	100	Manufacture of home appliance	Limited liability
Zhongshan Haier HV Equipment Co., Ltd.	Mainland China/ Mainland China	RMB20	—	100	—	100	Sales of home appliance	Limited liability
Qingdao Haier HV Equipment Technology Co., Ltd.	Mainland China/ Mainland China	RMB100	—	100	—	100	Manufacturing and sales of air- conditioning equipment	Limited liability

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

** The above table is a list of principal subsidiaries of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in excessive length.

The Company and all its subsidiaries have adopted 31 December, as their financial year end.

Notes to Consolidated Financial Statements

For the year ended 31 December 2025

2.1 APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS

Amendments to an IFRS Accounting Standard that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to an IFRS Accounting Standard as issued by the IASB for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2025 for the preparation of the consolidated financial statements:

Amendments to IAS 21	Lack of Exchangeability

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

New and amendments to IFRS Accounting Standards in issue but not yet effective

The Group has not early applied the following new and amendments to IFRS Accounting Standards, that have been issued but are not yet effective:

Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments ²
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity ²
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to IFRS Accounting Standards	Annual Improvements to IFRS Accounting Standards — Volume 11 ²
IFRS 18	Presentation and Disclosure in Financial Statements ³
Amendments to IAS 21	Translation to a Hyperinflationary Presentation Currency ³

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after 1 January 2026.

³ Effective for annual periods beginning on or after 1 January 2027.

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

Notes to Consolidated Financial Statements

For the year ended 31 December 2025

2.2 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

Merger accounting for business combination involving business under common control

In March 2025, the Company entered into the equity transfer agreement of Qingdao Haier Moulds Co., Ltd. ("**Haier Moulds**") with Qingdao Haimo Zhiyun Technology Co., Ltd. ("**Haimo Zhiyun**"), a subsidiary of Haier Group, pursuant to which the Company agreed to acquire and Haimo Zhiyun agreed to sell 100% of the equity interest in Haier Moulds at a consideration approximately of RMB78 million. As at 31 December 2025, the transaction has been completed.

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

The consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for the year ended 31 December 2025 and 2024 include the results, changes in equity and cash flows of all companies then comprising the Group and Haier Moulds, as if the corporate structure of the Group immediately after the completion of the equity transfer had been in existence throughout the year ended 31 December 2025 and 2024, or since their respective dates of acquisition, incorporation or registration, where this is a shorter period.

The consolidated statement of financial position of the Group as at 31 December 2024 has been prepared to present the state of affairs of the Group and Haier Moulds 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 2024.

There are no significant adjustments made to the net assets and net profit or loss previously reported by the Group as a consequence on the merger accounting for business combination involving businesses under common control.

Notes to Consolidated Financial Statements

For the year ended 31 December 2025

2.3 MATERIAL ACCOUNTING POLICY INFORMATION

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income/consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Notes to Consolidated Financial Statements

For the year ended 31 December 2025

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Basis of consolidation (continued)

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRS Accounting Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 Financial Instruments or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations or asset acquisitions

Optional concentration test

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Asset acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to investment properties which are subsequently measured under fair value model and financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Notes to Consolidated Financial Statements

For the year ended 31 December 2025

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Business combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Acquisitions of businesses, other than business combination under common control are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

The identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Conceptual Framework for Financial Reporting (the “**Conceptual Framework**”) except for transactions and events within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC-Int 21 Levies, in which the Group applies IAS 37 or IFRIC-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date (see the accounting policy below);
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard; and

Notes to Consolidated Financial Statements

For the year ended 31 December 2025

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Business combinations (continued)

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree, the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under IFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

Notes to Consolidated Financial Statements

For the year ended 31 December 2025

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Business combinations (continued)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Merger accounting for business combination involving businesses under common control

The consolidated financial statements incorporate the financial statements items of the combining businesses in which the common control combination occurs as if they had been combined from the date when the combining businesses first came under the control of the controlling party.

The net assets of the combining businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

Expenditure incurred in relation to a common control combination that is to be accounted for by using merger accounting is recognised as an expense in the period in which it is incurred.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where this is a shorter period.

The comparative amounts in the consolidated financial statements are presented as if the businesses had been combined at the beginning of the previous reporting period or when they first came under common control, whichever is shorter.

Notes to Consolidated Financial Statements

For the year ended 31 December 2025

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

The Group's policy for goodwill arising on the acquisition of an associate and a joint venture is described below.

Notes to Consolidated Financial Statements

For the year ended 31 December 2025

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**Investments in associates**

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is or the portion so classified is accounted for in accordance with IFRS 5. Any retained portion of an investment in an associate that has not been classified as held for sale continues to be accounted for using the equity method until disposal of the portion that is classified as held for sale takes place. If the Group has lost significant over the associates after the disposal takes place, the Group accounts for any retained interest in the associates in accordance with IFRS 9. If the Group has retained significant influence over the associates after the disposal takes place, the Group continues to account for the remaining interest using equity method. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Appropriate adjustments have been made to conform the associate's accounting policies to those of the Group. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are provided for, and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Notes to Consolidated Financial Statements

For the year ended 31 December 2025

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group’s right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group’s unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group’s obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations (please specify), the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis, except for the allocation of discounts and variable consideration.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Notes to Consolidated Financial Statements

For the year ended 31 December 2025

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**Revenue from contracts with customers (continued)****Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation*****Output method***

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

As a practical expedient, if the Group has a right to consideration in an amount that corresponds directly with the value of the Group's performance completed to date, the Group recognises revenue in the amount to which the Group has the right to invoice.

Input method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

Variable consideration

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using (a) the expected value method or (b) the most likely amount, which better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Notwithstanding the above criteria, the Group shall recognise revenue for a sales-based or usage-based royalty promised in exchange for a licence of intellectual property only when (or as) the later of the following events occurs:

- the subsequent sale or usage occurs; and
- the performance obligation to which some or all of the sales-based or usage-based royalty has been allocated has been satisfied (or partially satisfied).

Notes to Consolidated Financial Statements

For the year ended 31 December 2025

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Revenue from contracts with customers (continued)

Refund liabilities

The Group recognises a refund liability if the Group expects to refund some or all of the consideration received from customers.

Sales with a right-of-return

For a sale of products with a right of return/exchange for dissimilar products, the Group recognises all of the following:

- (a) revenue for the transferred products in the amount of consideration to which the Group expects to be entitled (therefore, revenue would not be recognised for the products expected to be returned/exchanged);
- (b) a refund liability/contract liability; and
- (c) an asset (and corresponding adjustment to cost of sales) for its right to recover products from customers and are presented as right to returned goods asset.

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

Notes to Consolidated Financial Statements

For the year ended 31 December 2025

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**Revenue from contracts with customers (continued)****Principal versus agent (continued)**

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Sale of goods

Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of goods.

(i) Rights of return

For contracts which provide a customer with a right to return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a refund liability is recognised. A right-of-return asset (and the corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

(ii) Sales rebates

Retrospective sales rebates may be provided to certain customers once the value of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the most likely amount method is used for contracts with a single-threshold and the expected value method for contracts with more than one threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the thresholds contained in the contract. The requirements on constraining estimates of variable consideration are applied and a refund liability for the expected future rebates is recognised.

Rendering of service**(i) Construction income**

The Group provides construction and installation of commercial air-conditioner and smart home service, which are recognized in a certain period of time based on the progress towards complete satisfaction of a performance obligation. The progress towards complete satisfaction of a performance obligation is measured based on input method, based on the percentage of costs incurred to date compared to total estimated costs.

Notes to Consolidated Financial Statements

For the year ended 31 December 2025

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**Revenue from contracts with customers (continued)****Rendering of service (continued)****(ii) Provision of logistic services**

Revenue from the provision of logistic services is recognised over time, using an output method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group.

(iii) Other services

For other services, the Group generally satisfies a performance obligation and recognises revenue at a point in time once such services are completed.

Leases

The Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception of the contract. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed. As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

The Group as lessee**Allocation of consideration to components of a contract**

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, including contract for acquisition of ownership interests of a property which includes both leasehold land and non-lease building components, unless such allocation cannot be made reliably.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of land and buildings, machinery and equipment, motor vehicles and furniture, fixtures that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Notes to Consolidated Financial Statements

For the year ended 31 December 2025

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**Leases (continued)****The Group as lessee (continued)*****Right-of-use assets***

The cost of right-of-use assets includes:

- the amounts of the initial measurement of the lease liabilities;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property or inventory as a separate line item on the consolidated statement of financial position. Right-of-use assets that meet the definition of investment property are presented within "Investment properties".

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. The incremental borrowing rate depends on the term, currency and start date of the lease and is determined based on a series of inputs including: the risk-free rate based on government bond rates; a country-specific risk adjustment; a credit risk adjustment based on bond yields; and an entity-specific adjustment whether the risk profile of the entity that enters into the lease is different to that of the Group and whether the lease benefit from a guarantee from the Group.

Notes to Consolidated Financial Statements

For the year ended 31 December 2025

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Leases (continued)

The Group as lessee (continued)

Lease liabilities (continued)

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period in which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/ expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.
- a lease contract is modified and the lease modification is not accounted for as a separate lease (see below for the accounting policy for “**lease modifications**”).

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Notes to Consolidated Financial Statements

For the year ended 31 December 2025

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**Leases (continued)****The Group as lessee (continued)*****Lease modifications***

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

When the modified contract contains one or more additional lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component. The associated non-lease components are included in the respective lease components.

The Group as a lessor***Classification and measurement of leases***

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model. Variable lease payments for operating leases that depend on an index or a rate are included in the total lease payments using the index or rate as at the commencement date. Variable lease payments that do not depend on an index or a rate are excluded and are recognised as income when they are earned.

Notes to Consolidated Financial Statements

For the year ended 31 December 2025

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Leases (continued)

The Group as a lessor (continued)

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies IFRS 15 Revenue from Contracts with Customers to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted for under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. When a fair value gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is also recognised in profit or loss. When a fair value gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is also recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the Group's interests in associates.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. Renminbi) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange differences on translation of financial statements reserve (attributed to non-controlling interests as appropriate).

Notes to Consolidated Financial Statements

For the year ended 31 December 2025

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**Foreign currencies (continued)**

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under “other gains or losses”.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Notes to Consolidated Financial Statements

For the year ended 31 December 2025

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**Employee benefits****Retirement benefit costs**

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Pension schemes

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme (the **"PRC Pension Scheme"**) operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the PRC Pension Scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the PRC Pension Scheme. Under the PRC Pension Scheme, no forfeited contributions will be used by the Group to reduce its existing level of contributions during the years ended 31 December 2025 and 2024.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. In determining the present value of the Group's defined benefit obligations and the related current service cost and, where applicable, past service cost, the Group attributes benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than earlier years, the Group attributes the benefit on a straight-line basis from:

- (a) the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service) until
- (b) the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Past service cost is recognised in profit or loss in the period of a plan amendment or curtailment and a gain or loss on settlement is recognised when settlement occurs. When determining past service cost, or a gain or loss on settlement, an entity shall remeasure the net defined benefit liability or asset using the current fair value of plan assets and current actuarial assumptions, reflecting the benefits offered under the plan and the plan assets before and after the plan amendment, curtailment or settlement, without considering the effect of asset ceiling (i.e. the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan).

Notes to Consolidated Financial Statements

For the year ended 31 December 2025

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**Employee benefits (continued)****Pension schemes (continued)**

Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. However, if the Group remeasures the net defined benefit liability or asset before plan amendment, curtailment or settlement, the Group determines net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement using the benefits offered under the plan and the plan assets after the plan amendment, curtailment or settlement and the discount rate used to remeasure such net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period resulting from contributions or benefit payments.

Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest on the net defined benefit liability or asset; and
- remeasurement of the net defined benefit liability or asset in other comprehensive income.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

Discretionary contributions made by employees or third parties reduce service cost upon payment of these contributions to the plan.

When the formal terms of the plans specify that there will be contributions from employees or third parties, the accounting depends on whether the contributions are linked to service, as follows:

- If the contributions are not linked to services (for example contributions are required to reduce a deficit arising from losses on plan assets or from actuarial losses), they are reflected in the remeasurement of the net defined benefit liability or asset.
- If contributions are linked to services, they reduce service costs. For the amount of contribution that is dependent on the number of years of service, the Group reduces service cost by attributing the contributions to periods of service using the attribution method required by IAS 19.70 for the gross benefits (i.e. either using the plan's contribution formula or on a straight-line basis). For the amount of contribution that is independent of the number of years of service, the Group reduces service cost in the period in which the related service is rendered/reduces service cost by attributing contributions to the employees' periods of service in accordance with IAS 19.70.

Notes to Consolidated Financial Statements

For the year ended 31 December 2025

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Employee benefits (continued)

Termination benefits

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS Accounting Standard requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another IFRS Accounting Standard requires or permits their inclusion in the cost of an asset.

Share-based payments

Equity-settled share-based payment transactions

Shares/Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve. For shares/share options that vest immediately at the date of grant, the fair value of the shares/share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share-based payments reserve will be transferred to other reserve. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payments reserve will be transferred to other reserve.

When shares awards granted are vested, the amount will recognised in share-based payments reserve will be transferred to other reserve.

Notes to Consolidated Financial Statements

For the year ended 31 December 2025

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**Taxation**

Income tax expense represents the sum of current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit/(loss) before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Notes to Consolidated Financial Statements

For the year ended 31 December 2025

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Taxation (continued)

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the lease liabilities, and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than freehold lands and construction in progress as described below). Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Freehold lands are not depreciated and are measured at cost less subsequent accumulated impairment losses.

Buildings in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Sale proceeds of items that are produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the asset is functioning properly), and the related costs of producing those items are recognised in the profit or loss. The cost of those items are measured in accordance with the measurement requirements of IAS 2. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Notes to Consolidated Financial Statements

For the year ended 31 December 2025

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**Property, plant and equipment (continued)**

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as “right-of-use assets” in the consolidated statement of financial position except for those that are classified and accounted for as investment properties under the fair value model. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to write off the cost of assets other than freehold land and properties under construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The principal annual rates used for this purpose are as follows:

Freehold land	Not depreciated
Buildings	2% to 10%
Leasehold improvements	10% to 50%
Machinery and equipment	5% to 50%
Furniture, fixtures and equipment	5% to 33%
Motor vehicles	9% to 35%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties also include leased properties which are being recognised as right-of-use assets and subleased by the Group under operating leases.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Notes to Consolidated Financial Statements

For the year ended 31 December 2025

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses/revalued amounts, being their fair value at the date of the revaluation less subsequent accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

Internally-generated intangible assets — research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

Notes to Consolidated Financial Statements

For the year ended 31 December 2025

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**Intangible assets (continued)****Intangible assets acquired in a business combination**

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gain and loss arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

The following useful lives are used in the calculation of amortisation as follows:

Proprietary technology	10 years
Patents and licences	40 years
Trademarks	Indefinite
Customer relationships	20 years
Software & Others	not exceeding than 10 years

Proprietary technology

Accordance with the contractual agreements and the Company historical experience, proprietary technology with finite lives are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 10 years.

Patents and licences

Accordance with the contractual agreements and the Company historical experience, purchase patents and licences with finite lives are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 40 years.

Notes to Consolidated Financial Statements

For the year ended 31 December 2025

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Intangible assets (continued)

Trademarks

The trademark has different legal life at different jurisdiction, and can renewable at minimal cost. The directors of the Company are of the opinion that the Group would renew the trademark continuously and has the ability to do so. Various studies including product life cycle studies, market, competitive and environmental trends, and brand extension opportunities have been performed by management of the Group, which supports that the trademark has no foreseeable limit to the period over which the trademarked products are expected to generate net cash flows for the Group.

As a result, the trademark is considered by the management of the Group as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The trademark will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired.

Customer relationships

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The customer relations have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the customer relationship of 20 years.

Software and others

Accordance with the contractual agreements and the Company historical experience, software and others are amortised on a straight-line basis over an estimate useful life of not exceeding than 10 years. The useful of the software is estimated based on the expected usage of the software and its authorised periods for use.

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, intangible assets with finite useful to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is — indication that they may be impaired.

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Notes to Consolidated Financial Statements

For the year ended 31 December 2025

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill (continued)**

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

Notes to Consolidated Financial Statements

For the year ended 31 December 2025

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

- (a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and
- (b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts which are repayable on demand and form an integral part of the Group's cash management. Such overdrafts are presented as short-term borrowings in the consolidated statement of financial position.

Bank balances for which use by the Group is subject to third party contractual restrictions are included as part of cash unless the restrictions result in a bank balance no longer meeting the definition of cash. Contractual restrictions affecting use of bank balances are disclosed in note 28. If the contractual restrictions to use the cash extend beyond 12 months after the end of the reporting period, the related amounts are classified as non-current in the consolidated statement of financial position.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale, including costs to be incurred in marketing, selling and distribution.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Provisions for the expected cost of assurance-type warranty obligations under the relevant contracts with customers for sales of goods are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

Notes to Consolidated Financial Statements

For the year ended 31 December 2025

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Contingent liabilities

A contingent liability is a present obligation arising from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Where the Group is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability and it is not recognised in the consolidated financial statements.

The Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the consolidated financial statements in the reporting period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Notes to Consolidated Financial Statements

For the year ended 31 December 2025

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments (continued)

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established generally by regulation or convention in the market place concerned.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 Business Combinations applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative except for a derivative that is a designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Notes to Consolidated Financial Statements

For the year ended 31 December 2025

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**Financial instruments (continued)****Financial assets (continued)*****Classification and subsequent measurement of financial assets (continued)*****(i) Amortised cost and interest income**

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and receivables subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Receivables classified as at FVTOCI

Subsequent changes in the carrying amounts for receivables classified as at FVTOCI as a result of interest income calculated using the effective interest method and foreign exchange gains and losses are recognised in profit or loss. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these receivables had been measured at amortised cost. All other changes in the carrying amount of these receivables are recognised in other comprehensive income and accumulated under the heading of FVTOCI reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these receivables. When these receivables are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

(iii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "Other gains or losses" line item in profit or loss.

(iv) Financial assets measured at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets measured at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "Other gains and losses" line item.

Notes to Consolidated Financial Statements

For the year ended 31 December 2025

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**Financial instruments (continued)****Financial assets (continued)*****Impairment of financial assets and contract assets***

The Group performs impairment assessment under expected credit loss (“**ECL**”) model on financial assets (including trade and bills receivables, deposits and other receivable and receivables at FVTOCI) and contract assets, which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“**12m ECL**”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of past events and current conditions at the reporting date as well as the forecast of future economic conditions.

The Group always recognises lifetime ECL for trade receivables and contract assets without significant financing component.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group’s debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group’s core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument’s external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor’s ability to meet its debt obligations;

Notes to Consolidated Financial Statements

For the year ended 31 December 2025

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**Financial instruments (continued)****Financial assets (continued)*****Impairment of financial assets and contract assets (continued)*****(i) Significant increase in credit risk (continued)**

- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in (full without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Notes to Consolidated Financial Statements

For the year ended 31 December 2025

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**Financial instruments (continued)****Financial assets (continued)*****Impairment of financial assets and contract assets (continued)***

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- (e) the disappearance of an active market for that financial asset because of financial difficulties; or
- (f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

Notes to Consolidated Financial Statements

For the year ended 31 December 2025

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**Financial instruments (continued)****Financial assets (continued)*****Impairment of financial assets and contract assets (continued)*****(v) Measurement and recognition of ECL**

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience adjusted for factors that are specific to the debtors, general economic conditions and forward looking information, including time value of money where appropriate, that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for trade receivables and contract assets are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Except for receivables that are measured at FVTOCI, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, contract assets and other receivables where the corresponding adjustment is recognised through a loss allowance account. For receivables that are measured at FVTOCI, the loss allowance is recognised in other comprehensive income and accumulated in the FVTOCI reserve without reducing the carrying amount of these receivables. Such amount represents the changes in the FVTOCI reserve in relation to accumulated loss allowance.

Notes to Consolidated Financial Statements

For the year ended 31 December 2025

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments (continued)

Financial assets (continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of a receivables classified as at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is reclassified to profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained profits.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Notes to Consolidated Financial Statements

For the year ended 31 December 2025

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**Financial instruments (continued)****Financial liabilities and equity (continued)*****Financial liabilities***

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which IFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. For financial liabilities that contain embedded derivatives, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in other comprehensive income. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained profits upon derecognition of the financial liability.

Notes to Consolidated Financial Statements

For the year ended 31 December 2025

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Financial liabilities measured at amortised cost

Financial liabilities including borrowings, trade and bills payables, other payables and lease liabilities are subsequently measured at amortised cost, using the effective interest method.

The Group classifies financial liabilities that arise from a supplier finance arrangement within trade and bills payables in the consolidated statement of financial position if they have a similar nature and function to trade payables. This is the case if the supplier finance arrangement is part of the working capital used in the Group's normal operating cycle, the level of security provided is similar to trade payables and the terms of the liabilities that are part of the supply chain finance arrangement are not substantially different from the terms of trade payables that are not part of the arrangement. Cash flows related to liabilities arising from supplier finance arrangements that are classified in trade and bills payables in the consolidated statement of financial position are included in operating activities in the consolidated statement of cash flows. Otherwise, the financial liabilities are classified in interest-bearing borrowings in the consolidated statement of financial position and the related cash flows are included in financing activities in the consolidated statement of cash flows.

Put option liabilities

A put option liability is the obligation for the Group or Group's subsidiaries to purchase certain subsidiaries equity instruments for cash or another financial asset gives rise to a financial liability carried at the present value of the redemption amount as at the end of the reporting period. The Group recognises the non-controlling interests that are granted put options, including the share of profits and losses, up to the end of the reporting period or the exercise date of the put options, whichever is earlier. Then, at the end of each reporting period, the Group de-recognises the non-controlling interests and recognises the put option financial liability with the difference recognised in equity as if the non-controlling interests are acquired at the end of reporting period.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Notes to Consolidated Financial Statements

For the year ended 31 December 2025

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments (continued)

Embedded derivatives

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortised cost or fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Generally, multiple embedded derivatives in a single instrument that are separated from the host contracts are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Hedge accounting

The Group designates certain derivatives as hedging instruments for cash flow hedges.

At the inception of the hedging relationship the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

For the purpose of determining whether a forecast transaction (or a component thereof) is highly probable, the Group assumes that the interest rate benchmark on which the hedged cash flows (contractually or non-contractually specified) are based is not altered as a result of interest rate benchmark reform.

Assessment of hedging relationship and effectiveness

For hedge effectiveness assessment, the Group considers whether the hedging instrument is effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and

Notes to Consolidated Financial Statements

For the year ended 31 December 2025

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments (continued)

Hedge accounting (continued)

Assessment of hedging relationship and effectiveness (continued)

- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

Notes to Consolidated Financial Statements

For the year ended 31 December 2025

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**Financial instruments (continued)****Hedge accounting (continued)*****Discontinuation of hedge accounting***

The Group discontinues hedge accounting prospectively only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. Discontinuing hedge accounting can either affect a hedging relationship in its entirety or only a part of it (in which case hedge accounting continues for the remainder of the hedging relationship).

For cash flow hedge, any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transactions is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to consolidated financial statements.

3. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 2.3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit (or a group of cash-generating units) and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows, a material impairment loss may arise. No impairment losses were recognised during the years ended 31 December 2025 and 2024. As at 31 December 2025, the carrying amount of goodwill was approximately RMB27,300 million (2024: RMB27,384 million). Further details are given in note 17 to the consolidated financial statements.

Notes to Consolidated Financial Statements

For the year ended 31 December 2025

3. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Provision of inventories

Write-down of inventories to net realisable value is made based on the aging and estimated net realisable value of inventories. The assessment of the write-down amount involves management's judgements and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying value of the inventories and the write-down charge/reversal in the period in which such estimate has been changed. As at 31 December 2025, the net carrying amounts of inventories (after provision) were approximately RMB46,847 million (2024: RMB43,189 million (restated)).

Product warranty provisions

Product warranty provisions are made with reference to the retail volume and the expected unit cost for warranties. The assessment of the provision amount involves management's judgements and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying amount of the product warranty provisions and the provision amount charged/reversed in the period in which such estimate has been changed. As at 31 December 2025, the product warranty amounted to approximately RMB4,423 million (2024: RMB4,320 million). Further details are included in note 33 to consolidated financial statements.

4. OPERATING SEGMENT INFORMATION

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

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

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

(a) Household Food Storage and Cooking Solutions

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

(b) Air Solutions

- manufacturing and selling air conditioner;

(c) Household Laundry Management Solutions

- manufacturing and selling washing machines and dryers;

(d) Household Water Solutions

- manufacturing and selling water heaters and water purifiers; and

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For the year ended 31 December 2025

4. OPERATING SEGMENT INFORMATION (continued)**(e) Other Business**

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

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

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

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

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

For the year ended 31 December 2025

	Household Food Storage and Cooking Solutions			Household Laundry Management Solutions	Household Water Solutions	Other Business	Total
	Refrigerators/Freezers	Kitchen Appliances	Air Solutions				
	RMB'M	RMB'M	RMB'M	RMB'M	RMB'M	RMB'M	RMB'M
Segment revenue							
Segment revenue from external customers	84,487	41,488	54,021	65,386	17,736	39,211	302,329
Inter-segment revenue	276	50	370	179	228	97,156	98,259
Total	84,763	41,538	54,391	65,565	17,964	136,367	400,588
<i>Reconciliation:</i>							
Inter-segment eliminations							(98,259)
Total							302,329
Segments results	6,115	2,893	2,341	6,597	2,418	336	20,700
<i>Reconciliation:</i>							
Elimination of inter-segment results							50
							20,750
Corporate and other unallocated income and gains or losses							4,640
Corporate and other unallocated expenses							(652)
Finance costs							(2,587)
Share of profits and losses of associates							1,328
Profit before taxation							23,479

Notes to Consolidated Financial Statements

For the year ended 31 December 2025

4. OPERATING SEGMENT INFORMATION (continued)

For the year ended 31 December 2024 (Restated)

	Household Food Storage and Cooking Solutions			Household Laundry Management Solutions	Household Water Solutions	Other Business	Total
	Refrigerators/ Freezers RMB'M	Kitchen Appliances RMB'M	Air Solutions RMB'M	RMB'M	RMB'M	RMB'M	RMB'M
Segment revenue							
Segment revenue from external customers	83,344	41,119	49,301	63,134	16,014	33,093	286,005
Inter-segment revenue	212	65	316	186	161	85,538	86,478
Total	83,556	41,184	49,617	63,320	16,175	118,631	372,483
<i>Reconciliation:</i>							
Inter-segment eliminations							(86,478)
Total							286,005
Segments results	5,974	3,179	2,304	6,499	2,221	392	20,569
<i>Reconciliation:</i>							
Elimination of inter-segment results							7
							20,576
Corporate and other unallocated income and gains or losses							3,525
Corporate and other unallocated expenses							(489)
Finance costs							(2,705)
Share of profits and losses of associates							1,816
Profit before taxation							22,723

Notes to Consolidated Financial Statements

For the year ended 31 December 2025

4. OPERATING SEGMENT INFORMATION (continued)

As at 31 December 2025

	Household Food Storage and Cooking Solutions			Household Laundry Management Solutions	Household Water Solutions	Other Business	Total
	Refrigerators/ Freezers RMB'M	Kitchen Appliances RMB'M	Air Solutions RMB'M	RMB'M	RMB'M	RMB'M	RMB'M
Segment assets	55,796	22,275	57,700	52,994	19,933	105,438	314,136
<i>Reconciliation:</i>							
Elimination of segment assets							(155,799)
Goodwill							27,300
Interests in associates							21,757
Equity investments designated at FVTOCI							5,405
Deferred tax assets							2,779
Financial assets measured at FVTPL							2,034
Financial assets measured at amortised cost							26,507
Derivative financial instruments							81
Pledged deposits							1,218
Other deposits with limited use							136
Cash and cash equivalents							46,268
Other receivables							3,973
Total assets							295,795
Segment liabilities	81,067	14,747	51,741	28,139	7,278	100,654	283,626
<i>Reconciliation:</i>							
Elimination of segment liabilities							(155,708)
Tax payable							2,130
Other payable and accruals							1,318
Derivative financial instruments							191
Interest-bearing borrowings							36,382
Deferred tax liabilities							1,631
Other non-current liabilities							248
Total liabilities							169,818

Notes to Consolidated Financial Statements

For the year ended 31 December 2025

4. OPERATING SEGMENT INFORMATION (continued)

As at 31 December 2024 (Restated)

	Household Food Storage and Cooking Solutions		Air Solutions	Household Laundry Management Solutions	Household Water Solutions	Other Business	Total
	Refrigerators/ Freezers	Kitchen Appliances					
	RMB'M	RMB'M	RMB'M	RMB'M	RMB'M	RMB'M	RMB'M
Segment assets	50,543	21,840	32,729	37,335	11,353	98,429	252,229
<i>Reconciliation:</i>							
Elimination of segment assets							(96,919)
Goodwill							27,384
Interests in associates							20,932
Equity investments designated at FVTOCI							6,074
Deferred tax assets							2,477
Financial assets measured at FVTPL							1,236
Financial assets measured at amortised cost							17,630
Derivative financial instruments							143
Pledged deposits							533
Other deposits with limited use							70
Cash and cash equivalents							54,995
Other receivables							3,952
Total assets							290,736
Segment liabilities	71,520	14,943	29,805	27,393	4,228	79,175	227,064
<i>Reconciliation:</i>							
Elimination of segment liabilities							(96,780)
Tax payable							2,650
Other payable and accruals							3,304
Derivative financial instruments							71
Interest-bearing borrowings							33,793
Deferred tax liabilities							1,547
Other non-current liabilities							285
Total liabilities							171,934

Notes to Consolidated Financial Statements

For the year ended 31 December 2025

4. OPERATING SEGMENT INFORMATION (continued)

For the year ended 31 December 2025

	Household Food Storage and Cooking Solutions		Air Solutions RMB'M	Household Laundry Management Solutions RMB'M	Household Water Solutions RMB'M	Other Business RMB'M	Total RMB'M
	Refrigerators/ Freezers RMB'M	Kitchen Appliances RMB'M					
Other segment information:							
Product warranty provisions	2,186	581	1,396	1,722	709	—	6,594
Provision for obsolete and slow-moving inventories, net	289	82	279	120	53	171	994
(Reversal of)/allowance for expected credit losses in respect of trade and bills receivable, net	(30)	3	17	(20)	(22)	19	(33)
Allowance for expected credit losses in respect of prepayments, deposits and other receivables and long term prepayments, net	141	12	38	42	48	24	305
Loss/(gain) on disposal of non-current assets, net	179	17	8	3	—	(9)	198
Depreciation and amortisation	2,482	1,476	890	1,844	451	1,607	8,750

For the year ended 31 December 2024 (Restated)

	Household Food Storage and Cooking Solutions		Air Solutions RMB'M	Household Laundry Management Solutions RMB'M	Household Water Solutions RMB'M	Other Business RMB'M	Total RMB'M
	Refrigerators/ Freezers RMB'M	Kitchen Appliances RMB'M					
Other segment information:							
Product warranty provisions	2,244	623	1,246	1,607	683	—	6,403
Provision for obsolete and slow-moving inventories, net	257	79	257	192	101	89	975
Allowance for/(reversal of) expected credit loss in respect of trade and bills receivable, net	43	33	38	74	(4)	133	317
Allowance for expected credit losses in respect of prepayments, deposits and other receivables and long term prepayments, net	155	9	—	22	40	14	240
Loss/(gain) on disposal of non-current assets, net	15	13	12	9	4	(3)	50
Depreciation and amortisation	2,093	1,440	789	1,792	446	1,542	8,102

Notes to Consolidated Financial Statements

For the year ended 31 December 2025

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

	2025 RMB'M	2024 RMB'M (Restated)
Mainland China	146,537	142,191
North America	79,871	79,529
Europe	38,491	32,089
South Asia	14,199	11,525
Southeast Asia	7,520	6,633
Australia and New Zealand	6,698	6,642
Japan	4,167	2,674
Middle East and Africa	3,779	3,426
Other countries/regions	1,067	1,296
	302,329	286,005

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

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

Notes to Consolidated Financial Statements

For the year ended 31 December 2025

4. OPERATING SEGMENT INFORMATION (continued)**Geographical information (continued)****(b) Non-current assets**

	2025 RMB'M	2024 RMB'M (Restated)
Mainland China	31,605	30,200
Other countries/regions	37,598	35,856
	69,203	66,056
Interests in associates	21,757	20,932
Goodwill	27,300	27,384
Equity investments designated at FVTOCI	5,405	6,074
Financial assets measured at amortised cost	16,518	15,699
Deferred tax assets	2,779	2,477
	142,962	138,622

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

Information about major customers

No single customer of the Group contributed 10% or more to the total revenue of the Group during the years ended 31 December 2025 and 2024.

Notes to Consolidated Financial Statements

For the year ended 31 December 2025

5. REVENUE AND OTHER GAINS, NET

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

	2025 RMB'M	2024 RMB'M (Restated)
Sale of goods	290,008	272,932
Rendering of services	12,321	13,073
	302,329	286,005

	2025 RMB'M	2024 RMB'M (Restated)
Sale of goods		
— Point in time	290,008	272,932
Rendering of service		
— Point in time	90	83
— Over time	12,231	12,990
	302,329	286,005

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.

Notes to Consolidated Financial Statements

For the year ended 31 December 2025

5. REVENUE AND OTHER GAINS, NET (continued)**Rendering of services**

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

An analysis of other gains, net is as follows:

	2025	2024
	RMB'M	RMB'M (Restated)
Treasury and investment income:		
Interest income from		
— Bank	1,709	1,858
— Wealth management products	94	70
— Other	11	40
Purchase payment discounts	174	123
Dividend income from equity investment designated at FVTOCI	48	58
	2,036	2,149
Compensation received from suppliers	27	44
(Loss)/gain on disposal of		
— Non-current assets, net	(198)	(50)
— Financial assets/liabilities measured at FVTPL, net	66	(1)
— Associates and subsidiaries	(6)	(27)
Government grants (Note (a))	1,882	1,716
Rental income from investment properties (Note (b))	17	10
Net fair value gain on financial assets/liabilities measured at FVTPL	92	47
Net foreign exchange gain/(loss)	1,001	(119)
Sundry income	289	136
	5,206	3,905

Notes:

- (a) Various government grants have been received for investments in certain regions in Mainland China in which the Company's subsidiaries operate as well as for the Group's technology advancements. There are no unfulfilled conditions or contingencies relating to these grants.
- (b) The rental income from investment properties less direct outgoings for the years ended 31 December 2025 and 2024 amounted to approximately RMB17 million and RMB10 million respectively.

Notes to Consolidated Financial Statements

For the year ended 31 December 2025

6. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	2025 RMB'M	2024 RMB'M (Restated)
Cost of inventories sold	204,443	188,545
Provision for product warranty	6,594	6,403
Provision for obsolete and slow-moving inventories, net (Note (a))	994	975
Cost of services	11,343	12,175
	223,374	208,098
Depreciation of property, plant and equipment	5,486	5,103
Depreciation of right-of-use assets and investment properties	1,877	1,601
Amortisation of other intangible assets	1,328	1,320
Amortisation of other non-current assets	59	78
	8,750	8,102
Employee benefit expense: (including directors', chief executive and supervisors' remuneration — Note 8):		
Salaries, bonuses, allowances and benefits in kind	33,791	30,054
Pension scheme contributions	2,768	2,064
Equity-settled share-based expense	490	374
	37,049	32,492

Notes to Consolidated Financial Statements

For the year ended 31 December 2025

6. PROFIT BEFORE TAX (continued)

Profit before tax has been arrived at after charging:

	2025 RMB'M	2024 RMB'M (Restated)
Impairment of trade and bills receivables, net (Note (b))	(33)	317
Impairment of prepayments, deposits and other receivables and long term prepayments, net (Note (b))	305	240
Impairment of property, plant and equipment, interest in associates, other intangible assets and contract assets, net (Note (b))	74	45
	346	602
Research and development costs	10,096	10,770
Auditors' remuneration	13	13
Expenses relating to short-term leases and low value leases	1,290	992
Variable lease payments not included in the measurement of lease liabilities	67	86

Notes:

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

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2025 RMB'M	2024 RMB'M (Restated)
Interest on borrowings	1,635	1,676
Interest on lease liabilities	367	223
Other finance costs	585	806
	2,587	2,705

Notes to Consolidated Financial Statements

For the year ended 31 December 2025

8. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' REMUNERATION

Directors', chief executive's and supervisors' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2025 RMB'000	2024 RMB'000
Fees	2,710	2,040
Other emoluments:		
Salaries, allowances and benefits in kind	9,248	2,169
Discretionary bonuses	15,682	4,404
Equity-settled share-based expense (Note)	26,665	22,188
Pension scheme contributions	971	547
	52,566	29,308
	55,276	31,348

Note:

During the year, certain directors were granted share awards/options, in respect of their services to the Group under the share award/option of the Company. Details of the share awards/options are set out in note 37 to the consolidated financial statements.

Notes to Consolidated Financial Statements

For the year ended 31 December 2025

8. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' REMUNERATION (continued)**(a) Independent non-executive directors**

The remuneration of independent non-executive directors during the years ended 31 December 2025 and 2024 is as follows:

2025

			Salaries, allowances and benefits	Discretionary	Equity-settled share-based	Pension scheme	
	Note	Fees	in kind	bonuses	expense	contributions	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
CHIEN Da-chun	(i)	—	—	—	—	—	—
WONG Hak Kun		440	—	—	—	—	440
LI Shipeng		470	—	—	—	—	470
WU Qi		460	—	—	—	—	460
WANG Hua	(ii)	180	—	—	—	—	180
		1,550	—	—	—	—	1,550

2024

			Salaries, allowances and benefits	Discretionary	Equity-settled share-based	Pension scheme	
		Fees	in kind	bonuses	expense	contributions	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
CHIEN Da-chun		340	—	—	—	—	340
WONG Hak Kun		340	—	—	—	—	340
LI Shipeng		340	—	—	—	—	340
WU Qi		340	—	—	—	—	340
		1,360	—	—	—	—	1,360

Notes to Consolidated Financial Statements

For the year ended 31 December 2025

8. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' REMUNERATION (continued)

(b) Executive directors and the chief executive

The remuneration of executive directors and the chief executive during the years ended 31 December 2025 and 2024 are as follows:

2025

		Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Equity-settled share-based expense	Pension scheme contributions	Total
	Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
LI Huagang (chief executive)		—	900	2,648	12,967	238	16,753
Kevin Nolan	(iii)	—	7,499	12,012	3,307	361	23,179
GONG Wei	(iv)	—	—	—	—	—	—
		—	8,399	14,660	16,274	599	39,932

2024

		Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Equity-settled share-based expense	Pension scheme contributions	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
LI Huagang (chief executive)		—	900	2,546	11,465	153	15,064
GONG Wei		—	650	1,491	5,386	153	7,680
		—	1,550	4,037	16,851	306	22,744

Notes to Consolidated Financial Statements

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8. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' REMUNERATION (continued)**(c) Non-executive directors**

The remuneration of non-executive directors during the years ended 31 December 2025 and 2024 are as follows:

2025

	Note	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Equity-settled share-based expense RMB'000	Pension scheme contributions RMB'000	Total RMB'000
SHAO Xinzhi	(v)	—	—	—	2,337	—	2,337
YU Hon To, David		415	—	—	—	—	415
Eva LI Kam Fun	(vi)	230	—	—	—	—	230
Gong Wei	(iv)	—	225	182	2,047	64	2,518
Li Shaohua	(vii)	—	—	—	2,815	—	2,815
CHIEN Da-chun	(i)	515	—	—	—	—	515
		1,160	225	182	7,199	64	8,830

2024

		Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Equity-settled share-based expense RMB'000	Pension scheme contributions RMB'000	Total RMB'000
SHAO Xinzhi		—	—	—	3,740	—	3,740
YU Hon To, David		340	—	—	—	—	340
Eva LI Kam Fun		340	—	—	—	—	340
		680	—	—	3,740	—	4,420

Notes to Consolidated Financial Statements

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8. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' REMUNERATION (continued)**(d) Employee representative director**

The remuneration of employee representative director during the year ended 31 December 2025 is as follows:

2025

	Note	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Equity-settled share-based expense RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Sun Danfeng	(viii)	—	330	735	2,398	152	3,615
		—	330	735	2,398	152	3,615

(e) Supervisors

The remuneration of supervisors during the years ended 31 December 2025 and 2024 are as follows:

2025

	Note	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Equity-settled share-based expense RMB'000	Pension scheme contributions RMB'000	Total RMB'000
YU Miao	(ix)	—	102	—	199	38	339
LIU Dalin	(x)	—	—	—	595	—	595
LIU Yongfei	(xi)	—	192	105	—	118	415
		—	294	105	794	156	1,349

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8. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' REMUNERATION (continued)**(e) Supervisors (continued)**

2024

	Note	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Equity-settled share-based expense RMB'000	Pension scheme contributions RMB'000	Total RMB'000
YU Miao		—	350	106	332	122	910
LIU Dalin		—	—	—	1,082	—	1,082
MA Yingjie	(xii)	—	103	240	183	53	579
LIU Yongfei		—	166	21	—	66	253
		—	619	367	1,597	241	2,824

Notes:

- i. CHIEN Da-chun retired as independent non-executive director on 28 May 2025 and appointed as non-executive director on 28 May 2025.
- ii. WANG Hua appointed as independent non-executive director on 28 May 2025.
- iii. Kevin Nolan appointed as executive director on 28 May 2025.
- iv. GONG Wei retired as executive director on 28 May 2025 and appointed as non-executive director on 28 May 2025.
- v. SHAO Xinzhi retired as non-executive director on 28 May 2025.
- vi. Eva LI Kam Fun retired as non-executive director on 28 May 2025.
- vii. LI Shaohua appointed as non-executive director on 28 May 2025.
- viii. SUN Danfeng appointed as employee representative director on 28 May 2025.
- ix. YU Miao retired as supervisor on 28 May 2025.
- x. LIU Dalin retired as supervisor on 28 May 2025.
- xi. LIU Yongfei retired as supervisor on 28 May 2025.
- xii. MA Yingjie retired as supervisor on 20 June 2024.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

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9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two director (2024: one director), details of whose remuneration are set out in Note 8 to consolidated financial statements. Details of the remuneration for the year of the remaining three (2024: four) highest paid non-director employee who are neither a director nor chief executive of the Company are as follows:

	2025 RMB'000	2024 RMB'000
Salaries, allowances and benefits in kind	1,620	28,071
Discretionary bonuses	4,554	1,591
Equity-settled share-based expense	21,488	25,147
Pension scheme contributions	457	600
	28,119	55,409

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2025	2024
HK\$9,500,001 to HK\$10,000,000	1	—
HK\$10,000,001 to HK\$10,500,000	1	1
HK\$10,500,001 to HK\$11,000,000	1	—
HK\$14,000,001 to HK\$14,500,000	—	1
HK\$14,500,001 to HK\$15,000,000	—	1
HK\$20,500,001 to HK\$21,000,000	—	1
Total	3	4

For share award/option were granted to these non-director and non-chief executive highest paid employees in respect of their services to the Group under the share award/option scheme of the Group. The fair values of share award/option, which have been recognised in the statement of profit or loss over the vesting period, were determined as at the date of grant and the amounts included in the consolidated financial statements for the years ended 31 December 2025 and 2024 are included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

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For the year ended 31 December 2025

10. INCOME TAX EXPENSES

	2025	2024
	RMB'M	RMB'M
Current tax		
Charge for the year	3,432	4,027
Deferred income tax (Note 35)	(116)	(870)
Total tax charge for the year	3,316	3,157

Under the Law of the Mainland China on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the tax rate of the Mainland China subsidiaries is 25%. Certain subsidiaries of the Group in the Mainland of China were approved as High and New Technology Enterprise subject to a preferential corporate income tax rate of 15% during the years ended 31 December 2025 and 2024.

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

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

	2025	2024
	RMB'M	RMB'M (Restated)
Profit before tax	23,479	22,723
Tax at the statutory tax rate	5,870	5,681
Lower tax rates enacted by local authorities	(1,736)	(1,708)
Adjustments in respect of current tax of previous periods	(290)	(274)
Tax effect of share of profits or losses to associates	(255)	(421)
Tax effect of income not taxable for tax purpose	(261)	(106)
Tax effect of expenses not deductible for tax purpose	280	377
Tax effect of temporary differences not recognised	(25)	(34)
Other amounts	(267)	(358)
Total tax charge for the year	3,316	3,157

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10. INCOME TAX EXPENSES (continued)**OECD Pillar Two model rules**

The Organisation for Economic Co-operation and Development (“**OECD**”) published Pillar Two model rules in December 2021, with the effect that a jurisdiction may enact domestic tax laws (“**Pillar Two legislation**”) to implement the Pillar Two model rules on a globally agreed common approach. Pillar Two legislation applies to a member of a multinational group within the scope of the Pillar Two model rules, which the Group is reasonably expected to fall into. It imposes a top-up tax on profits arising in a jurisdiction whenever the effective tax rate determined by the Pillar Two model rules on a jurisdictional basis is below a minimum rate of 15%.

The Group has reviewed its corporate structure in light of the introduction of Pillar Two model rules in various jurisdictions and engaged external tax specialists in assessing its tax exposure. As at 31 December 2025, the Group mainly operates in the Mainland of China, in which exposures to Pillar Two income taxes might exist in the future although the legislation is not yet substantively enacted or enacted. Besides, certain subsidiaries of the Company are located in jurisdictions where Pillar Two legislation had been enacted or substantively enacted, but not yet in effect and certain subsidiaries of the Company are located in jurisdictions where Pillar Two legislation has become effective. Based on the assessment, the Group does not expect a material exposure to Pillar Two income taxes.

11. DIVIDENDS

	2025 RMB'M	2024 RMB'M
Interim dividend proposed and paid during the year	2,507	—
Final dividend paid during the year	8,976	7,444
	11,483	7,444
Final dividend proposed	8,248	8,997
	2025 RMB	2024 RMB
Interim dividend per share (Note a)	0.2692	—
Final dividend proposed per share (Note b)	0.8867	0.965

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11. DIVIDENDS (continued)

Notes:

- (a) The amount represents RMB2.692 for every 10 shares. With regards to the payment of interim dividend for the period ended 30 June 2025, as the total share capital of the Company changed before the registration date on 23 October 2025 and the Company maintained the total distribution of RMB2,507 million (tax inclusive) unchanged, the Company adjusted the distribution ratio per share from RMB2.69 (tax inclusive) per 10 shares to RMB2.692 (tax inclusive) per 10 shares accordingly.
- (b) The amount represents RMB8.867 for every 10 shares in 2025 (2024: RMB9.65 for every 10 shares). With regards to the payment of final dividend for the year ended 31 December 2024, as the total share capital of the Company changed before the registration date on 4 July 2025 and the Company maintained the total distribution of RMB8,997 million (tax inclusive) unchanged, the Company adjusted the distribution ratio per share from RMB9.65 (tax inclusive) per 10 shares to RMB9.6504 (tax inclusive) per 10 shares accordingly.

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

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

The calculation of the diluted earnings per share amount is based on the profit attributable to ordinary equity holders of the Company. 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:

	2025 RMB'M	2024 RMB'M (Restated)
Earnings		
Profit attributable to ordinary equity holders of the Company	19,553	18,731
Less: Dividend payable to expected vested share awards	(19)	(70)
Profit attributable to ordinary equity holders of the Company used in calculating basic earnings per share	19,534	18,661
Profit attributable to ordinary equity holders of the Company used in calculating diluted earnings per share	19,553	18,731

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

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

	2025	2024
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	9,214,849,386	9,223,578,468
Effect of dilutive potential ordinary shares:		
Share awards	74,679,161	63,134,874
Share options	2,247,423	6,702,593
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation	9,291,775,970	9,293,415,935

Note:

The weighted average number of ordinary shares as above are adjusted by the number of shares that would have been issued assuming vesting of share awards and exercise of share options.

13. RELATED PARTY TRANSACTIONS

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

Relationship	Nature of transactions	2025 RMB'M	2024 RMB'M (Restated)
Associates	Sale of goods and services	2,710	2,581
	Purchase of goods and services	19,712	18,879
	Interest income	795	874
	Interest expenses	56	2
	Service fee	9	8
Haier Affiliates (Note (i))	Sale of goods and services	862	998
	Purchase of goods and services	10,535	11,253
	Other service fee expenses	54	105

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

Note:

- (i) Haier Affiliates include Haier Group's subsidiaries.

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For the year ended 31 December 2025

13. RELATED PARTY TRANSACTIONS (continued)

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

	2025 RMB'000	2024 RMB'000
Short term employee benefits	20,357	15,998
Post-employment benefits	1,759	1,316
Share-based payment	55,466	48,235
Total compensation paid to key management personnel	77,582	65,549

Further details of directors' and chief executive's emoluments are included in Note 8 to consolidated financial statements.

The number of non-director and non-chief executive key management personnel whose remuneration fell within the following bands is as follows:

	Number of key management personnel	
	2025	2024
Number of individuals within the band of		
HK\$1,000,001 – HK\$1,500,000	1	—
HK\$1,500,001 – HK\$2,000,000	—	1
HK\$2,500,001 – HK\$3,000,000	1	—
HK\$3,000,001 – HK\$3,500,000	1	—
HK\$5,000,001 – HK\$5,500,000	1	—
HK\$5,500,001 – HK\$6,000,000	2	—
HK\$6,000,001 – HK\$6,500,000	2	1
HK\$7,500,001 – HK\$8,000,000	—	2
HK\$8,000,001 – HK\$8,500,000	1	—
HK\$8,500,001 – HK\$9,000,000	—	2
HK\$9,000,001 – HK\$9,500,000	—	1
HK\$9,500,001 – HK\$10,000,000	2	1
HK\$10,000,001 – HK\$10,500,000	1	1
HK\$10,500,001 – HK\$11,000,000	1	—
Total	13	9

- (c) For the transactions constituting connected transactions under Listing Rules, please refer to “Connected Transactions” under “Report of the Directors”.

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14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RMB'M	Leasehold improvement RMB'M	Machinery and equipment RMB'M	Motor vehicles RMB'M	Furniture fixture and equipment RMB'M	Construction in progress RMB'M	Total RMB'M
Cost:							
As at 1 January 2024 (restated)	19,818	1,731	35,386	229	3,958	5,983	67,105
Additions	295	274	1,580	28	166	6,294	8,637
Acquisition of subsidiaries	595	28	391	15	44	74	1,147
Disposal/write-off	(75)	(6)	(921)	(24)	(228)	—	(1,254)
Transfer from construction in progress	2,777	—	3,089	24	663	(6,553)	—
Transfers from investment property	27	—	—	—	—	—	27
Transfers to investment property	—	—	—	—	—	(96)	(96)
Exchange realignment	(260)	(3)	(320)	(8)	(50)	10	(631)
As at 31 December 2024 and 1 January 2025 (restated)	23,177	2,024	39,205	264	4,553	5,712	74,935
Additions	555	260	838	23	90	6,361	8,127
Disposal/write-off	(386)	(523)	(2,294)	(41)	(605)	—	(3,849)
Transfer from construction in progress	2,762	—	3,642	46	740	(7,190)	—
Exchange realignment	10	(2)	(140)	12	207	29	116
As at 31 December 2025	26,118	1,759	41,251	304	4,985	4,912	79,329
Accumulated depreciation and impairment:							
As at 1 January 2024 (restated)	5,770	1,238	17,879	137	2,079	24	27,127
Depreciation provided for the year	1,020	389	3,137	27	530	—	5,103
Disposals/write-off	(18)	(6)	(731)	(18)	(177)	—	(950)
Transfer from investment property	9	—	—	—	—	—	9
Impairment provided for the year	—	—	6	—	—	4	10
Exchange realignment	(71)	(2)	27	(3)	(18)	—	(67)
As at 31 December 2024 and 1 January 2025 (restated)	6,710	1,619	20,318	143	2,414	28	31,232
Depreciation provided for the year	1,085	195	3,524	36	646	—	5,486
Disposals/write-off	(111)	(523)	(1,744)	(23)	(484)	—	(2,885)
Impairment provided for the year	24	—	5	1	5	—	35
Exchange realignment	(175)	(2)	(126)	—	56	—	(247)
As at 31 December 2025	7,533	1,289	21,977	157	2,637	28	33,621
Carrying amounts							
As at 31 December 2025	18,585	470	19,274	147	2,348	4,884	45,708
As at 31 December 2024 (restated)	16,467	405	18,887	121	2,139	5,684	43,703

At 31 December 2025, the Group was still in the process of obtaining ownership certificates for certain land and buildings it owns, the net book value of which was RMB1,088 million (2024: RMB396 million). At the same date, certain of these land and buildings with net book value of RMB1,088 million (2024: RMB396 million) had been put into use as, in the opinion of the directors, the Group can legally occupy and operate these properties while the related ownership certificates are being processed.

As at 31 December 2025, the Group's land and buildings with a net carrying value of RMB32 million (31 December 2024: Nil) was pledged to secure certain of the Group's bank loans.

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15. INVESTMENT PROPERTIES

	RMB'M
Cost:	
As at 1 January 2024	124
Transfer from property, plant and equipment and right-of-use assets	175
Transfer to property, plant and equipment	(27)
As at 31 December 2024 and 1 January 2025	272
Addition	100
As at 31 December 2025	372
Accumulated depreciation:	
As at 1 January 2024	25
Transfer from property, plant and equipment and right-of-use assets	1
Transfer to property, plant and equipment	(9)
Depreciation provided for the year	8
Exchange realignment	1
As at 31 December 2024 and 1 January 2025	26
Depreciation provided for the year	12
As at 31 December 2025	38
Carrying amounts	
As at 31 December 2025	334
As at 31 December 2024	246

The Group's investment properties consist of four industrial properties in Mainland China as at 31 December 2025 (2024: three industrial properties in Mainland China).

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15. INVESTMENT PROPERTIES (continued)

The fair value of the Group's investment properties as at 31 December 2025 has been arrived at on the basis of a valuation carried out on the respective dates by Shanghai Orient Appraisal Co. Ltd., independent qualified professional valuers not connected to the Group.

The fair value of the industrial properties in Mainland China was determined based on the income approach, where the market rentals of all lettable units of the properties are assessed and discounted at the market yield expected by investors for this type of properties. The market rentals are assessed by reference to the rentals achieved in the lettable units of the properties as well as other lettings of similar properties in the neighbourhood. The discount rate is determined by reference to the yields derived from analysing the sales transactions of similar commercial properties in Mainland China and adjusted to take into account the market expectation from property investors to reflect factors specific to the Group's investment properties. There has been no change from the valuation technique used in the prior year.

Details of the Group's investment properties and information about the fair value hierarchy as at the end of the reporting period are as follows:

	2025		2024	
	Carrying amount RMB'M	Fair value at Level 3 hierarchy RMB'M	Carrying amount RMB'M	Fair value at Level 3 hierarchy RMB'M
Investment properties outside Hong Kong	334	401	246	309

The above investment properties are depreciated on a straight-line basis at the following rates per annum:

Investment property 2% to 5%

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16. LEASES**The Group as a lessee**

The Group has lease contracts for various items of leasehold land, properties, machinery and equipment, motor vehicles and furniture, fixtures and equipment in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of buildings and plant generally have lease terms up to ten years, while machinery and equipment, furniture, fixtures and equipment and motor vehicles generally have shorter lease terms of one to five years. Exemption was applied for lease contracts of twelve months or less and/or are individually of low value.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold land RMB'M	Properties RMB'M	Machinery and equipment RMB'M	Motor vehicles RMB'M	Furniture, fixtures and equipment RMB'M	Total RMB'M
As at 1 January 2024 (restated)	3,296	3,683	262	139	701	8,081
Acquisition of subsidiaries	—	261	151	—	—	412
Additions	176	2,262	16	94	99	2,647
Disposal	—	(227)	(37)	(2)	(2)	(268)
Transfer to investment property	(78)	—	—	—	—	(78)
Depreciation provided for the year	(83)	(1,235)	(44)	(79)	(152)	(1,593)
Exchange realignment	(26)	(58)	4	(5)	11	(74)
As at 31 December 2024 and 1 January 2025 (restated)	3,285	4,686	352	147	657	9,127
Additions	247	1,593	151	112	187	2,290
Disposal	—	(220)	(25)	—	(9)	(254)
Depreciation provided for the year	(85)	(1,407)	(120)	(108)	(145)	(1,865)
Exchange realignment	(4)	139	8	11	15	169
As at 31 December 2025	3,443	4,791	366	162	705	9,467

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16. LEASES (continued)**The Group as a lessee (continued)****(b) Lease liabilities**

The carrying amount of lease liabilities are as follows:

	2025 RMB'M	2024 RMB'M (Restated)
Lease liabilities payable:		
Within one year	1,951	1,537
Within a period of more than one year but not exceeding two years	1,556	1,186
Within a period more than two years but not exceeding five years	2,751	2,609
Within a period of more than five years	1,457	1,812
Total minimum lease payment	7,715	7,144
Less: total future interest expenses	(1,533)	(1,311)
	6,182	5,833
Less: Amount due for settlement with 12 months shown under current liabilities	(1,631)	(1,352)
Amount due for settlement after 12 months shown under non-current liabilities	4,551	4,481

The weighted average incremental borrowing rates applied to lease liabilities range from 0.01% to 28.25% (2024: 0.01% to 28.25%).

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16. LEASES (continued)**The Group as a lessee (continued)****(c)** The amounts recognised in profit or loss in relation to leases are as follows:

	2025 RMB'M	2024 RMB'M (Restated)
Interest on lease liabilities	367	223
Depreciation charge of right-of-use assets	1,865	1,593
Expense relating to:		
Short-term leases	1,162	951
Lease of low value assets	128	41
Variable lease payments not included in the measurement of lease liabilities	67	86
Total amount recognised in profit or loss	3,589	2,894

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16. LEASES (continued)**The Group as a lessor**

The Group leases its investment properties (Note 15) consisting one industrial property in Qingdao, the Mainland China, one industrial property in Dalian, the Mainland China and two industrial properties in Zhengzhou, the Mainland China under operating lease arrangements as at 31 December 2025 (2024: one industrial property in Dalian, the Mainland China and two industrial properties in Zhengzhou, the Mainland China under operating lease arrangements). Rental income recognised by the Group was approximately RMB17 million (2024: RMB10 million) for the year ended 31 December 2025, details of which are included in Note 5 to consolidated financial statements.

At the end of the reporting period, the undiscounted lease payments receivables by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2025	2024
	RMB'M	RMB'M
Within one year	17	12
In the second year	13	11
In the third year	10	10
In the fourth year	10	10
In the fifth year	10	10
After five years	118	132
	178	185

17. GOODWILL

	2025	2024
	RMB'M	RMB'M
Cost:		
At 1 January	27,603	24,702
Acquisition of subsidiaries	—	2,808
Exchange realignment	(84)	93
	27,519	27,603
Less: Impairment loss	(219)	(219)
Net carrying amount	27,300	27,384

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17. GOODWILL (continued)**IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES**

For the purposes of impairment testing, goodwill and trademarks with indefinite useful lives have been allocated to following individual cash-generating units:

- GE Appliances;
- Haier New Zealand Investment Holding Company Limited (“**HNZ**”); and
- Haier Europe Appliance Solutions S.P.A (“**Candy**”); and
- CCR

The carrying amounts of goodwill and trademarks (net of accumulated impairment losses) allocated to these cash-generating units are as follows:

	Goodwill		Trademarks	
	2025	2024	2025	2024
	RMB'M	RMB'M	RMB'M	RMB'M
GE Appliances (Note)	20,883	21,361	668	683
HNZ (Note)	438	443	510	518
Candy (Note)	2,130	1,946	1,527	1,395
CCR (Note)	2,329	2,142	—	—
Other	1,520	1,492	—	—
Net carrying amount	27,300	27,384	2,705	2,596

Note: The recoverable amounts of GE Appliances, HNZ, Candy and CCR have been determined by using cash flow projections based on financial budgets approved by senior management.

The trademark held represented the exclusive right to use of registered trademarks. GE Appliances operates under several key trademarks, including General Electric series (all product lines), Monogram (refrigerator and cooking), and Hotpoint (laundry and cooking). HNZ operates under several key brands, including Fisher & Paykel and DCS. Candy operates under several key trademarks, including Candy (mainly oriented to the low-to-mid-end kitchen and bathroom appliances) and Hoover (mainly oriented to the mid-to-high-end kitchen and bathroom appliances and the floor care appliances).

In addition to goodwill and trademarks above, property, plant and equipment, intangible assets and right-of-use assets (including allocation of corporate assets) that generate cash flows together with the related goodwill and trademark are also included in the respective cash-generating unit for the purpose of impairment assessment.

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17. GOODWILL (continued)

Assumptions were used in the value-in-use or fair value less cost of disposal calculation of the above cash-generating units as at 31 December 2025 and 2024. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill and trademarks. The annual growth rates of each CGUs are based on the relevant industry growth forecasts and do not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value-in-use calculations relate to the estimation of cash flows which include budgeted sales and gross margin; such estimation is based on the unit's past performance and management's expectations for the market development.

Key assumptions used in the calculation the recoverable amount of GE Appliances are as follows:

	Pre-tax discount rate	Annual growth rate	Terminal growth rate	Recoverable amount (in million)	Headroom amount (in million)
As at 31 December 2025	11.2%	2.61%	2%	RMB65,368	RMB31,301
As at 31 December 2024	12.63%	2.58%	2%	RMB55,351	RMB19,825

Key assumptions used in the calculation the recoverable amount of HNZ are as follows:

	Pre-tax discount rate	Annual growth rate	Terminal growth rate	Recoverable amount (in million)	Headroom amount (in million)
As at 31 December 2025	15.1%	3.31%	2%	RMB2,877	RMB499
As at 31 December 2024	14.9%	3.99%	2%	RMB2,724	RMB352

Key assumptions used in the calculation the recoverable amount of Candy are as follows:

	Pre-tax discount rate	Annual growth rate	Terminal growth rate	Recoverable amount (in million)	Headroom amount (in million)
As at 31 December 2025	11.95%	9.83%	1.7%	RMB17,633	RMB9,807
As at 31 December 2024	11.81%	8.64%	1.5%	RMB11,262	RMB3,221

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17. GOODWILL (continued)

Key assumptions used in the calculation the recoverable amount of CCR are as follows:

	Pre-tax discount rate	Annual growth rate	Terminal growth rate	Recoverable amount (in million)	Headroom amount (in million)
As at 31 December 2025	10.67%	12.33%	1.8%	RMB5,615	RMB333
As at 31 December 2024	10.31%	9.39%	1.8%	RMB5,208	RMB316

Discount rates — The discount rates used are before tax and reflect specific risks relating to similar industries and geographical locations.

Annual growth rate — The basis used to determine the annual growth rate is the average growth rate achieved in the years immediately before the budget year, increased for expected market development.

Terminal growth rate — The constant rate that the Company is expected to grow indefinitely.

During the years ended 31 December 2025 and 2024, the impairment assessment is based on a valuation by an independent professional valuer.

The recoverable amount is significantly above the carrying amount of GE Appliance and HNZ. Management believes that any reasonably possible change in any of these assumptions would not result in impairment.

The recoverable amount of Candy exceeds its carrying amount by RMB9,807 million (2024: RMB3,221 million). If the budgeted sales covering 5-year period were reduced by 23% (2024: 1.63%), while other parameters remain constant, the recoverable amount of Candy would equal its carrying amount.

The recoverable amount of CCR exceeds its carrying amount by RMB333 million (2024: RMB316 million). If the pre-tax discount rate was changed to 11.01% (2024: 10.66%) or the budgeted sales covering 5-year period were reduced by 0.26% (2024: 0.25%), while other parameters remain constant, the recoverable amount of CCR would equal its carrying amount.

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18. OTHER INTANGIBLE ASSETS

	Proprietary technology RMB'M	Patents and licences RMB'M	Trademarks RMB'M	Customer relationships RMB'M	Software and others RMB'M	Total RMB'M
As at 1 January 2024 (restated)	813	3,575	2,721	14	2,046	9,169
Additions	129	22	—	—	1,074	1,225
Acquisition of subsidiaries	—	—	119	1,518	257	1,894
Disposals	—	—	—	—	(12)	(12)
Amortisation provided for the year	(202)	(185)	(7)	(24)	(902)	(1,320)
Exchange realignment	(51)	186	(96)	(57)	(180)	(198)
As at 31 December 2024 and 1 January 2025 (restated)	689	3,598	2,737	1,451	2,283	10,758
Additions	151	—	—	—	955	1,106
Disposals	—	(1)	—	—	(39)	(40)
Amortisation provided for the year	(198)	(195)	(13)	(81)	(841)	(1,328)
Impairment	—	—	—	—	(5)	(5)
Exchange realignment	(8)	64	119	133	(17)	291
As at 31 December 2025	634	3,466	2,843	1,503	2,336	10,782

There was no impairment loss recognised for trademarks with indefinite useful lives during the years ended 31 December 2025 and 2024. Details are set out in Note 17 to consolidated financial statements.

The Group's other intangible assets amounting to RMB351 million (31 December 2024: RMB97 million) were pledged to secure certain of the Group's bank loans.

19. INTERESTS IN ASSOCIATES

Details of interests in associates of the Group is as follow:

	2025 RMB'M	2024 RMB'M
Cost of investments in associates	14,335	14,054
Share of post-acquisition profits and other comprehensive income, net of dividends received	7,522	6,979
Impairments loss	(100)	(101)
	21,757	20,932

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19. INTERESTS IN ASSOCIATES (continued)

Particulars of the material associates of the Group are as follows:

Name	Place of incorporation/ registration of business	Paid-up capital or registered capital '000	Percentage of equity attributable to the Company		Principal activity	Type of legal activity
			2025	2024		
Haier Group Finance Co., Ltd	Mainland China/ Mainland China	RMB7,000	42%	42%	Financing	Limited liability company

The following table illustrates summarised financial position of Haier Group Finance Co., Ltd information as at 31 December 2025 and 2024 and summarised financial performance information for the years ended 31 December 2025 and 2024 adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements.

Haier Group Finance Co., Ltd. ("Haier Finance")

	2025 RMB'M	2024 RMB'M
Current assets	61,699	55,207
Non-Current assets	16,135	20,913
Current liabilities	(57,416)	(55,910)
Non-current liabilities	(102)	(639)
Net assets	20,316	19,571
Proportion of the Group's ownership	42%	42%
The Group's share of net assets of Haier Finance	8,533	8,220
Revenue	1,135	1,983
Profit for the year	1,306	1,294
Total comprehensive income for the year	1,306	1,294
Reconciliation of carrying amount of Haier Finance:		
Share of net assets as at 1 January	8,220	7,912
Dividends received	(235)	(235)
Share of results of Haier Finance	548	543
Carrying amount as at 31 December	8,533	8,220

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19. INTERESTS IN ASSOCIATES (continued)

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2025 RMB'M	2024 RMB'M
Share of results of the associates for the year	819	1,266
Share of the associates' other comprehensive loss	(347)	(43)
Share of the associates' total comprehensive income	472	1,223
	2025 RMB'M	2024 RMB'M
Aggregate carrying amount of the Group's investments in the associates	13,324	12,813

20. EQUITY INVESTMENTS DESIGNATED AT FVTOCI

	2025 RMB'M	2024 RMB'M (Restated)
Listed equity investments, at fair value:		
— Qingdao East Soft Communication Technology Co., Ltd	12	15
— Other	10	11
Unlisted equity investments, at fair value:		
— Sinopec Marketing Co., Ltd.	1,128	1,674
— COSMOPlat IoT Technology Co., Ltd. ("COSMO")	2,789	2,786
— Other	1,466	1,588
	5,405	6,074

The above equity investments were irrevocably designated at FVTOCI as the Group considers these investments to be strategic in nature. Details of valuation techniques used to estimate the fair values of the above equity investments are set out in Note 42 to consolidated financial statements.

During the year ended 31 December 2025, the Group received dividends in the amount of approximately RMB48 million (2024: RMB58 million (restated)) from the above investments.

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21. FINANCIAL ASSETS MEASURED AT FVTPL

	2025 RMB'M	2024 RMB'M
Current		
Wealth management products	1,486	746
Investment funds	339	295
Investment in other equity instruments	209	195
	2,034	1,236

As at 31 December 2025 and 2024, included in the Group's wealth management products were products with floating returns which were measured at FVTPL.

22. FINANCIAL ASSETS MEASURED AT AMORTISED COST

	2025 RMB'M	2024 RMB'M
Current		
Time deposits	9,989	1,931
	9,989	1,931
Non-current		
Time deposits	16,383	15,475
Long-term receivables	135	224
	16,518	15,699
Total	26,507	17,630

As at 31 December 2025 and 2024, included in the Group's time deposits were products with fixed returns which were stated at amortised cost. The time deposits with carrying amounts of RMB23,552 million (2024: RMB13,846 million) are placed with Haier Finance as at 31 December 2025. Certain time deposits are unsecured, interest on 1.3%–3.5% per annum (2024: 2.6%–3.4% per annum) and recoverable more than one year. The expected credit losses for the financial assets measured at amortised cost are immaterial to the Group.

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23. DERIVATIVE FINANCIAL INSTRUMENTS

	2025 RMB'M	2024 RMB'M
Derivatives that are designated and effective as hedging instruments carried at fair value:		
Current assets		
Foreign currency forward contracts	81	139
Cross currency interest rate swap contracts	—	4
	81	143
Current liabilities		
Foreign currency forward contracts	191	71
	191	71

24. INVENTORIES

	2025 RMB'M	2024 RMB'M (Restated)
Raw material	6,319	6,670
Work in progress	493	388
Finished goods	40,035	36,131
	46,847	43,189

25. TRADE AND BILLS RECEIVABLES

	2025 RMB'M	2024 RMB'M (Restated)
Trade receivables	27,981	27,564
Less: Allowance for expected credit losses ("ECL")	(915)	(1,069)
Trade receivables, net	27,066	26,495
Bills receivables	6,483	12,181
Less: Allowance for ECL	(1)	(1)
Bills receivables, net	6,482	12,180
Total	33,548	38,675

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25. TRADE AND BILLS RECEIVABLES (continued)

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.

Category of bills receivables

	2025 RMB'M	2024 RMB'M (Restated)
Bank acceptance bills	1,850	10,382
Commercial acceptance bills	4,633	1,799
Less: Allowance for ECL	(1)	(1)
Total	6,482	12,180

All bills receivables by the Group are with a maturity period of less than one year.

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

	2025 RMB'M	2024 RMB'M (Restated)
1 to 3 months	23,341	24,083
3 months to 1 year	2,791	1,642
1 to 2 years	531	569
2 to 3 years	278	120
Over 3 years	125	81
	27,066	26,495

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25. TRADE AND BILLS RECEIVABLES (continued)

The movements in the ECL allowance of trade and bills receivables are as follows:

	2025 RMB'M	2024 RMB'M (Restated)
As at 1 January	1,070	1,476
Provision/(reversal) of impairment loss, net	(33)	317
Amount written off as uncollectible	(156)	(714)
Exchange realignment	35	(9)
As at 31 December	916	1,070

As at 31 December 2025 and 2024, impairment analysis is performed at each reporting date using a provision matrix to measure ECL. The ECL rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2025

	Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years	Individual assessment	Total
Average loss rate	1.2%	18.7%	29.1%	64.6%	94.7%	3.3%
Gross carrying amount (RMB'M)	26,458	647	392	353	131	27,981
Expected credit loss (RMB'M)	328	121	114	228	124	915

As at 31 December 2024 (Restated)

	Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years	Individual assessment	Total
Average loss rate	1.5%	15.3%	33.7%	62.1%	95.8%	3.9%
Gross carrying amount (RMB'M)	26,107	660	181	214	402	27,564
Expected credit loss (RMB'M)	389	101	61	133	385	1,069

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25. TRADE AND BILLS RECEIVABLES (continued)

Included in the Group's trade and bills receivables are amounts due from Haier Affiliates approximately RMB922 million (2024: RMB552 million (restated)) and amounts due from associates approximately RMB724 million (2024: RMB555 million) as at 31 December 2025. All of these amounts are repayable on credit terms similar to those offered to the major customers of the Group. Further details of the sales to these related parties are set out in Note 13 to consolidated financial statements.

As at 31 December 2025, the Group's bills receivables of approximately RMB1,196 million (2024: RMB5,068 million) were pledged to secure the Group's bills payable. The Groups' bills receivables of approximately RMB38 million (2024: RMB47 million) pledged to secured of the Group's loan.

26. RECEIVABLES AT FVTOCI

	2025 RMB'M	2024 RMB'M (Restated)
Bills receivables at FVTOCI	1,788	236
Trade receivables at FVTOCI	—	177
Total	1,788	413

As part of the Group's cash flow management, the Group factors certain trade receivables to financial institutions before the receivables are due for payment. The factored trade receivables are derecognised on the basis that the Group has transferred substantially all the risks and rewards to the relevant counterparties. Such trade receivables that are held for the collection of contractual cash flows and sale of financial assets, have been classified as trade receivables at FVTOCI.

Certain bills which were held by the Group for the practice of discounting/endorsing to financial institutions/suppliers before the bills due for payment were classified as "bills receivables at FVTOCI". At 31 December 2025 and 2024, all bills are bank acceptance bills and with a maturity period of less than one year.

As at 31 December 2025, the Group's receivables at FVTOCI of approximately RMB163 million (2024: Nil) were pledged to secure the Group's bills payable.

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27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2025	2024
	RMB'M	RMB'M (Restated)
Current		
Interest receivables	342	772
Taxes recoverable	3,463	3,618
Prepayments	2,855	2,387
Deposits	126	111
Other receivables	2,761	2,816
Miscellaneous receivables	699	566
	10,246	10,270
Less: Allowance for ECL	(330)	(339)
	9,916	9,931
Non-current		
Long-term prepayments	1,680	1,381
	11,596	11,312

Notes:

Prepayments, deposits and other receivables mainly represent prepayments and the deposits with suppliers and other parties.

Included in the Group's long-term prepayments are advances made to Haier Affiliates relating to the Group's property, plant and equipment with an aggregate amount of approximately RMB82 million (2024: RMB13 million) as at 31 December 2025. The amounts are unsecured, interest-free and recoverable on demand.

Included in the Group's prepayments, deposits and other receivables are amounts due from Haier Affiliates of approximately RMB777 million (2024: RMB569 million (restated)) and amounts due from associates of approximately RMB1,912 million (2024: RMB1,712 million (restated)) as at 31 December 2025. All of these amounts are unsecured, interest-free and recoverable on demand.

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27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

The movements in the ECL of prepayments, deposits and other receivables are as follows:

	2025	2024
	RMB'M	RMB'M
As at 1 January	339	433
Impairment losses, net (Note 6)	305	240
Amount written off as uncollectible	(315)	(334)
Exchange realignment	1	—
As at 31 December	330	339

28. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	2025	2024
	RMB'M	RMB'M (Restated)
Cash and bank balances	39,161	34,709
Time deposits	8,461	20,889
	47,622	55,598
Less: Cash and bank balances and time deposits pledged for:		
Bills payables (Note 29)	(1,085)	(484)
Bank guarantees	(133)	(49)
Pledged deposits	(1,218)	(533)
Other deposit with limited use	(136)	(70)
Cash and cash equivalents	46,268	54,995

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28. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS (continued)

As at 31 December 2025, the cash and bank balances and time deposits of the Group, denominated in RMB, amounted to approximately RMB24,446 million (2024: RMB34,223 million (restated)). The RMB is not freely convertible into other currencies; however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for within three months depending on the immediate cash requirements of the Group, and earn interest at the deposit rates of the respective periods. The bank balances and pledged deposits are deposited with creditworthy banks or financial institutions with no recent history of default.

Bank balances carry interest at market rates which range from 0.15% to 3.5% per annum (2024: 0.10% to 3.5% per annum) for the year ended 31 December 2025. The pledged deposits carry an interest rate which ranges from 0.15% to 1.5% per annum (2024: 0.2% to 2.05% per annum) for the year ended 31 December 2025. The pledged bank deposits will be released upon the settlement of relevant bills payables.

Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group. Deposits amounting to approximately RMB1,085 million (2024: RMB484 million) have been pledged to secure bills payables as at 31 December 2025 and classified as current assets.

Included in the Group's cash and cash equivalents are deposits of approximately RMB11,331 million (2024: RMB20,565 million) placed with Haier Finance as at 31 December 2025 which is an associate of the Group and is a financial institution approved by the People's Bank of China. The interest rate on these deposits ranges from 0.0001% to 4.1% per annum (2024: 0.00012% to 4.1% per annum) for the year ended 31 December 2025. Further details of the interest income attributable to the deposits placed with Haier Finance are set out in Note 13 to consolidated financial statements.

29. TRADE AND BILLS PAYABLES

	2025 RMB'M	2024 RMB'M (Restated)
Trade payables	53,544	54,666
Bills payables	23,871	21,220
	77,415	75,886

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29. TRADE AND BILLS PAYABLES (continued)

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:

	2025 RMB'M	2024 RMB'M (Restated)
Within 1 year	76,534	74,993
1 to 2 years	400	523
2 to 3 years	237	135
Over 3 years	244	235
	77,415	75,886

- (a) The trade and bills payables are non-interest-bearing and are normally settled on credit terms ranging from 30 to 270 days.
- (b) Included in the Group's trade and bills payables are amounts due to Haier Affiliates of approximately RMB1,251 million (2024: RMB1,119 million (restated)) and amounts due to associates of approximately RMB1,188 million (2024: RMB1,202 million) as at 31 December 2025. Further details of the purchases from these related parties are set out in Note 13 to consolidated financial statements.
- (c) As at 31 December 2025, the Group's bills payable are secured by the pledge of the Group's bank deposits amounting to approximately RMB1,085 million (2024: RMB484 million) (Note 28) and the Group's bills receivables amounting to approximately RMB1,196 million (2024: RMB5,068 million). As at 31 December 2025, the Group's bills payables are guaranteed by Haier Group, amounting to approximately RMB2,741 million (2024: RMB2,182 million). The Group's bills payable are secured by the pledge of the Group's receivables at FVTOCI amounting to approximately RMB163 million (2024: Nil).

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29. TRADE AND BILLS PAYABLES (continued)

- (d) The financial liabilities that are part of the Group's supplier finance arrangements included in trade payables and interest-bearing borrowings, which is disclosed in Note 32 to consolidated financial statements, are normally settled from 30-day to 270-day terms, respectively.

The Group has established supplier finance arrangements that are offered to some of the Group's key suppliers. Participation in the arrangements is at the suppliers' own discretion. Suppliers that participate in the supplier finance arrangements will receive early payments or payments at the original due dates on invoices sent to the Group from the Group's external finance provider. If suppliers choose to receive early payments, they pay a fee to the finance provider. In order for the finance provider to pay the invoices, the goods must have been received or supplied and the invoices must have been approved by the Group. Payments to suppliers ahead of or at the invoice due date are processed by the finance provider and, in all cases, the Group settles the original invoice by paying the finance provider in line with the original invoice maturity date or at a later date as agreed with the finance provider. Payment terms with suppliers have not been renegotiated in conjunction with the arrangements. The Group provides no security to the finance provider.

All financial liabilities that are part of the supplier finance arrangements are included in trade and bills payables and interest-bearing borrowings in the consolidated statement of financial position and within trade payables and the current portion of unsecured bank loans.

	2025	2024
	RMB'M	RMB'M
Carrying amount of financial liabilities that are part of the supplier finance arrangements included in:		
Trade and bills payables	8,675	8,503
Of which suppliers have received payments	4,518	4,675
Carrying amount of financial liabilities that are part of the supplier finance arrangements included in:		
Interest-bearing borrowings	151	98
Of which suppliers have received payments	151	98

For financial liabilities that are part of the supplier finance arrangements included in trade and bills payables, there were no significant non-cash changes in the carrying amounts of these financial liabilities. For financial liabilities that are part of the supplier finance arrangements included in interest-bearing borrowings, the related non-cash transaction is disclosed in Note 39(a) to the consolidated financial statements.

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30. OTHER PAYABLES AND ACCRUALS

	2025	2024
	RMB'M	RMB'M
		(Restated)
Other payables and accruals	18,072	19,685
Payables for employee benefits	5,618	5,057
Other tax payables	2,130	2,650
Put option liabilities	—	2,024
Refund liabilities:		
Volume rebate	1,361	1,960
Sales return	800	578
Deferred income (Note 34)	199	171
Interest payable	109	140
	28,289	32,265

Other payables are non-interest-bearing and repayable on demand.

Included in the Group's other payables and accruals are amounts due to Haier Affiliates of approximately RMB306 million (2024: RMB271 million (restated)), amounts due to associates of approximately RMB95 million (2024: RMB3 million) as at 31 December 2025. All of these amounts are unsecured, interest-free and repayable on demand.

Included in other payables and accruals, put option liabilities arose from the put options granted to a non-controlling interest ("**NCI**") shareholders of the Group's subsidiary, to sell their respective interests in Gooday Supply Chain Technologies Co., Ltd. to the Group at price to be determined based on initial investment cost plus 5% accrued interest up to the date of the purchase. The carrying amount was approximately RMB2,024 million as at 31 December 2024 and the Group redeemed the put option liabilities during the year ended 31 December 2025.

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31. CONTRACT ASSETS/CONTRACT LIABILITIES**(a) Contract assets**

	2025	2024
	RMB'M	RMB'M
Retention for rendering service	1,133	1,089
Less: Allowance for expected credit loss	(125)	(91)
	1,008	998

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditioned on the Group's future performance. The contract assets are transferred to trade receivables when the rights become unconditional.

The Group classifies these contract assets as current because the Group expects to realise them in its normal operating cycle.

(b) Contract liabilities

The Group's sale of products and provision of after-sales and logistics services and other value-added customer services contracts include payment schedules which require stage payments over the services period once certain specified milestones are reached. The Group requires certain customers to provide upfront deposits range from 10% to 20% of total contract sum as part of its credit risk management policies.

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31. CONTRACT ASSETS/CONTRACT LIABILITIES (continued)**(b) Contract liabilities (continued)**

The Group's contract liabilities are analysed as follows:

	2025 RMB'M	2024 RMB'M (Restated)
Sale of goods	8,411	10,750
Rendering of services	124	115
As at 31 December	8,535	10,865

Contract liabilities mainly include short-term advances received from customers for sales of products and provision of after-sales and logistics services and other value-added customer services.

	2025 RMB'M	2024 RMB'M (Restated)
Contract liabilities		
As at 1 January	10,865	7,862
Less: Revenue recognised during the year	(10,432)	(6,649)
Consideration received from customers over the amounts of revenue recognised	8,102	9,652
As at 31 December	8,535	10,865

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32. INTEREST-BEARING BORROWINGS

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

	2025 RMB'M	2024 RMB'M (Restated)
Current		
Bank loans — unsecured	21,453	23,599
Bank loans — secured	263	528
	21,716	24,127
Non-current		
Bank loans — unsecured	10,915	9,557
Bank loans — secured	251	109
Notes — unsecured (Note)	3,500	—
	14,666	9,666
	36,382	33,793
Unsecured	35,868	33,156
Secured	514	637
	36,382	33,793
Analysed into:		
Loans repayable:		
Within one year or on demand	21,716	24,127
In the second year	1,643	2,274
In the third to fifth years, inclusive	12,439	6,832
Over five years	584	560
	36,382	33,793
Effective interest rate		
Current		
Bank loans — unsecured	0.65% to 7.0%	0.75% to 13.0%
Bank loans — secured	0.74% to 4.0%	1.1% to 7.6%
Non-current		
Bank loans — unsecured	1.5% to 5.3%	1.3% to 5.4%
Bank loans — secured	1.5% to 3.55%	1.6% to 5.1%
Notes — unsecured (Note)	1.66% to 1.99%	—

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32. INTEREST-BEARING BORROWINGS (continued)

As at 31 December 2025 and 2024, the Group's interest-bearing borrowings were denominated in the following currencies:

	2025 RMB'M	2024 RMB'M (Restated)
USD	14,459	13,864
EUR	3,130	5,292
RMB	16,890	9,528
Other currencies	1,903	5,109
	36,382	33,793

Included in the Group's interest-bearing borrowings are borrowings of approximately RMB3,767 million (2024: RMB196 million) from Haier Finance, which is an associate of the Group and is a financial institution approved by the People's Bank of China. The interest rate on these loans ranges from 1.8% to 4.9% per annum (2024: 4.4% to 4.9% per annum). Further details of the interest expense to these related parties are set out in Note 13 to consolidated financial statement.

The Group's loans are guaranteed by:

- (i) Haier Group, the controlling shareholder of the Company, to the extent of approximately RMBNil million as at 31 December 2025 (2024: RMB320 million); and

The Group's loans are secured by:

- (i) the pledge of the Group's buildings and leasehold land with carrying amount of approximately RMB32 million as at 31 December 2025 (2024: RMBNil million);
- (ii) the pledge of the Group's trade and bills receivables with carrying amount of approximately RMB38 million as at 31 December 2025 (2024: RMB47 million); and
- (iii) the pledge of the Group's other intangible assets with carrying amount of approximately RMB351 million as at 31 December 2025 (2024: RMB97 million (restated)).

Note: In February 2025, the Group issued a RMB1,500 million notes with maturity of 3 years at annual coupon rate of 1.99%. In June 2025, the Group issued a RMB2,000 million notes with maturity of 3 years at annual coupon rate of 1.66%.

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33. PROVISIONS

	2025	2024
	RMB'M	RMB'M
Product warranties	4,423	4,320
Legal claim	65	224
Others	640	552
	5,128	5,096
Portion classified as current liabilities	(2,638)	(2,710)
	2,490	2,386

The movements in product warranties are as follows:

	2025	2024
	RMB'M	RMB'M
As at 1 January	4,320	3,809
Additional provision (Note 6)	6,594	6,403
Acquisition of subsidiaries	—	202
Amounts utilised during the year	(6,502)	(6,053)
Exchange realignment	11	(41)
As at 31 December	4,423	4,320

The Group provides installation services and warranties of three to eight years to its customers for refrigerators, freezers, kitchen appliances, air solutions, household laundry management solution, household water solution and other business under which faulty products are repaired or replaced. The amount of the provision for the warranties is estimated based on retail volume and past experience of the level of installation services rendered, repairs and returns. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

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34. DEFERRED INCOME

The movement of deferred income is set out below:

	2025	2024
	RMB'M	RMB'M (Restated)
As at 1 January	1,252	1,260
Compensation received during the year	444	156
Credit to profit or loss	(254)	(164)
As at 31 December	1,442	1,252
Less: Current portion included in other payables and accruals (Note 30)	(199)	(171)
Non-current portion	1,243	1,081

Government grants mainly include subsidies income received by a subsidiary of the Group which operates in the Mainland China in accordance with the subsidy policies of local government authorities. Subsidies income received by a subsidiary of the Group is recognised in the consolidated statement of profit or loss and other comprehensive income when received and no specific conditions are required.

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35. DEFERRED TAX

The movements in deferred tax assets and deferred tax liabilities during the years ended 31 December 2025 and 2024 are as follows:

Deferred tax assets

	Provision for impairment RMB'M	Lease liabilities and payables RMB'M	Unrealised profits RMB'M	Tax losses RMB'M	Research and development costs RMB'M	Others RMB'M	Total RMB'M
As at 1 January 2024	483	2,736	708	232	1,171	323	5,653
Deferred tax credited to the statement of profit or loss during the year, net	89	118	164	20	344	56	791
Deferred tax charged to the statement of other comprehensive income during the year	—	—	—	—	—	(16)	(16)
Acquisition of subsidiaries	72	187	—	—	—	290	549
Exchange realignment	(42)	(25)	15	(4)	9	(32)	(79)
As at 31 December 2024 and 1 January 2025	602	3,016	887	248	1,524	621	6,898
Deferred tax credited/(charged) to the statement of profit or loss during the year, net	46	462	(120)	223	(626)	(13)	(28)
Deferred tax charged to the statement of other comprehensive income during the year	—	—	—	—	—	101	101
Exchange realignment	52	50	(3)	(2)	(23)	(134)	(60)
As at 31 December 2025	700	3,528	764	469	875	575	6,911

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35. DEFERRED TAX (continued)**Deferred tax liabilities**

	Withholding taxes RMB'M	Right of use assets, depreciation and amortisation RMB'M	Remeasurement of fair value of the remaining equity on the date of loss of control RMB'M	Change in fair value of other equity instrument investment RMB'M	Others RMB'M	Total RMB'M
As at 1 January 2024 (restated)	94	4,160	374	306	401	5,335
Deferred tax charged/(credited) to the statement of profit or loss during the year, net	—	27	—	—	(106)	(79)
Deferred tax charged to the statement of other comprehensive income during the year	—	—	—	(5)	(52)	(57)
Acquisition of subsidiaries	—	671	—	—	116	787
Exchange realignment	—	(35)	—	1	16	(18)
As at 31 December 2024 and 1 January 2025 (restated)	94	4,823	374	302	375	5,968
Deferred tax (credited)/charged to the statement of profit or loss during the year, net	—	(184)	—	—	40	(144)
Deferred tax charged to the statement of other comprehensive income during the year	—	—	—	(1)	(14)	(15)
Exchange realignment	—	59	—	—	(105)	(46)
As at 31 December 2025	94	4,698	374	301	296	5,763

For presentation purpose, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balance of the Group for financial reporting purpose:

	2025 RMB'M	2024 RMB'M (Restated)
Net deferred tax assets recognised in the consolidated statement of financial position	2,779	2,477
Net deferred tax liabilities recognised in the consolidated statement of financial position	(1,631)	(1,547)
Net deferred tax assets	1,148	930

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36. SHARE CAPITAL

The movements of the Company's issued share capital during the years ended 31 December 2025 and 2024 are as follows:

	H Shares 'M	D Shares 'M	A Shares 'M	Total number of shares 'M	Share capital RMB'M
As at 1 January 2024	2,858	271	6,309	9,438	9,438
Share repurchased and cancelled (Note a)	(1)	—	—	(1)	(1)
Treasury shares cancelled (Note b)	—	—	(54)	(54)	(54)
As at 31 December 2024 and 1 January 2025	2,857	271	6,255	9,383	9,383
Share repurchased and cancelled (Note c)	(3)	—	—	(3)	(3)
Treasury shares cancelled (Note d)	—	—	(2)	(2)	(2)
As at 31 December 2025	2,854	271	6,253	9,378	9,378

Notes:

- (a) During the year ended 31 December 2024, the Company repurchased a total of 1,150,000 H shares at a consideration of approximately HKD27 million which were subsequently cancelled.
- (b) During the year ended 31 December 2024, the Company cancelled a total of 54,051,559 treasury shares in A Shares, the Company recognised a decrease of RMB54 million in share capital.
- (c) During the year ended 31 December 2025, the Company repurchased a total of 3,811,000 H shares at a consideration of approximately HKD100 million which were subsequently cancelled.
- (d) During the year ended 31 December 2025, the Company cancelled a total of 1,472,684 treasury shares in A Shares, the Company recognised a decrease of RMB2 million in share capital.
- (e) All shares issued are at par value of RMB1.

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37. SHARE-BASED PAYMENTS TRANSACTIONS

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.

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

The A Share and H Share ESOP and RSU Scheme are designed to provide incentive to middle and senior management and core employees with the Company's two to three-year profit target, and business unit and individual performance target as the main appraisal benchmarks. There is no consideration to be paid by the participants for the shares awarded under the A Share and H Share ESOPs and RSU Scheme, which aligns with the purpose of the share aware scheme to attract and retain the services of directors and employees.

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

(a) A and H Share ESOP**A Share ESOP**

Particulars and movements of A Share ESOP during the year ended 31 December 2025 and 2024 were as follows:

	2025		2024	
	Weighted average grant date fair value per share RMB	Number of awarded shares	Weighted average grant date fair value per share RMB	Number of awarded shares
At 1 January	26.4	48,456,025	23.6	45,649,609
Grant during the year	24.7	31,481,400	27.5	31,266,608
Vested during the year	25.8	(16,142,480)	23.4	(19,122,687)
Cancelled during the year	24.5	(8,250,261)	22.6	(9,337,505)
Outstanding as at 31 December	25.9	55,544,684	26.4	48,456,025

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37. SHARE-BASED PAYMENTS TRANSACTIONS (continued)**(a) A and H Share ESOP (continued)****A Share ESOP (continued)**

During the year ended 31 December 2025, the Company granted A Share ESOP on 20 June 2025 (2024: 12 July 2024) with an estimated fair value of RMB776 million (2024: RMB860 million).

The fair value of the A Share ESOP was calculated based on the market closing price of the Company's shares at the grant date. The expected dividends during the vesting period have been taken into account when assessing the fair value of these awarded shares.

H Share ESOP

Particulars and movements of H Share ESOP during the year ended 31 December 2025 and 2024 were as follows:

	2025		2024	
	Weighted average grant date fair value per share RMB	Number of awarded shares	Weighted average grant date fair value per share RMB	Number of awarded shares
At 1 January	23.3	5,375,407	21.5	5,248,484
Grant during the year	21.2	3,018,400	23.8	3,035,400
Vested during the year	23.1	(1,362,251)	21.0	(2,091,280)
Cancelled during the year	22.7	(1,312,771)	19.7	(817,197)
Outstanding as at 31 December	22.3	5,718,785	23.3	5,375,407

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37. SHARE-BASED PAYMENTS TRANSACTIONS (continued)**(a) A and H Share ESOP (continued)****H Share ESOP (continued)**

During the year ended 31 December 2025, the Company granted H Share ESOP on 2 July 2025 (2024: 26 July 2024) with an estimated fair value of RMB64 million (2024: RMB72 million).

The Group recognised a total expense of RMB868 million (2024: RMB674 million) for the year ended 31 December 2025 in relation to A and H Share ESOP granted by the Company. During the year ended 31 December 2025, participants failed to meet the performance target or forfeited of share award granted prior to completion of vesting period of certain of its outstanding A and H ESOP, the impact of the revision for RMB223 million (2024: RMB228 million) is adjusted in profit or loss.

The fair value of the H Share ESOP was calculated based on the market closing price of the Company's shares at the grant date. The expected dividends during the vesting period have been taken into account when assessing the fair value of these awarded shares.

(b) H Share Restricted Share Unit Scheme

Particulars and movements of H Share RSU during the year ended 31 December 2025 and 2024 were as follows:

	2025		2024	
	Weighted average grant date fair value per share RMB	Number of awarded shares	Weighted average grant date fair value per share RMB	Number of awarded shares
At 1 January	23.0	13,633,951	21.7	14,085,549
Grant during the year	20.8	7,462,016	25.4	4,689,425
Vested during the year	22.5	(1,526,297)	21.6	(2,277,933)
Cancelled during the year	22.2	(2,733,765)	21.6	(951,230)
Lapsed during the year	22.6	(1,314,662)	22.1	(1,911,860)
Outstanding as at 31 December	22.1	15,521,243	23.0	13,633,951

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37. SHARE-BASED PAYMENTS TRANSACTIONS (continued)

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

During the year ended 31 December 2025, H Share RSU were granted on 20 June 2025 and 14 November 2025. The estimated fair values of the H Share RSU granted on those dates are RMB152 million and RMB3 million respectively.

During the year ended 31 December 2024, H Share RSU were granted on 24 June 2024 and 22 November 2024. The estimated fair values of the H Share RSU granted on those dates are RMB109 million and RMB11 million respectively.

The Group recognised a total expense of RMB25 million (2024: RMB22 million) for the year ended 31 December 2025 in relation to H Share RSU granted by the Company. During the year ended 31 December 2025, participants failed to meet the performance target or forfeited of share award granted prior to completion of vesting period of certain of its outstanding H Share RSU, the impact of the revision for RMB15 million (2024: RMB38 million) is adjusted in profit or loss.

The fair value of the H Share RSU was calculated based on the market closing price of the Company's shares at the grant date. The expected dividends during the vesting period have been taken into account when assessing the fair value of these awarded shares.

(c) A-Share Option Scheme

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.

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.

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 2022 A Share Option 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.

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37. SHARE-BASED PAYMENTS TRANSACTIONS (continued)**(c) A-Share Option Scheme (continued)****2022 A Share Option Incentive Scheme (continued)**

Particulars and movements of share options during the year ended 31 December 2025 and 2024 were as follows:

	2025		2024	
	Weighted average exercise price per share RMB	Number of options	Weighted average exercise price per share RMB	Number of options
At 1 January	24.3	66,871,856	24.3	106,048,020
Cancelled during the year	24.3	(31,956,994)	24.3	(33,435,928)
Lapsed during the year	24.6	(2,957,868)	24.5	(5,740,236)
Outstanding as at 31 December	24.3	31,956,994	24.3	66,871,856

The weighted average remaining contract life for outstanding share options was 1.6 years in 2025 (2024: 2 years).

The Group recognises the fair value of share options as an expense in the income statement over the vesting period, or as an asset, if the cost qualifies for recognition as an asset. The fair value of the share options is measured at the date of grant. The Group recognised a total expense of RMB95 million (2024: RMB195 million) for the year ended 31 December 2025 in relation to share options granted by the Company. During the year ended 31 December 2025, participants failed to meet the performance target or forfeited of share options granted prior to completion of vesting period of certain of its outstanding option, the impact of the revision for RMB260 million (2024: RMB251 million) is adjusted in profit or loss.

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38. RESERVES

Reserves

The amounts of the Group's reserves and the movements therein for the years ended 31 December 2025 and 2024 are presented in the consolidated statement of changes in equity of the consolidated financial statements.

- (i) According to the relevant rules and regulations in the People's Republic of China ("**PRC**"), subsidiaries of the Company established in the PRC are required to transfer 10% of their net profit, as determined in accordance with the PRC accounting standards and regulations, to the reserve fund until the balance of the reserve reaches 50% of their respective registered capital. The transfer to this reserve must be made before distribution of dividends to owners of these subsidiaries. Reserve fund can be used to set off previous years' losses, if any, and may be converted into capital in proportion to existing equity owners' equity percentage, provided that the balance after such issuance is not less than 25% of their registered capital.
- (ii) Exchange differences on translation of financial statements reserve comprises all foreign exchange differences arising from the translation of the financial statement of operations.
- (iii) The cash flow hedge reserve represent the cumulative amount of gains and losses on hedging instruments deemed effective in cash flow hedges. The cumulative deferred gain or loss on the hedging instrument is recognised in profit or loss only when the hedged transaction impacts the profit or loss, or is included directly in the initial cost or other carrying amount of the hedged non-financial items (basis adjustment).
- (iv) Fair value reserve comprises the cumulative net change in the fair value of equity investments designated at fair value through other comprehensive income ("**FVTOCI**") under IFRS 9 that are held at the end of the reporting period.
- (v) Treasury shares reserve comprises the value of those ordinary shares repurchased and cancelled. At 31 December 2025, the Company had outstanding treasury shares of 179,420,090 (31 December 2024: 149,470,502) shares.

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39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS**(a) Major non-cash transactions**

- (i) During the year ended 31 December 2025, the Group had non-cash additions to right-of-use assets of approximately RMB2,043 million (2024: RMB2,471 million) and lease liabilities of approximately RMB2,043 million (2024: RMB2,471 million), in respect of lease arrangements for land and building, machinery and equipment, motor vehicles and furniture, fixtures and equipment.
- (ii) During the year ended 31 December 2025, the Group reclassified trade payables of approximately RMB180 million (2024: RMB148 million) to interest-bearing borrowings in respect of the supplier finance arrangements.

(b) Changes in liabilities arising from financing activities

	Other payables and accruals in relation to financing activities RMB'M	Interest bearing borrowings RMB'M	Lease liabilities RMB'M
As at 1 January 2024 (restated)	2,170	29,415	4,787
Changes from financing cash flows	(9,982)	4,080	(1,709)
Foreign exchange movement	5	226	(43)
New leases	—	—	2,471
Acquisition of subsidiaries	—	—	393
Liabilities under supplier finance arrangement transferred from trade and bills payables	—	148	—
Early termination	—	—	(289)
Interest payable	2,484	—	223
Others changes	47	(76)	—
Dividends payable to shareholders	7,444	—	—
Dividends payable to non-controlling interests	108	—	—
As at 31 December 2024 and 1 January 2025 (restated)	2,276	33,793	5,833
Changes from financing cash flows	(15,975)	2,060	(1,801)
Foreign exchange movement	40	397	27
New leases	—	—	2,043
Liabilities under supplier finance arrangement transferred from trade and bills payables	—	180	—
Early termination	—	—	(287)
Interest payable	2,220	—	367
Others changes	131	(48)	—
Dividends payable to shareholders	11,483	—	—
Dividends payable to non-controlling interests	86	—	—
As at 31 December 2025	261	36,382	6,182

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40. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the interest-bearing borrowings and lease liabilities disclosed in Notes 32 and 16(b) respectively, net assets of the Group, comprising issued share capital, retained profits and other reserves.

The Group has established supplier finance arrangements to manage its working capital, details of which are included in Note 29 to the consolidated financial statements.

The gearing ratio at the end of the reporting period was as follows:

	2025 RMB'M	2024 RMB'M (Restated)
Debt (i)	42,564	39,626
Equity (ii)	125,977	118,802
Net debt to equity ratio	33.8%	33.4%

(i) Debt is defined as long and short-term interest-bearing borrowings and lease liabilities as detailed in Notes 32 and 16(b).

(ii) Equity includes all capital and reserves of the Group.

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41. FINANCIAL INSTRUMENTS BY CATEGORY

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

Financial assets

31 December 2025

	Financial Assets at FVTPL RMB'M	Financial assets at FVTOCI RMB'M	Derivative designated as hedges RMB'M	Financial assets measured at amortised cost RMB'M	Total RMB'M
Equity investments designated at FVTOCI	—	5,405	—	—	5,405
Trade and bills receivables	—	—	—	33,548	33,548
Receivables at FVTOCI	—	1,788	—	—	1,788
Financial assets included in deposit and other receivables	—	—	—	3,598	3,598
Financial assets measured at FVTPL	2,034	—	—	—	2,034
Financial assets measured at amortised cost	—	—	—	26,507	26,507
Derivative financial instruments	—	—	81	—	81
Pledged deposits	—	—	—	1,218	1,218
Other deposits with limited use	—	—	—	136	136
Cash and cash equivalents	—	—	—	46,268	46,268
	2,034	7,193	81	111,275	120,583

31 December 2024 (Restated)

	Financial Assets at FVTPL RMB'M	Financial assets at FVTOCI RMB'M	Derivative designated as hedges RMB'M	Financial assets measured at amortised cost RMB'M	Total RMB'M
Equity investments designated at FVTOCI	—	6,074	—	—	6,074
Trade and bills receivables	—	—	—	38,675	38,675
Receivables at FVTOCI	—	413	—	—	413
Financial assets included in deposit and other receivables	—	—	—	3,926	3,926
Financial assets measured at FVTPL	1,236	—	—	—	1,236
Financial assets measured at amortised cost	—	—	—	17,630	17,630
Derivative financial instruments	—	—	143	—	143
Pledged deposits	—	—	—	533	533
Other deposits with limited use	—	—	—	70	70
Cash and cash equivalents	—	—	—	54,995	54,995
	1,236	6,487	143	115,829	123,695

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41. FINANCIAL INSTRUMENTS BY CATEGORY (continued)**Financial liabilities****31 December 2025**

	Derivative designated as hedges RMB'M	Financial liabilities measured at amortised cost RMB'M	Total RMB'M
Trade and bills payables	—	77,415	77,415
Financial liabilities included other payables and accruals	—	23,799	23,799
Derivative financial instruments	191	—	191
Interest-bearing borrowings	—	36,382	36,382
Other non-current liabilities	—	248	248
Lease liabilities	—	6,182	6,182
	191	144,026	144,217

31 December 2024 (Restated)

	Derivative designated as hedges RMB'M	Financial liabilities measured at amortised cost RMB'M	Total RMB'M
Trade and bills payables	—	75,886	75,886
Financial liabilities included other payables and accruals	—	26,906	26,906
Derivative financial instruments	71	—	71
Interest-bearing borrowings	—	33,793	33,793
Other non-current liabilities	—	285	285
Lease liabilities	—	5,833	5,833
	71	142,703	142,774

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42. 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.

Fair values are categorised into different fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets 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)
- Level 3 fair value measurements are those derived from valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable (significant unobservable input).

The management estimates that the amount of financial instruments carried at amortised cost approximates its fair value.

The 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.

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

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:

The fair values of unlisted equity investments designated at FVTOCI have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires management to determine comparable public companies (peers) based on industry and place of business, and to calculate an appropriate price multiple, such as price to earnings (“P/E”) multiple, and 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 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.

The Group invests in unlisted investments, which represent equity investments designated at FVTOCI and wealth management products included in financial assets measured at FVTPL issued by banks in Mainland China. 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 value of Receivable at FVTOCI have been calculated by discounting the expected future cash flow using rate currently available for instruments with similar terms, credit risk and remaining maturities.

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

The fair values of 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 carrying amount of the financial instrument reasonably approximate to fair value.

Below is a summary of significant unobservable inputs (level 3 inputs of fair value measurement) to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2025 and 2024.

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

Assets measured at fair value**31 December 2025**

	Level 1 RMB'M	Level 2 RMB'M	Level 3 RMB'M	Total RMB'M
Equity investments designated at FVTOCI	22	—	5,383	5,405
Receivables at FVTOCI	—	1,788	—	1,788
Financial assets measured at FVTPL	448	1,486	100	2,034
Derivative financial instruments	—	81	—	81
	470	3,355	5,483	9,308

31 December 2024 (Restated)

	Level 1 RMB'M	Level 2 RMB'M	Level 3 RMB'M	Total RMB'M
Equity investments designated at FVTOCI	26	—	6,048	6,074
Receivables at FVTOCI	—	413	—	413
Financial assets measured at FVTPL	382	746	108	1,236
Derivative financial instruments	—	143	—	143
	408	1,302	6,156	7,866

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42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)**Liabilities measured at fair value****31 December 2025**

	Level 1 RMB'M	Level 2 RMB'M	Level 3 RMB'M	Total RMB'M
Derivative financial instruments	—	191	—	191

31 December 2024

	Level 1 RMB'M	Level 2 RMB'M	Level 3 RMB'M	Total RMB'M
Derivative financial instruments	—	71	—	71

Financial assets	Fair value as at 31/12/2025	Fair value as at 31/12/2024	Fair value hierarchy	Valuation technique	Range	Significant unobservable input(s)	Sensitivity of fair value
Equity Investment designated at FVTOCI — Sinopec Marketing Co., Ltd.	RMB1,128 million	RMB1,674 million	Level 3	Market approach	2025: 45.30–46.22 2024: 43.59–44.47	Average P/E multiple of peers	1% increase (decrease) in average P/E multiple of the comparable companies would result in increase (decrease) in fair value by 2025: RMB11.2 million (RMB11.2 million) 2024: RMB16.8 million (RMB16.8 million)
					2025: 26%–28% 2024: 25%–27%	Discount for lack of marketability	1% increase (decrease) in the lack of marketability would result in decrease (increase) in fair value by 2025: RMB15.4 million (RMB15.4 million) 2024: RMB22.5 million (RMB22.5 million)
Equity Investment designated at FVTOCI — COSMO	RMB2,789 million	RMB2,786 million	Level 3	Market approach	2025: 3.23–3.29 2024: 3.51–3.59	EV/Sales of multiple peers	1% increase (decrease) in EV/Sales multiple of the comparable companies would result in increase (decrease) in fair value by 2025: RMB24.9 million (RMB24.9 million) 2024: RMB22.1 million (RMB22.1 million)
					2025: 30%–32% 2024: 32%–34%	Discount for lack of marketability	1% increase (decrease) in the lack of marketability would result in decrease (increase) in fair value by 2025: RMB35.4 million (RMB35.4 million) 2024: RMB32.9 million (RMB32.9 million)

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

Financial assets/ Financial liabilities	Fair value as at 31/12/2025	Fair value as at 31/12/2024 (restated)	Value hierarchy	Valuation technique
Receivables at FVTOCI	Assets — RMB1,788 million	Assets — RMB413 million	Level 2	Discounted cash flow
Financial assets measured at FVTPL — Wealth management products	Assets — RMB1,486 million	Assets — RMB746 million	Level 2	Discounted cash flow
Derivative financial Instruments — Foreign currency forward contracts	Assets — RMB81 million Liabilities — RMB191 million	Assets — RMB139 million Liabilities — RMB71 million	Level 2	Discounted cash flow
Derivative financial Instruments — Cross currency interest rate swap contracts	N/A	Assets — RMB4 million	Level 2	Discounted cash flow

Reconciliation of Level 3 fair value measurements

	Equity investments designated FVTOCI RMB'M	Financial assets at FVTPL RMB'M	Total RMB'M
At 1 January 2024 (restated)	6,452	96	6,548
Total gains or losses:			
— in profit or loss	—	13	13
— in other comprehensive income	(275)	—	(275)
Additions	11	—	11
Disposal	(140)	(1)	(141)
At 31 December 2024 and 1 January 2025 (restated)	6,048	108	6,156
Total gains or losses:			
— in other comprehensive income	(658)	7	(651)
Additions	54	—	54
Disposal	(61)	(15)	(76)
At 31 December 2025	5,383	100	5,483

There were no transfers between Level 1 and 2 and transfers into or out of level 3 during the years ended 31 December 2025 and 2024.

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43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group has various other financial assets and liabilities such as trade and bills receivables and trade and bills payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Group has transactional currency exposures. These exposures mainly arise from sales or purchases and borrowings by the Group's other than the units' functional currencies.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Monetary Assets		Monetary Liabilities	
	31 Dec 2025 RMB'M	31 Dec 2024 RMB'M	31 Dec 2025 RMB'M	31 Dec 2024 RMB'M
USD	25,604	26,422	28,296	29,756
Japanese yen	463	394	219	301
HKD	515	500	632	2,343
EUR	6,600	6,088	8,573	11,307
Other	9,490	8,261	6,725	7,231

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in USD, EUR and JPY exchange rate, with all other variables held constant, of the Group's post-tax profit (due to changes in the fair value of monetary assets and liabilities). There is no significant impact on other components of the Group's equity.

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43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**Foreign currency risk (continued)**

	2025		2024 (restated)	
	Increase/ (decrease) in exchange rates %	Increase/ (decrease) in profit before tax RMB'M	Increase/ (decrease) in exchange rates %	Increase/ (decrease) in profit before tax RMB'M
If RMB strengthens against USD	5	128	5	159
If RMB weakens against USD	(5)	(128)	(5)	(159)
If RMB strengthens against JPY	5	(12)	5	(4)
If RMB weakens against JPY	(5)	12	(5)	4
If RMB strengthens against the EUR	5	94	5	249
If RMB weakens against the EUR	(5)	(94)	(5)	(249)

Credit risk

The carrying amounts of cash and cash equivalents, pledged deposits, trade and bills receivables, receivables at FVTOCI, other deposits with limited use, and financial assets included in deposits and other receivables and other financial assets represent the Group's maximum exposure to credit risk in relation to financial assets. Substantially all of the Group's cash and cash equivalents and pledged deposits are held in major financial institutions, which management believes are of high credit quality and all classified as low credit risk from the management's assessment as at 31 December 2025 and 2024, which is mainly based on past due information unless other information is available without undue cost or effort. The Group has policies to control the size of the deposits to be placed with various reputable financial institutions according to their market reputation, operating scale and financial background with a view to limiting the amount of credit exposure to any single financial institution.

The Group trades only with recognised and creditworthy third parties and Haier Affiliates. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, trade receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. Concentrations of credit risk are managed by customer/counterparty. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors.

The credit risk of the Group's trade and bills receivables arises from default of the counterparty, with a maximum exposure equal to the carrying amounts and the Group applies the simplified approach in calculating ECLs of its trade and bills receivables.

For bills receivables and receivables at FVTOCI, the Group considers the credit risk is limited because counterparties are with good credit standing and are highly likely to be paid, and the ECL are considered as insignificant.

Notes to Consolidated Financial Statements

For the year ended 31 December 2025

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**Credit risk (continued)**

For deposits and other receivables, the ECL are estimated by applying a general approach with reference to the historical loss record of the Group and is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The average loss rate applied as at the 31 December 2025 was 3.22% (2024: 3.3% (restated)). The credit quality of the financial assets included in prepayments, deposits and other receivables is considered to be normal because they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and bills receivables disclosed in Note 25 to consolidated financial statements.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to time deposit, pledged bank deposits, fixed-rate bank borrowings and lease liabilities. The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings. The Group cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances and borrowings. The Group aims at keeping borrowings at variable rates. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range.

The exposure of the Group's borrowings to interest rate changes at the end of the reporting period are as follows:

	2025	% of total	2024	% of total
	RMB'M	loans	RMB'M	loans
Variable rate borrowings	25,468	70%	30,976	92%
Fixed rate borrowings	10,914	30%	2,817	8%
	36,382	100%	33,793	100%

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. The management assessed that if the interest rate increases/decreases by 1% (2024: 1%) (reasonably possible change), then the post-tax profit for the year ended 31 December 2025 would decrease/increase by RMB273 million (2024: RMB253 million (restated)). Bank balances are excluded from sensitivity analysis as the management considers that the exposure of cash flow interest rate risk arising from bank balances is insignificant.

Notes to Consolidated Financial Statements

For the year ended 31 December 2025

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**Liquidity risk**

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Group monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2025, the Group has available unutilised overdraft and short-term bank loan facilities of RMB1,604 million (2024: RMB1,415 million) in total. Details of which are set out in Note 32. Due to the Group's supplier finance arrangements, the relevant trade payables are due to a single counterparty rather than individual suppliers. This results in the Group being required to settle a significant amount with a single counterparty, rather than less significant amounts with a number of suppliers. However, the Group's payment terms for trade payables covered by the arrangements are either identical to the payment terms for other trade payables. Management does not consider the supplier finance arrangements to result in excessive concentrations of liquidity risk given the payment terms are not significantly extended.

The following table details the Group's remaining contractual maturity for its financial liabilities and derivative instruments. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

31 December 2025

	On demand or within one year RMB'M	Over one year RMB'M	Total undiscounted cash flows RMB'M	Carrying amount RMB'M
Trade and bills payables	77,415	—	77,415	77,415
Other payables and accruals	23,799	—	23,799	23,799
Interest-bearing borrowings	22,634	15,590	38,224	36,382
Derivative financial instruments	191	—	191	191
Other non-current liabilities	—	248	248	248
Lease liabilities	1,951	5,764	7,715	6,182
	125,990	21,602	147,592	144,217

Notes to Consolidated Financial Statements

For the year ended 31 December 2025

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**Liquidity risk (continued)**

31 December 2024 (Restated)

	On demand or within one year RMB'M	Over one year RMB'M	Total undiscounted cash flows RMB'M	Carrying amount RMB'M
Trade and bills payables	75,886	—	75,886	75,886
Other payables and accruals	26,906	—	26,906	26,906
Interest-bearing borrowings	24,961	10,267	35,228	33,793
Derivative financial instruments	71	—	71	71
Other non-current liabilities	—	285	285	285
Lease liabilities	1,537	5,607	7,144	5,833
	129,361	16,159	145,520	142,774

Transferred financial assets that are derecognised in their entirety

At 31 December 2025, the Group endorsed certain bills receivables accepted by banks in Mainland China (the “**Derecognised Bills**”) to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB9,969 million (2024: RMB243 million). The Derecognised Bills had a maturity of within one year at the end of the reporting period. In accordance with the applicable laws in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the “**Continuing Involvement**”). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group’s Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts.

As at 31 December 2025, the Group transferred accounts receivable of RMB6,343 million (2024: RMB6,095 million) to obtain funds related to non-recourse factoring or asset securitization. The Group determines that it has transferred substantially all the risks and rewards of ownership of such accounts receivable, and therefore derecognises such accounts receivable.

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44. DEFINED BENEFIT OBLIGATIONS

The Group sponsors a funded defined benefit plan for qualifying employees of its subsidiaries in the United States and Europe. The defined benefit plan is administered by a separate fund that is legally separated from the entity. The board of the pension fund is composed of an equal number of representatives from both employers and (former) employees. The board of the pension fund is required by law and by its articles of association to act in the interest of the fund and of all relevant stakeholders in the scheme, i.e. active employees, inactive employees, retirees, employers. The board of the pension fund is responsible for the investment policy with regard to the assets of the fund.

The defined benefit plan requires contributions from employees. Contributions are in the following two forms; one is based on the number of years of service and the other one is based on a fixed percentage of salary of the employees. Employees can also make discretionary contributions to the plan.

The plans expose the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

Investment risk	The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit. Currently the plan has a relatively balanced investment in equity securities, debt instruments and real estates. Due to the long-term nature of the plan liabilities, the board of the pension fund considers it appropriate that a reasonable portion of the plan assets should be invested in equity securities and in real estate to leverage the return generated by the fund.
Interest rate risk	A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments.
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

Notes to Consolidated Financial Statements

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44. DEFINED BENEFIT OBLIGATIONS (continued)

	2025			2024		
	Current	Non-	Total	Current	Non-	Total
	RMB'M	current	RMB'M	RMB'M	current	RMB'M
Defined pension benefit (Note (a))	28	1,588	1,616	37	1,766	1,803
Termination benefits	—	581	581	—	542	542
Provision for work-related injury compensation	—	115	115	—	154	154
Other	—	160	160	—	100	100
Total	28	2,444	2,472	37	2,562	2,599

Note:

(a) Defined pension benefit

The Group's major defined benefit plans are in United States and Europe. The plans are either contributory final salary pension plans or contributory career average pay plans or non-contributory guaranteed return defined contribution plans.

Summary of the net liabilities of the defined pension obligations are as follows:

	2025 RMB'M	2024 RMB'M
Haier U.S. Appliances Solutions, Inc. post retirement plan	34	138
CCR pension plans	1,293	1,373
Total net liabilities of the defined pension obligations in United States and Europe	1,327	1,511
Others	289	292
	1,616	1,803

The summary net liabilities of the defined pension obligations at United States and Europe are as follows:

	2025 RMB'M	2024 RMB'M
Presents value of defined benefit obligation	1,382	1,562
Fair value of plan assets	(55)	(51)
	1,327	1,511

Notes to Consolidated Financial Statements

For the year ended 31 December 2025

44. DEFINED BENEFIT OBLIGATIONS (continued)

The major amounts recognised in the consolidated statement of financial position and the movements in the net defined pension benefit over the years ended 31 December 2025 and 2024 are as follows:

(1) Haier U.S. Appliance Solutions, Inc. post-retirement plan

	2025	2024
Discount rates	5.45%	5.51%

Movements in the present value of the defined benefit obligations during the years ended 31 December 2025 and 2024 were as follows:

	2025 RMB'M	2024 RMB'M
As at 1 January	138	166
Interest cost	6	7
Actuarial gain	—	(18)
Exchange realignment	(1)	2
Benefits paid	(18)	(19)
Others	(91)	—
As at 31 December	34	138

The net liability of the defined benefit obligations are as follows:

	2025 RMB'M	2024 RMB'M
As at 1 January	138	166
Components of defined benefit cost recognised in profit or loss	6	7
Components of defined benefit cost recognised in other comprehensive income	—	(18)
Other reconciling items	(110)	(17)
As at 31 December	34	138

Notes to Consolidated Financial Statements

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44. DEFINED BENEFIT OBLIGATIONS (continued)**(1) Haier U.S. Appliance Solutions, Inc. post retirement plan (continued)**

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 31 December 2025. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Cost Method.

Significant actuarial assumption for the determination of the defined benefit obligation is discount rate. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate is 1% higher or lower, the defined benefit obligation would decrease by 5.5% or increase by 6.4% (2024: decrease by 5.1% or increase by 5.8%).

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the consolidated statement of financial position.

Notes to Consolidated Financial Statements

For the year ended 31 December 2025

44. DEFINED BENEFIT OBLIGATIONS (continued)**(2) CCR pension plans**

	2025	2024
Discount rates	4.20%	3.30%

Movements in the present value of the defined benefit obligations during the years ended 31 December 2025 and 2024 were as follows:

	2025 RMB'M	2024 RMB'M
As at 1 January	1,424	—
Acquisition of subsidiaries	—	1,438
Current service cost	16	2
Interest cost	52	12
Actuarial gains	(141)	—
Benefits paid	(121)	(10)
Exchange realignment	118	(18)
As at 31 December	1,348	1,424

Movements in the fair value of the plan assets during the year ended 31 December 2025 and 2024 were as follows:

	2025 RMB'M	2024 RMB'M
As at 1 January		
Acquisition of subsidiaries	51	53
Return on plan assets (excluding amounts included in net interest income and interest expense)	(2)	(1)
Contributions from the employer	—	1
Exchange realignment	6	(2)
As at 31 December	55	51

Notes to Consolidated Financial Statements

For the year ended 31 December 2025

44. DEFINED BENEFIT OBLIGATIONS (continued)**(2) CCR pension plans (continued)**

The net liability of the defined benefit obligations are as follows:

	2025	2024
	RMB'M	RMB'M
As at 1 January	1,373	—
Acquisition of subsidiaries	—	1,385
Components of defined benefit cost recognised in profit or loss	68	14
Components of defined benefit cost recognised in other comprehensive income	(139)	1
Other reconciling items	(9)	(27)
As at 31 December	1,293	1,373

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 31 December 2025. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using projected unit credit cost method.

Significant actuarial assumption for the determination of the defined benefit obligation is discount rate. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate is 1% higher or lower, the defined benefit obligation would decrease by 13.08% or increase by 13.8% (2024: decrease by 14.7% or increase by 15.6%).

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the consolidated statement of financial position.

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45. BUSINESS COMBINATIONS**(1) CCR**

On 1 October 2024, the Group acquired 100% equity interest in CCR at a consideration of USD679 million, subject to adjustments pursuant to the agreement, from Carrier Global Corporation through its wholly owned subsidiary, Haier Europe Appliances Holding B.V. CCR is principally engaged in providing end-to-end commercial refrigeration solutions and its main products include refrigeration cabinets and mechanical systems used in food retail sector (such as supermarkets), and CO₂ refrigeration mechanical system and associated services used in cold storage facilities. Through the acquisition, the Group will extend its application scenarios from household refrigeration to food retail refrigeration and cold storage. The acquisition has been accounted for as acquisition of business using the acquisition method.

Consideration transferred

	2024 RMB'M
Cash	4,517

Acquisition-related costs amounting to approximately RMB82 million have been excluded from the consideration transferred and have been recognised as an expense, within the administrative expenses line item in the consolidated statement of profit or loss and other comprehensive income.

Fair value of assets acquired and liabilities recognised at the date of acquisition

	RMB'M
Property, plant and equipment	850
Right-of-use assets	412
Other intangible assets	1,636
Deferred tax assets	428
Other non-current assets	30
Inventories	682
Trade and bills receivables	1,611
Cash and cash equivalents	888
Contract assets	944
Trade and bills payables	(1,758)
Other payables and accruals	(1,830)
Interest-bearing borrowings	(7)
Lease liabilities	(318)
Tax payables	(97)
Deferred tax liabilities	(571)
Other non-current liabilities	(201)
	2,699

Notes to Consolidated Financial Statements

For the year ended 31 December 2025

45. BUSINESS COMBINATIONS (continued)**(1) CCR (continued)****Goodwill arising on acquisition:**

	RMB'M
Consideration transferred	4,517
Plus: Fair value of previously held interest in associate	395
Less: Total identifiable net assets acquired	(2,699)
Goodwill arising on acquisition	2,213

Goodwill arose on the acquisition of CCR because the acquisition included the assembled workforce of CCR and the potential future benefit arising from the synergy effect and the establishment of the commercial refrigeration platform. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Net cash outflow on acquisition of CCR

	RMB'M
Consideration paid in cash	4,517
Less: Cash and cash equivalent balances acquired	(888)
	3,629

The acquired businesses contributed an aggregated total revenue of RMB2,061 million and aggregated net loss of RMB107 million to the Group for the period from the acquisition date to 31 December 2024.

Notes to Consolidated Financial Statements

For the year ended 31 December 2025

45. BUSINESS COMBINATIONS (continued)**(2) Commercial refrigeration business in India (“CCR India”)**

On 1 October 2024, in addition to acquisition of CCR, the Group acquired CCR India from India Carrier Airconditioning & Refrigeration Limited at cash consideration.

The aggregated cash considerations were Indian Rupee (“INR”) 2,758 million (equivalent to RMB231 million) and the aggregated fair value of the net assets acquired were RMB21 million at the acquisition date, resulting an aggregated increase in goodwill of RMB210 million. The goodwill will not be deductible for tax purposes.

The acquired businesses contributed an aggregated total revenue of RMB52 million and aggregated net profit of RMB3 million to the Group for the period from the acquisition date to 31 December 2024.

The aggregated net cash outflow from these acquisitions was RMB231 million.

(3) Kwikot

On 2 December 2024, the Group acquired 100% equity interest of Kwikot at cash consideration. The Group actually obtained the control right of the Kwikot.

The aggregated adjusted cash considerations were ZAR 1,850 million (equivalent to RMB736 million) and the aggregated fair value of the net assets acquired were RMB351 million at the acquisition date, resulting an aggregated increase in goodwill of RMB385 million. The goodwill is attributable to the market prospect arising from expansion into new market sector. It will not be deductible for tax purposes.

The acquired businesses contributed an aggregated total revenue of RMB49 million and aggregated net profit of RMB4 million to the Group for the period from the acquisition date to 31 December 2024.

The aggregated net cash outflow from these acquisitions was RMB667 million.

46. CONTINGENT LIABILITIES

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

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For the year ended 31 December 2025

47. COMMITMENTS

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

	2025 RMB'M	2024 RMB'M (Restated)
Contracted, but not provided for: Property, plant and equipment	4,757	5,920

48. PLEDGE OF OR RESTRICTIONS ON ASSETS**Pledge of assets**

The Group's interest-bearing borrowings and bills payables had been secured by the pledge of the Group's assets and the carrying amounts of the respective assets are as follows:

	2025 RMB'M	2024 RMB'M
Property, plant and equipment	32	—
Trade and bills receivables	1,234	5,115
Receivables at FVTOCI	163	—
Pledged bank deposits	1,218	533
Other intangible assets	351	97

Notes to Consolidated Financial Statements

For the year ended 31 December 2025

49. STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	2025 RMB'M	2024 RMB'M
NON-CURRENT ASSETS		
Property, plant and equipment	25	132
Right-of-use assets	1	2
Other intangible assets	29	34
Interests in associates	4,445	3,178
Investments in subsidiaries	68,233	59,016
Equity investments designated at FVTOCI	1,602	1,603
Financial assets measured at amortised cost	7,033	7,244
Other non-current assets	2,171	1,740
Total non-current assets	83,539	72,949
CURRENT ASSETS		
Inventories	9	9
Prepayments, deposits and other receivables	2,837	6,944
Amounts due from subsidiaries	86,833	30,462
Financial assets measured at amortised cost	2,940	1,276
Cash and cash equivalents	6,824	8,721
Total current assets	99,443	47,412
CURRENT LIABILITIES		
Other payables and accruals	243	327
Amounts due to subsidiaries	122,540	64,242
Interest-bearing borrowings	3,690	3,499
Total current liabilities	126,473	68,068
NET CURRENT LIABILITIES	(27,030)	(20,656)
TOTAL ASSETS LESS CURRENT LIABILITIES	56,509	52,293

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49. STATEMENTS OF FINANCIAL POSITION OF THE COMPANY (continued)

					2025	2024	
					RMB'M	RMB'M	
NON-CURRENT LIABILITIES							
Interest-bearing borrowings					5,812	3,292	
Deferred income					16	14	
Deferred tax liabilities					394	394	
Total non-current liabilities					6,222	3,700	
Net assets					50,287	48,593	
EQUITY							
Share capital (Note 36)					9,378	9,383	
Reserves (Note)					40,909	39,210	
Total equity					50,287	48,593	
	Contributed surplus	Capital redemption reserve	Reserve funds	Retained profits	Other comprehensive income reserve	Treasury shares reserve	Total reserve
	RMB'M	RMB'M	RMB'M	RMB'M	RMB'M	RMB'M	RMB'M
As at 1 January 2024	26,123	1,141	4,237	7,484	631	(3,176)	36,440
Transfer to reserve funds	—	—	454	(454)	—	—	—
Total comprehensive income for the year	—	—	—	10,171	(12)	—	10,159
Cancellation of treasury shares	(1,973)	—	—	—	—	1,709	(264)
Dividend payable	—	—	—	(7,514)	—	—	(7,514)
Other changes	389	—	—	—	—	—	389
As at 31 December 2024 and 1 January 2025	24,539	1,141	4,691	9,687	619	(1,467)	39,210
Total comprehensive income for the year	—	—	—	13,446	(26)	—	13,420
Purchase of treasury shares	—	—	—	—	—	(414)	(414)
Cancellation of treasury shares	(161)	—	—	—	—	166	5
Dividend payable	—	—	—	(11,501)	—	—	(11,501)
Other changes	120	69	—	—	—	—	189
As at 31 December 2025	24,498	1,210	4,691	11,632	593	(1,715)	40,909

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For the year ended 31 December 2025

50. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

51. EVENTS AFTER THE REPORTING PERIOD

According to the resolution of the 4th meeting of the 12th session of the Board of Directors of the Company held on 26 March 2026, the profit for the year is proposed to be distributed on the basis of the total number of shares on the record date after deducting the repurchased shares from the repurchased account. The Company declared cash dividend of RMB8.867 (including taxes) for every 10 shares to all shareholders.

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

FIVE-YEAR FINANCIAL SUMMARY

For the year ended 31 December 2025

A summary of the results and of the assets, liabilities and non-controlling interests of the Group is set out below.

	2025 RMB'M	Year ended 31 December			
		2024 RMB'M (Restated)	2023 RMB'M (Restated)	2022 RMB'M (Restated)	2021 RMB'M (Restated)
RESULTS					
REVENUE	302,329	286,005	274,198	243,550	227,081
Cost of sales	(223,374)	(208,098)	(200,557)	(168,960)	(157,528)
Gross profit	78,955	77,907	73,641	74,590	69,553
Other gains or losses	5,206	3,905	3,691	2,913	2,059
Selling and distribution expenses	(33,878)	(33,609)	(32,727)	(38,601)	(36,584)
Administrative expenses	(25,545)	(24,591)	(23,804)	(21,696)	(20,265)
Finance costs	(2,587)	(2,705)	(2,165)	(997)	(714)
Share of profits and losses of associates	1,328	1,816	1,575	1,582	1,888
PROFIT BEFORE TAX	23,479	22,723	20,211	17,791	15,937
Income tax expenses	(3,316)	(3,157)	(3,123)	(3,058)	(2,705)
PROFIT FOR THE YEAR	20,163	19,566	17,088	14,733	13,232
Attributable to:					
Owners of the Company	19,553	18,731	16,597	14,712	13,079
Non-controlling interests	610	835	491	21	153
	20,163	19,566	17,088	14,733	13,232
	2025 RMB'M	Year ended 31 December			
		2024 RMB'M (Restated)	2023 RMB'M (Restated)	2022 RMB'M (Restated)	2021 RMB'M (Restated)
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
TOTAL ASSETS	295,795	290,736	261,068	236,018	217,741
TOTAL LIABILITIES	(169,818)	(171,934)	(153,538)	(141,268)	(136,466)
NON-CONTROLLING INTERESTS	(7,279)	(7,023)	(6,264)	(1,291)	(1,290)
	118,698	111,779	101,266	93,459	79,985

Haier