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

ANNUAL REPORT

2024

Haier   Casarte   Leader   AQUA   GE APPLIANCES   CANDY   FISHER & PAYKEL

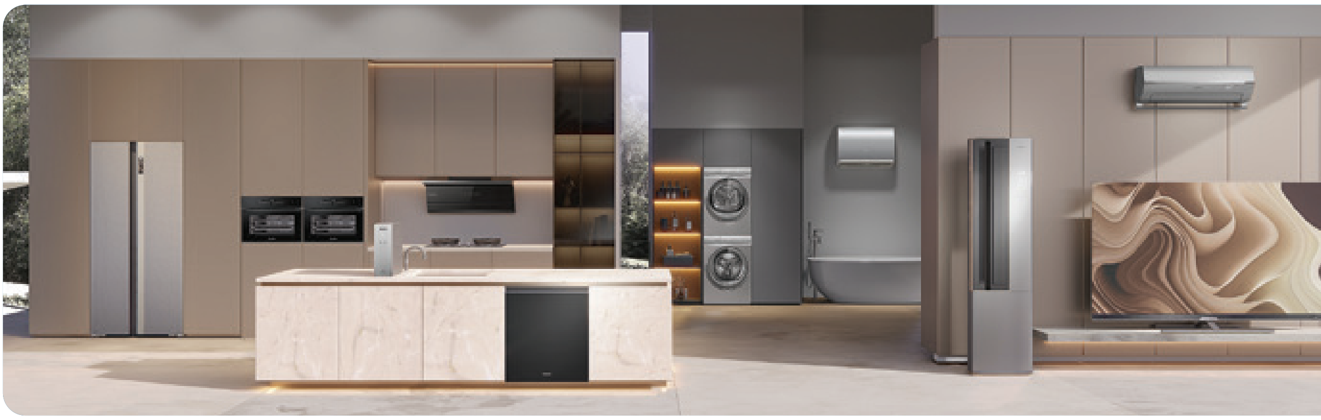
CONTENTS

CORPORATE PROFILE

We are a leader in the global major home appliance industry. According to the data from Euromonitor, we ranked first in the major home appliance industry in the world in terms of retail volume of major home appliances for 16 consecutive years. We have a global portfolio of home appliance brands consisting of Haier, Casarte, Leader, GE Appliances, Candy, Fisher & Paykel and AQUA. Our Haier brand refrigeration appliances and laundry appliances also ranked first among major home appliance brands in the world in terms of retail volume for 17 and 16 consecutive years respectively. Currently, our business covered more than 160 countries and regions around the world including China, North America, Europe, South Asia and Southeast Asia, Australia and New Zealand, Japan, Middle East and Africa.

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

CORPORATE INFORMATION



BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

Ms. SHAO Xinzhi *(Vice Chairman)*
Mr. YU Hon To, David
Ms. Eva LI Kam Fun

Independent Non-executive Directors

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

SUPERVISORS

Mr. LIU Dalin
Mr. YU Miao
Mr. LIU Yongfei *(appointed on 20 June 2024)*
Ms. MA Yingjie *(retired on 20 June 2024)*

BOARD SECRETARY

Ms. LIU Xiaomei

PRINCIPAL BOARD COMMITTEES

Audit Committee

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

Remuneration and Assessment Committee

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

Nomination Committee

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

Strategy Committee

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

Environmental, Social and Governance Committee

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

Corporate Information

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

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+852 2169 0880

H-SHARES 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: 06690

WEBSITE

http://smart-home.haier.com

LETTER TO SHAREHOLDERS

Embracing Change, Building Momentum for Growth

In 2024, Haier Smart Home remained committed to "Creating Better Lives for Global Families" and achieved new heights in revenue and profit through strengthening technological innovation, accelerating digital transformation, and optimizing global strategic footprint while implementing business model transformation to lay down a solid foundation for sustainable growth.

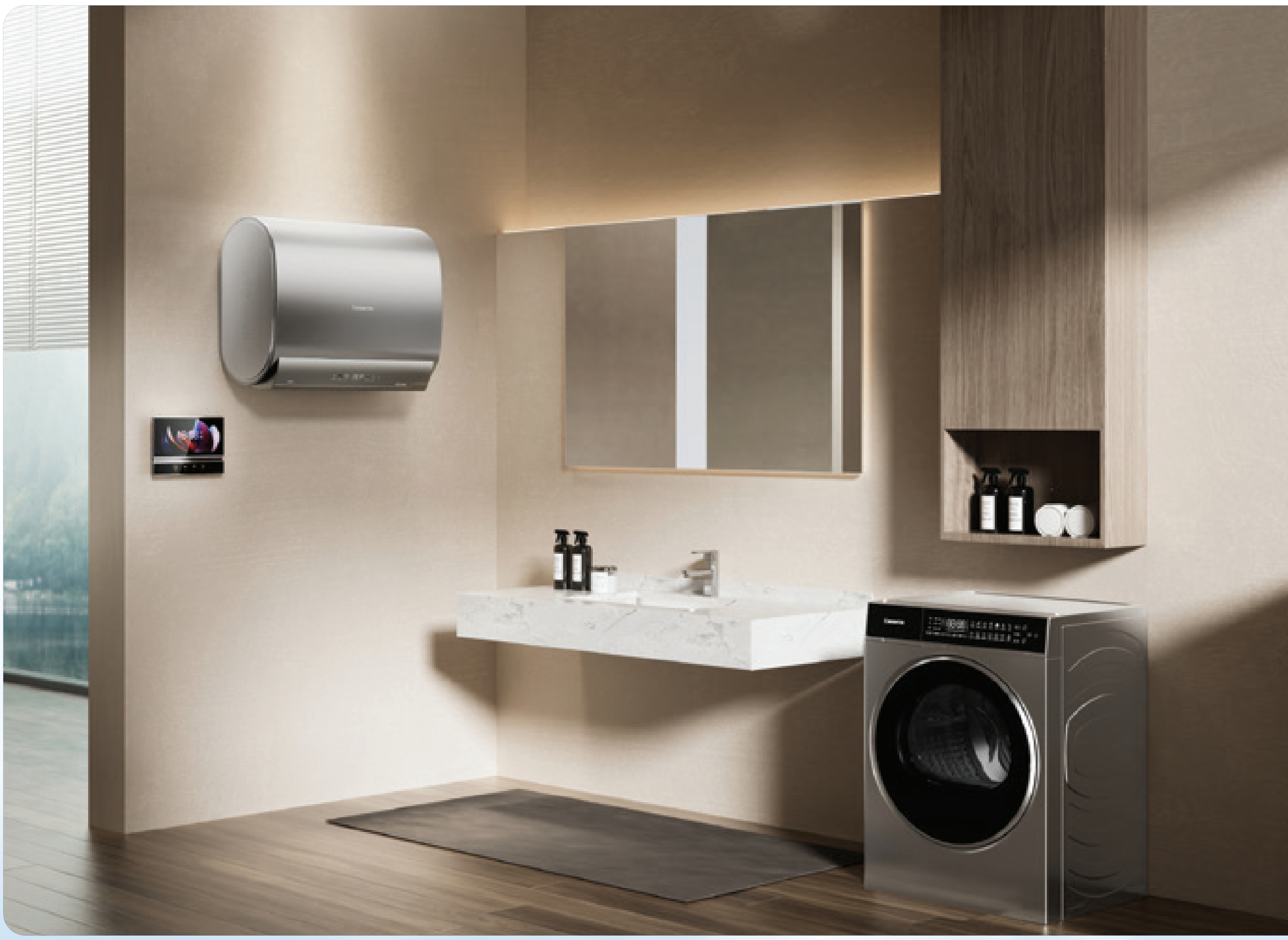
Key Performances in 2024

We delivered record-level revenue and net profit.

In 2024, Haier Smart Home's global revenue reached RMB285.971 billion, representing a year-on-year increase of 4.3%. Net profit attributable to shareholders grew 12.9% to RMB18.741 billion.

We generated net cash flow from operating activities totalled RMB26.543 billion, 1.4 times our net profit.

We consolidate market leadership in refrigerators, washing machines, and water heaters in China. We have made considerable progress in premium kitchen appliances, with the Casarte Ultra-realm (致境) seamless built-in range hood achieving 400% volume growth in the segment priced above RMB7,000.

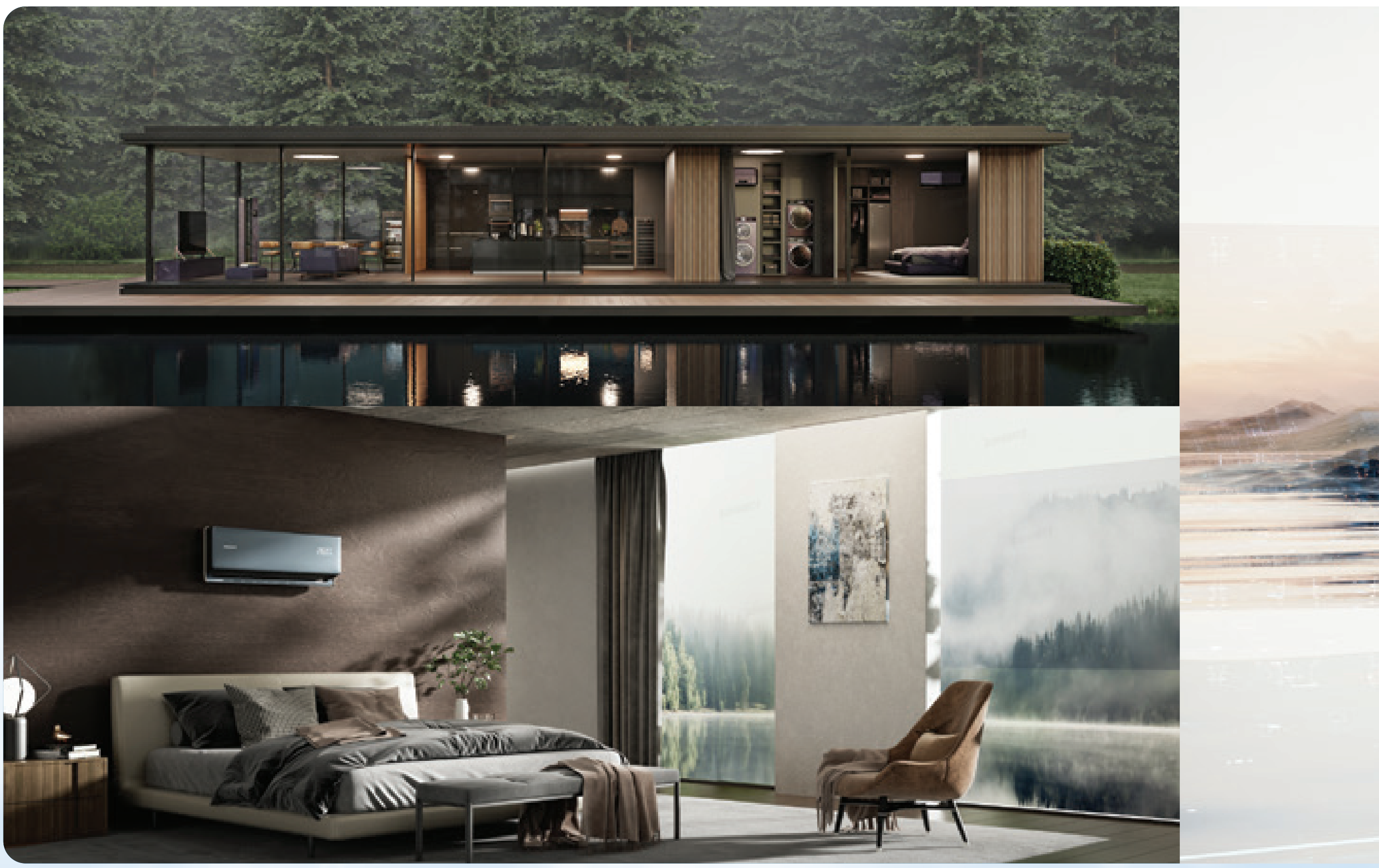


In 2024, we strengthened user engagement by implementing initiatives including digital inventory management and marketing, driving improvements in both user experience and operational efficiency. As a result, our domestic order response cycle improved by 13%.

We actively capitalized on opportunities created by trade-in policy in China, to realized 10% overall revenue growth and over 30% Casarte growth in the fourth quarter.

In overseas markets, all market shares continued to grow and investment and development in emerging markets accelerated.

In the U.S., despite sluggish demand and intensifying competition, GE Appliances team focused on product leadership, channel partnerships, supply chain upgrades, and new opportunity expansion, to solidifying our position as the industry leader. Our innovative products including the Apex oven range, next-generation dishwashers with stainless steel tub, and Combo Core heat pump washer-dryer combos — have received widespread acclaim. We upgraded our Roper factory to cover full range of kitchen appliances with industry-leading manufacturing efficiency. GE Appliances' HVAC revenue grew by 70% and RV appliances achieved double-digit growth. The Company has been recognized as the "Smart Appliance Company of the Year" by IoT Breakthrough for eight consecutive years.

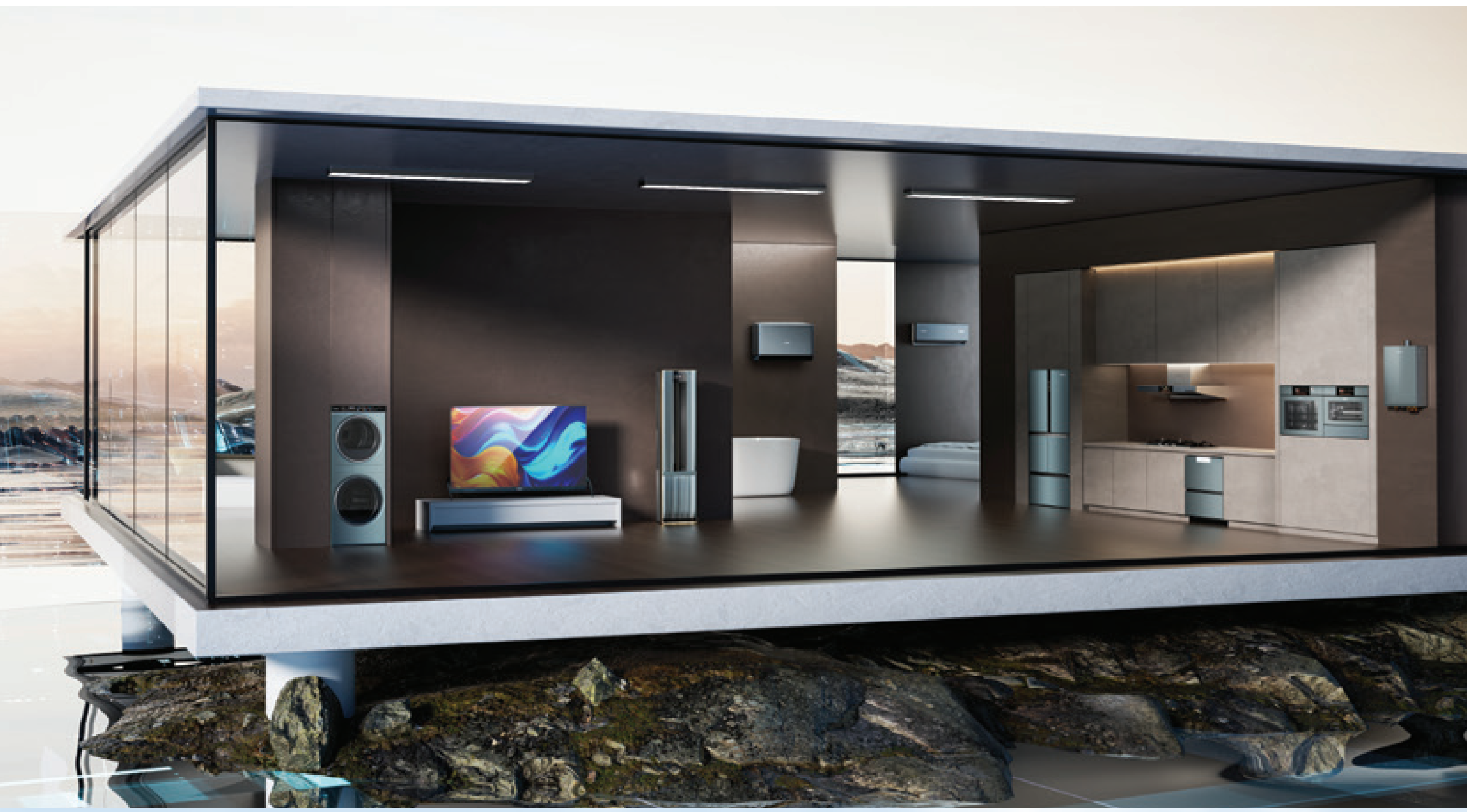


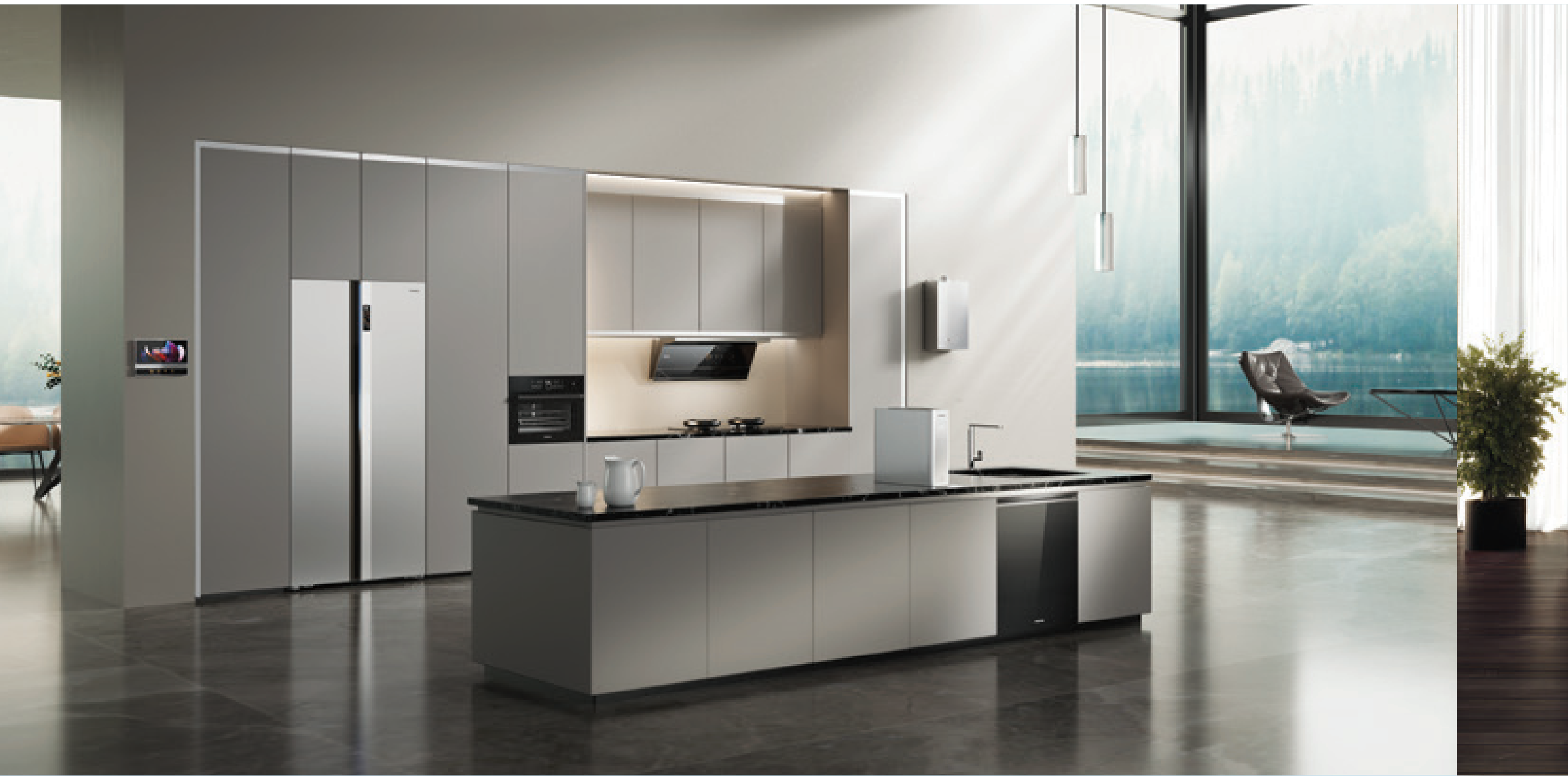
2024 marks the 20th anniversary since we first entered India market and it has been a year of tremendous achievement as our revenue grew over 30% to USD 1 billion for the first time, the growth was attributable to local management team's unwavering commitment to localization strategies. Our high value-added products, including the powerful 5-star energy-efficiency air conditioners and large-capacity front-load washing machines, have performed exceptionally well.

The first phase of our eco-park in Egypt commenced operations in May 2024, with production capacity exceeding 200,000 units.

In the HVAC sector, we continue to achieve technological breakthroughs, strengthen R&D capabilities, and implement supply chain integration for both residential air conditioning and smart building businesses, while accelerating international expansion of water heater business.

We have continuously strengthened R&D investments in residential air conditioners over the past three years, to renovate our product platforms and models while solidifying our modular technology. Our products now lead the industry in both performance and consistency: wall-mounted units achieve APF values exceeding 6.3, while standing units surpass 5.2. Defect rate reduced by 11% year-on-year in 2024. With accelerated

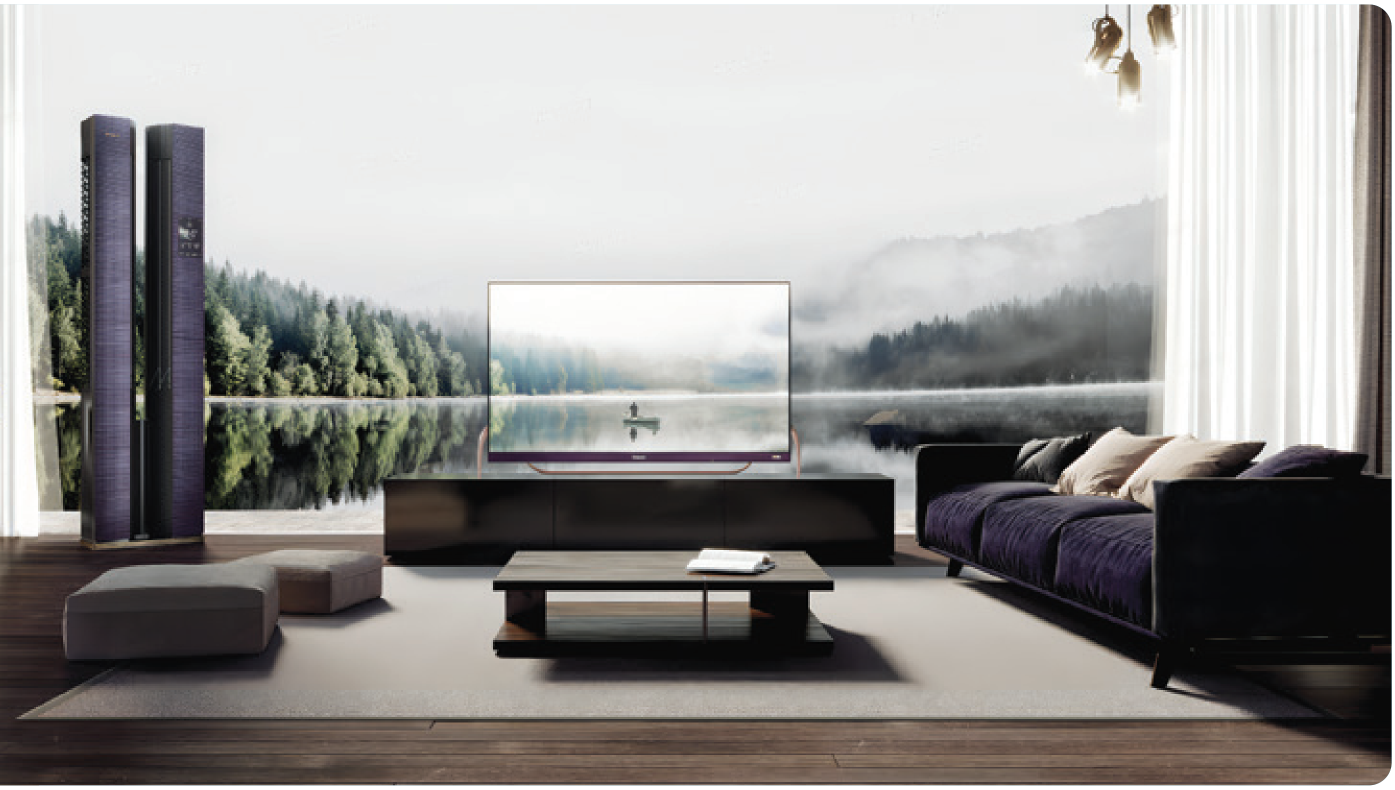




product iteration, new products will comprise over 50% of our offerings in 2025, promising strong market performance. We continue to deepen supply chain integration to enhance cost competitiveness, in 2024, our joint compressor factory in Zhengzhou reached a production capacity of 2.24 million units, while a total of 5.3 million units of PCBs were produced in our facilities in Zhengzhou and Chongqing.

Our Smart Building business achieved revenue growth of 15% in 2024, surpassing the RMB10 billion milestone despite downturn in real estate and public building market. This success was driven by our long-term investment in core technologies and launch of new product platforms. We maintain market leadership in magnetic levitation systems, and our air suspension centrifugal chiller has been recognized for its high energy efficiency and included in the "Green Technology Promotion Catalog (2024 Edition)" jointly issued by eight government departments led by the National Development and Reform Commission.

Our Water Heater and Purifier business is rapidly expanding into overseas markets. In December 2024, we completed the acquisition of Kwikot, a century-old market-leading water heater manufacturer in South Africa. We will enhance its competitiveness through synergies in R&D, procurement, and supply chain operations, to accelerate our global expansion in the water heater and purifier market.



In October 2024, we completed the acquisition of Carrier's commercial refrigeration business. Through this acquisition, we will expand into commercial refrigeration including retail refrigeration and cold storage to locking new growth opportunities. Carrier's commercial refrigeration business has accumulated extensive technical expertise and commercial applications in CO_2 refrigeration. Following the acquisition, both parties are actively promoting synergies in global markets, R&D, and platform capabilities, while implementing organizational restructuring to provide rapid response and customer service, thus establishing a solid foundation for sustainable development.

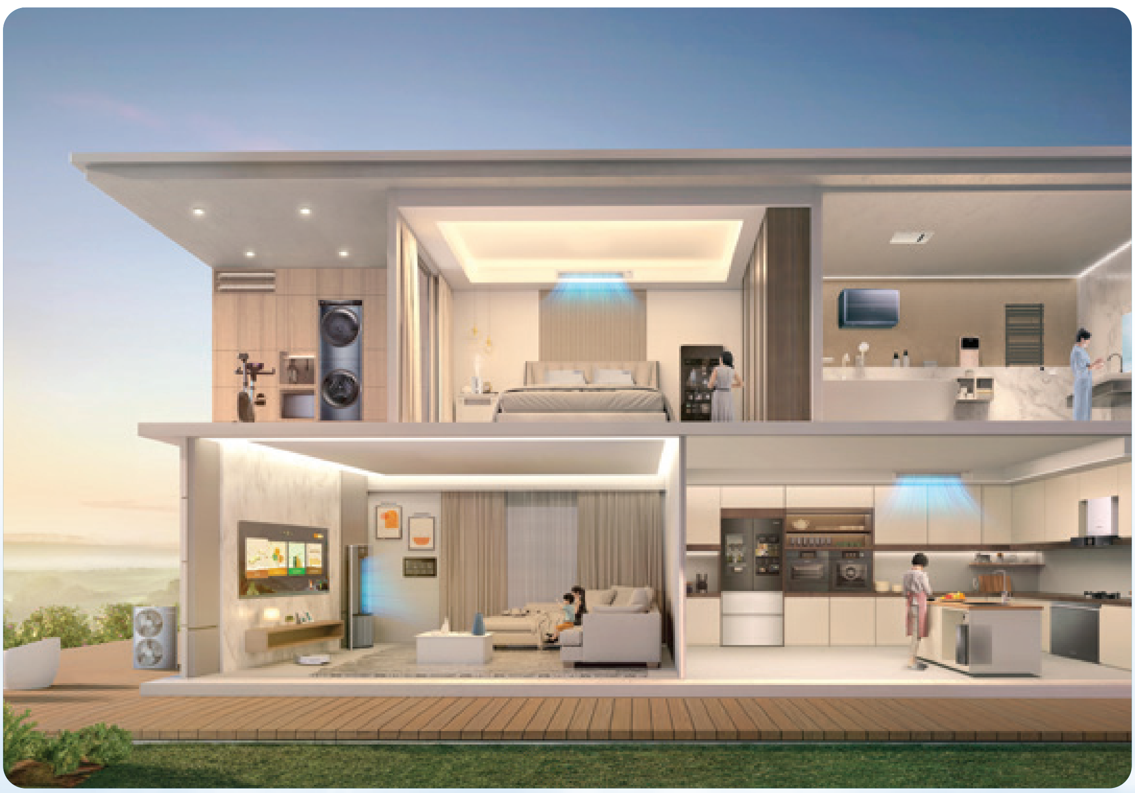
Innovate marketing approach to deliver brand value in ways that resonate more with consumers, revitalize our brand, and strengthen user connections.

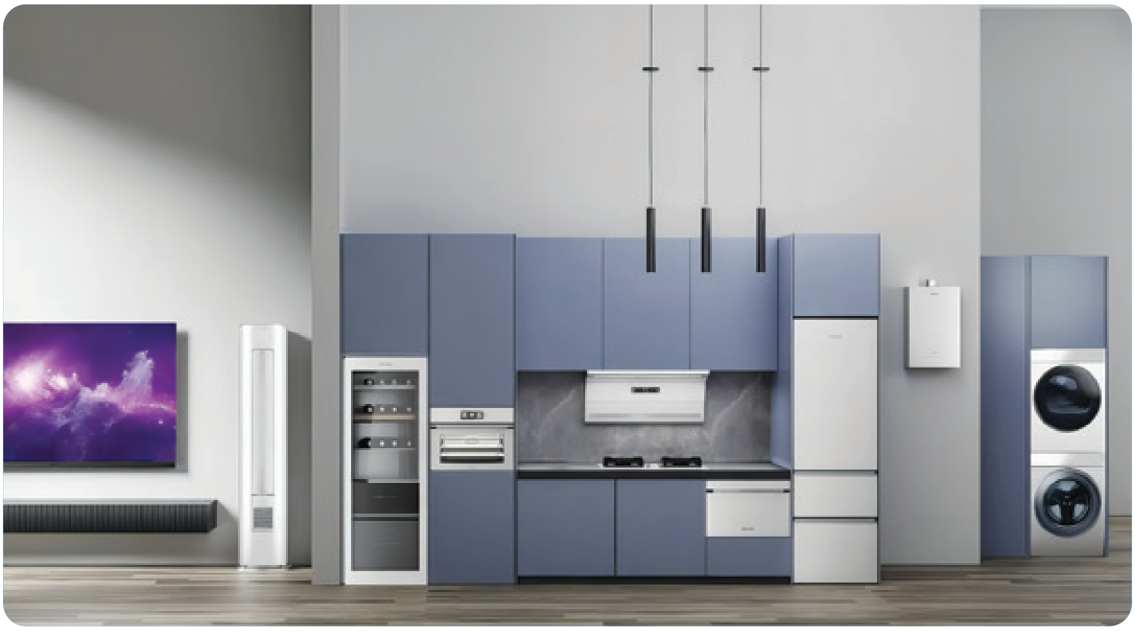
We have systematically enhanced content creation, successfully launched IP series including "Haier Initiative (海廠總動員)", which achieved over 2 million mentions in a single month. Meanwhile, we have increased investment in Leader brand to attract young consumers through distinctive, minimalist designs and upgraded marketing. As a result, Leader's retail sales grew by 26% year-on-year in 2024.

Our technological innovations have received wide recognition from the industry, leading the sector towards smart and sustainable transformation.

In 2024, our Multi-dimensional (temperature, humidity, oxygen, magnetic) Precision Control Technology Innovation and Industrialization for Household Preservation Appliances was honoured with the State Science and Technology Progress Award (Second Class), making it the only home preservation technology to receive this prestigious award in its 40-year history. To date, our Company has accumulated 17 State Science and Technology Progress Awards, making us the most decorated enterprise in the home appliance industry. In 2024, Haier's Hefei Refrigerator Interconnected Factory became the world's first enterprise to receive the Industrie 4.0 Award[1] for its breakthrough in AI technology integration.

1 The Industrie 4.0 Award is one of the most prestigious global industry accolades. Organized and assessed by the internationally renowned management consultancy ROI-EFESO, this award recognizes organizations that have demonstrated exceptional digital transformation achievements in smart factories, smart supply chains, smart services, and smart sustainability.





We advanced sustainable development strategy by promoting "RenDanHeYi" (人單合一) management philosophy and strengthening commitment to diversity and inclusion.

In 2024, our Company continued to implement sustainable development strategy, inspiring employee innovation and fostering diversity and inclusion. We strengthened sustainable risk management to navigate complexity and volatility in global market. At the same time, we established sustainability divisions in every region where we operate, fulfilling local social responsibilities and building direct interactions with all stakeholders.

This year, we launched many energy-efficient and carbon-reducing green products across global markets to earn wide consumer recognition. Through our efficient energy-saving products and digital smart platforms, we provided comprehensive energy solutions for homes and buildings to fulfil Haier Smart Home's commitment to a greener planet. We also catered for the well-being of elderly users by introducing products with improved accessibility such as one-touch smart washing machines and gas stoves with automatic shut-off safety features.

Guided by our "RenDanHeYi" (人單合一) management philosophy, we have created an inclusive workplace that nurtures diverse, cohesive, and high-performing teams. We believe innovation thrives when diverse cultures connect and blend. In 2024, we launched a women's leadership empowerment program and strengthened the cultivation and development of young creators, technology experts, and globalized talents to build reserves for the future. We established a Company-wide Cultural Dialogue Platform where staff can engage in conversations about the work environment, organizational atmosphere, and cultural development, embodying our "employee-centred" principle to achieve more vibrant and diversified development.

In 2024, Haier Smart Home was selected in Forbes' World's Best Employers list for the eighth consecutive year, while GE Appliances received "The Most Innovative Companies of 2024" award. MSCI upgraded our ESG rating to AA level, which serves not only as affirmation but also as encouragement, motivating us to continue the path of sustainable development.

2025: Accelerating Change to Embrace a New Era

The year 2025 presents an intricate tapestry of challenges and opportunities.

Geopolitical uncertainties and rising tariff barriers are accelerating the fragmentation of global trade systems, triggering cascading effects that are reshaping global supply chains. Meanwhile, the remarkable evolution of AI technology continues to drive transformative changes across industries.

We anticipate a gradual recovery in real estate demand could be brought by interest rate cuts, offering promising prospects in the home appliance sector in the US and Europe. In emerging markets, economic growth, ongoing urbanization, and favourable demographic advantages are creating fertile ground for expansion in the industry.

Originated from China, Haier Smart Home has devoted our energy and expertise to developing the best appliances to satisfy consumers all over the world by implementing global strategy leveraging Chinese engineering excellence. China's sophisticated e-commerce and logistics infrastructures facilitate seamless communication between consumers and businesses, bridging gaps and accelerating product iteration. The robust supply chain and abundant talent pool are vital for Chinese enterprises to maintain substantial investments in innovation and create outstanding experience for users. Furthermore, by leveraging innovative technologies including AI, Chinese companies can enhance operational efficiency while optimizing organizational structures and processes. I am full of anticipations as Haier Smart Home accelerates our global strategy going forward.

Our overseas markets still hold tremendous potential in both revenue scale and profitability. In 2025, we will capitalize on our global R&D platform to accelerate country-specific product innovation and iteration to address unique local market needs and improve price index. We will enhance our global logistics and marketing platforms as well as deploying end-to-end digitalization by adapting domestic models to local markets to drive operational efficiency. We will leverage localized production and the synergies of 131 global manufacturing facilities to build a well-balanced and resilient global supply chain, mitigating potential geopolitical impacts.

In the domestic market, accelerated digital transformation of marketing and inventory management will enable us to connect with users more directly and swiftly, allowing distributors to operate with lighter assets which in turn will help accelerate product turnover, expand market share, and enhance profitability.

In 2025, Haier Smart Home will fully embrace AI technologies to facilitate the implementation of comprehensive applications powered by advanced large models across our operations. Building on digital foundations, we will expand our AI capabilities. Our AI product series will deliver novel experiences to users with more intelligent, versatile, and personalized natural language interactions. We will leverage AI tools extensively to achieve more efficient development, targeted marketing, and optimized supply chain, while empowering every Haier team member to develop their own smart applications.

Direct yet efficient user communication and brand vitality have become critical in the era of fans economy. Since March 2024, our management team has successively launched social media accounts to share Haier stories, listen to user needs, and collect user suggestions, thereby strengthening emotional bonds. This interactive model has injected new vitality into the Haier brand by involving users in product design and brand creation. In response to suggestions on social media platforms, we launched the Leader triple-drum washing machine on March 11th, eliminating the need for manual washing and unlocking a "new era for convenience". Its Mickey Mouse-inspired design stands out from traditional appliances and went viral on social media. Within just one week of its release, we have received over 88,000 orders. We will make greater effort in engaging with young consumers, fully leveraging our advantages in R&D, manufacturing, quality, and service, while deepening interactions and connections, to provide not only authentic, high-quality products but also create delightful experiences.

Finally, I would like to express my sincere gratitude to all shareholders for your unwavering support and trust. We are dedicated to overcoming challenges and creating greater value for shareholders, society, and users worldwide.

Li Huagang
Chairman

27 March 2025

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 55, 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 2015 China Home Appliance Marketing Leader (2015年中國家電營銷領袖人物), 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), the 2019 China Top Ten Brand Person of the Year (2019中國十大品牌年度人物), and 2021 Taishan Industry Leading Talent.

Mr. GONG Wei ("Mr. GONG"), aged 50, Vice-president, has been appointed as an Executive Director of the Company since 28 June 2022. He has been the Chief Financial Officer of the Company since January 2010 and a Vice General Manager of the Company since April 2013. Mr. GONG joined the Group in July 1994, and has held various positions, including successively serving as the head of finance of Haier Refrigerator Co., Ltd. from July 1994 to August 1999; the financial manager of Haier Northern China Business Development Division (海爾商流華北事業部) from August 1999 to March 2001; the chief financial officer of Haier White Goods Group (海爾白電集團) from April 2001 to June 2008. Mr. Gong currently serves as the director of various subsidiaries of the Group.

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

NON-EXECUTIVE DIRECTORS

Ms. SHAO Xinzhi ("Ms. SHAO"), aged 54, has been appointed as a Non-executive Director of the Company and Vice Chairman of the Board since 28 June 2022. 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.

Mr. YU Hon To, David ("Mr. YU"), aged 77, 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). During the past three years, he was also an independent non-executive director of New Century Asset Management Limited (the manager of New Century Real Estate Investment Trust) (stock code: 1275), China Renewable Energy Investment Limited (stock code: 987), Playmates Holdings Limited (stock code: 635), and Media Chinese International Limited (stock code: 685).

Ms. Eva LI Kam Fun (name that also commonly used is "Mrs. Eva CHENG LI Kam Fun") ("Ms. Eva LI Kam Fun"), aged 72, has been appointed as a Non-executive Director of the Company since 5 March 2021. Ms. Eva LI Kam Fun graduated from the University of Hong Kong with Bachelor of Arts (Hons) and Master of Business Administration degrees. She was conferred with the degree of Doctor of Business Administration, honoris causa, from the 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. CHIEN Da-chun ("Mr. CHIEN"), aged 71, has been an Independent Non-executive Director of the Company since June 2019. He currently serves as a director of ENN Group Co., Ltd. Mr. CHIEN has over 15 years of experience in business administration and corporate management. Mr. CHIEN worked for over 10 years at International Business Machines Corporation ("IBM") group of companies until 2015, achieving various senior management roles before his retirement by the end of 2015. In addition to his experience in business corporations, Mr. CHIEN has served as a professor of Management Practice and a member of the Teaching Steering Committee of the third session of the Executive Education Project at the School of Business of Renmin University of China since January 2019.

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

Mr. WONG Hak Kun ("Mr. WONG"), aged 68, 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 58, 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.

Mr. WU Qi ("Mr. WU Qi"), aged 57, 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. His has extensive experience in fields such as development strategy, organizational change, sales and brand strategy, corporate innovation, digital transformation and intelligent manufacturing, post-merger integration, regional industrial and economic development and upgrading. He is a well-known expert in Industry 4.0, transportation and regional planning and development in the PRC. He served as a consultant for Hangzhou Bay Development Planning, a member of the Intelligent Manufacturing Expert Committee of the Shenzhen Municipal Government, deputy head of the 13th Five-Year Planning Expert Committee of Zhengzhou City, Henan Province, vice chairman of China Cold Chain Alliance and other social positions.

SUPERVISORS

Mr. LIU Dalin ("Mr. LIU"), aged 44, 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.

Ms. MA Yingjie ("Ms. MA"), aged 55, has been a Supervisor of the Company since 25 June 2021. She is an assistant officer specialising on society matters. She once served as the secretary of the trade union of the Company, the contact person of the customer service department of Qingdao Haier Dishwasher Co., Ltd. Currently, she is the head of Society and Community department of the Company. Ms. MA retired as a Supervisor of the Company on 20 June 2024.

Mr. YU Miao ("Mr. YU"), aged 41, 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. LIU Yongfe ("Mr. LIU"), aged 38, 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.

SENIOR MANAGEMENT

Mr. GONG Wei. See "EXECUTIVE DIRECTORS".

Mr. XIE Juzhi ("Mr. XIE"), aged 58, 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).

Mr. LI Pan ("Mr. LI"), aged 48, 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. ZHAO Yanfeng ("Mr. ZHAO"), aged 47, 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 48, 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 49, 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.

Mr. GUAN Jiangyong ("Mr. GUAN"), aged 46, 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 46, 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 47, 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.

Ms. LIU Xiaomei ("Ms. LIU"), aged 39, 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 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

PERFORMANCE OVERVIEW

In 2024, the Company achieved revenue of RMB285.971 billion, representing an increase of 4.3% compared to the same period in 2023. The growth in revenue was attributable to:

(1) China Market: We actively capitalized on the trade-in policy and leveraged high-end product and brands, to realize a double-digit growth in the fourth quarter, with Casarte revenue up by over 30%. We strengthened strategic investments in Leader brand, focusing on building brand awareness among young consumers to drive strong revenue growth.

(2) Overseas Markets: We continuously expanded our market share across all regions, outperforming the industry particularly in emerging markets such as Southeast Asia, South Asia, Middle East and Africa, where we focused on upgrading product mix and advancing retail transformation.

(3) Through external acquisitions and internal transformation, we accelerated the development of our HVAC business. Strategic acquisitions of Carrier's commercial refrigeration business (consolidated in October 2024) and South Africa's water heater leader Kwikot (consolidated in December 2024) have enabled us to expand our commercial refrigeration business and accelerate the development of water heater and purifier businesses in overseas markets. Global smart building grew 15% to over RMB10 billion in revenue, supported by continuous investment in core technologies and ongoing product platform iterations.

(4) We actively seized development opportunities from improvement in living quality and transition to low-carbon economy by building a comprehensive product portfolio including tumble dryers, dishwashers, water purifiers, home cleaning robots, heat pumps and recycling solutions.

In 2024, the net profit attributable to shareholders of the parent company was RMB18.741 billion, up 12.9% from 2023.

(1) The Company's gross profit margin reached 27.2% in 2024, up 0.3 percentage points compared to the same period in 2023. Margin improvement in domestic market was driven by lower commodity prices, digitalization in procurement, R&D, production and sales coordination, and improved product mix. Digitalized procurement and production capacity utilization also contributed to gross margin expansion in overseas markets.

(2) The selling and distribution expense ratio was 11.7% in 2024, a reduction of 0.2 percentage points compared to the same period in 2023, leveraging digitally enhanced efficiency in marketing resource allocation, logistics and warehouse operations in China while increased spending in network expansion, promotions, and store upgrades causing selling expense to remain flat in the overseas markets.

(3) The administrative expense ratio was 8.6% in 2024, an improvement of 0.1 percentage points compared to the same period in 2023, driven by streamlined business processes and digitally enhanced organizational efficiency.

In 2024, the Company's net cash flow from operating activities was RMB26.543 billion, flat year-on-year.

PERFORMANCE OVERVIEW (continued)

I. Household Food Storage and Cooking Solutions

(1) Refrigerator business

In 2024, global refrigerator business achieved revenue of RMB83.556 billion, representing a year-on-year growth of 2.0%. The Company maintained global leadership through continuous innovation, targeted brand positioning, and efficient localized supply chain deployment. The Company focused on advancing technologies including food preservation, built-in applications, and AI, to provide users with enhanced experiences and smart food solutions.

Market Share Performance. According to GfK, the Company maintained domestic market leadership as retail revenue share rose 1 percentage point year-on-year to 40.4% online, and 44.1% offline. According to Euromonitor, our overseas retail volume share was 14%, ranking first in 7 countries, among top three in 14 countries, and top five in 20 countries.

Continuous technological innovation to lead the industry

The Company continued investing in cutting-edge technologies, focusing on preservation technology, integrated home appliance and furnishing design, energy efficiency and AI applications to consolidate leadership. Our Multi-dimensional (temperature, humidity, oxygen, magnetic) Precision Control Technology Innovation and Industrialization for Household Preservation Appliances won the State Science and Technology Progress Award, establishing a new technical benchmark in the industry. Our MSA nitrogen-oxygen technology has achieved cellular-level freshness as fruits and vegetables could preserve up to 99% of nutrients after 7 days, while magnetic-controlled cooling and freezing technology could preserve the taste and texture of raw meat after 10 days. For home appliance and furnishing integration, our proprietary 594mm flat built-in technology does not only set industry standard, but also has been widely implemented in the Casarte C-label series and Haier high-end products, positioning us at the forefront of integrated solutions for luxury living. The Company pioneered products featuring precision-controlled variable flow refrigeration, frequency conversion, and new insulation technologies that meet the European A-20% energy efficiency standard. The Company also actively integrated cutting-edge technologies such as image recognition, voice interaction, and human movement detection to create an AI large model specialized in food preservation, introduced personalized elderly-friendly and gourmet chef modes, and offered customized over-the-air smart scenario upgrades. In 2024, we published the upgrade of IEC 63169 which was the industry's first freshness preservation standard originally drafted by Haier and adopted in over 30 countries, the Company also took the lead in publishing the national preservation standard GB/T 44494.

PERFORMANCE OVERVIEW (continued)

I. Household Food Storage and Cooking Solutions (continued)

(1) Refrigerator business (continued)

The domestic market

"Dual High-End Brand" strategy strengthened market leadership. The Company leveraged both Haier and Casarte brands to maintain industry-leading market share through precise product positioning and innovative marketing approaches. Casarte published Built-in Refrigerator White Paper and Consumer Guide, consolidating leadership with built-in specifications and bottom-mounted refrigeration system after publishing Flat Built-in Refrigerators standard in 2023, contribution to 30% market share in segment priced RMB10,000. The Haier Heyue (和悦) series, featuring innovative light-coloured exteriors, smart interactive lighting, and panoramic illumination design, increased the brand's high-end market share. Our Mailang (麥浪) series drove sales of ultra-thin, zero-gap built-in products beyond 300,000 units with soft colour palette, storage segmentation and 594mm built-in technology.

The Company strategically launched content marketing campaign and promoted user engagement on social media platforms such as Douyin and Xiaohongshu, successfully elevating Haier Mailang refrigerators to the top position in appliances trending list. Casarte Ultra-realm (致境) refrigerators ranked among the top five in online searches, with brand awareness increasing by 124% year-on-year. Additionally, we strengthen brand influence.by interacting with premium users at Shanghai Haier Refrigerator Urban Experience Centre and high-end brand exhibition at Chengdu SKP.

Overseas markets

In 2024, the refrigerator business continued to gain momentum in major global markets and steadily expanded our market share.

The Company continued to strengthen market leadership in the U.S., Australia, New Zealand, Japan, and Pakistan. In Europe, the Candy brand successfully reshaped its image and enhanced market competitiveness through innovative product series featuring Italian design. In India, our market share increased from 13% to 15% leveraging differentiated high-end product portfolios and localized supply chain. In Vietnam, the Company doubled sales volume in mainstream capacity segment through precise product positioning and channel expansion, elevating our overall market share to second place.

In terms of product innovation, the high-end BM refrigerator launched in the U.S. became an instant bestseller, while the Magic Cooling series in Southeast Asia rapidly gained recognition from both distributors and consumers, effectively driving market share growth.

The continuous strengthening of supply chain competitiveness provided strong support for the rapid market share growth overseas. Our Southeast Asian factories we significantly improved manufacturing efficiency through product mix and process optimization in Southeast Asia and unlocked potentials in production capacity in South Asia.

PERFORMANCE OVERVIEW (continued)

I. Household Food Storage and Cooking Solutions (continued)

(2) Kitchen appliance business

In 2024, our kitchen appliance business remained committed to global smart kitchen appliances leader strategy, by driving innovation in product suites, built-in technologies, and smart scenario-based solutions, to achieve global revenue of RMB41.184 billion.

According to GfK, our market shares increased by 1 percentage point online and ranks third with 0.2 percentage points expansion offline in China. According to Euromonitor International the Company's global market share (by volume) reached 9.4% in 2024.

The domestic market

The Company actively integrated leading technologies of GE Appliances, FPA, and Candy to successfully overcome challenges such as range hood noise reduction, lifting technology, dry-fire protection, and automatic door opening for steam ovens to enhance user experience and improve energy efficiency performance. By connecting global technology and module platforms we were able to promote the application of advanced technologies and modules in the Chinese market, spearheading industry trends. In 2024, Casarte's Ultra-realm (致境) range hood, with its seamless built-in design, drove a 400% sales volume growth in the segment priced above RMB7,000. The Xingyue series, with its outstanding design and performance, successfully captured the largest market share in the RMB6,000 price segment.

We focused on enhancing network capabilities and sales team competencies to support business growth. We upgraded 1,000 experience centres, improved the display and sales of Ultra-realm (致境) and Galaxy (银河) series in store, and reinforced retail capabilities to increase conversion ratio.

The Company improved production efficiency and capacity by establishing automated production lines and optimizing global supply chain while reducing production costs by increasing in-house production of stove glass, sheet metal, and injection moulding.

Overseas markets

Despite weak demand in the U.S., the Company enhanced brand competitiveness and market performance. New high-end products launched by GE Appliances continued to gain market recognition: the GE oven range with easy-to-clean baking tray won the USA TODAY "2024 KBIS Reviewed Awards"; the Café countertop air fryer oven was selected for Oprah's annual gift list; and Profile and Café ovens were named best products of the year by Reviewed.com, strengthening our position in the premium market.

In Australia and New Zealand, FPA and Haier brands delivered outstanding performance. In Australia, the two brands' market share increased by 2 percentage points, propelling us to number one. Dishwasher market share grew by 4 percentage points, while kitchen appliances increased by 1 percentage point. In New Zealand, our dual brands maintained their top position and Haier brand achieved double-digit growth across major retail channels.

In Europe, the Company successfully entered high-end retail channels including Darty in France and ECI in Spain, while expanding into professional kitchen channels in Italy. We also made progress in Southeast Asia and South Asia.

PERFORMANCE OVERVIEW (continued)

II. Household Laundry Management Solutions

In 2024, our laundry business continued to strengthen technological innovation, product upgrades, market expansion, and supply chain optimization. We accelerated the digital inventory and marketing transformation to enhance omni-channel retail capabilities in the domestic market while strengthening product innovation and channel expansion to achieve stable growth overseas. In 2024, global revenue reached RMB63.320 billion, representing a year-on-year increase of 3.0%.

According to GfK, the Company continued to lead in offline market in China. Online retail share reached 37.9%, up 1.1 percentage points year-on-year. According to GfK and data from distribution channels, we captured leading market shares in multiple countries including Australia (29.5%), New Zealand (41.6%), and Pakistan (35%).

The Company capitalized on the trends toward large capacity, smart, and integrated washing and drying solutions through technological breakthroughs and pioneering products. To address the post-washing odour issue in front-load washers, we introduced "Air Navigation Technology," which refreshes the air inside the drum every 2 minutes. To solve the lint clogging problem during drying, we implemented AI algorithms and multi-connected PTC heaters that adapt to moisture levels, preventing temperature-related damage. The Haier LangJing (朗境) X11 series washing machine, equipped with these innovative technologies, received A-60% VDE certification from the German Association for Electrical Engineering, making it one of the most energy-efficient washing machines globally.

The domestic market

The Company enhanced operational efficiency and marketing effectiveness through digital inventory management and content marketing to improve market responsiveness and user conversion. Through multi-brand synergy, we consolidated high-end market share, expanded into both youth and senior consumer segments to increase market share. We launched premium washing machines priced above RMB10,000 to capture a dominant 80.4% market share. We also introduced products with simplified operations and practical functions to meet the needs of elderly consumers.

The Company improved efficiency and supply chain stability by increasing the in-house production ratio of core components and optimizing spatial layout. During the reporting period, we achieved 100% in-house manufacturing of twin-tub washing machines in the factory in Chongqing. Through balanced production, equipment load optimization, and production-research collaboration, we achieved over 95% equipment utilization throughout the year. Additionally, we achieved self-manufacturing of sheet metal components through the construction of new factories and resource integration in Sino-German Ecopark Phase 2.

PERFORMANCE OVERVIEW (continued)

II. Household Laundry Management Solutions (continued)

Overseas markets

In the overseas market, we responded to global demand by strengthening product innovation and expanding distribution channels while continuously developing our global supply chain to enhance agility and competitiveness. In the European market, we launched a heat pump washer-dryer combo that reduces energy consumption by 10% compared to the previously most energy-efficient model. This product addressed the problem of fabric damage caused by traditional drying methods demonstrating our commitment toward high-end smart solutions. In the U.S., we introduced the Combo Core washer-dryer, which is 50% more energy-efficient than traditional vented electric dryers as it can complete washing and drying in just two hours without the need to transfer clothes. In Japan, we established 100 stores, with the sales volume of heat pump washers soared by 128% year-on-year. In Latin America, we expanded our fully automatic product line, driving a 35% increase in orders across all categories. We also enhanced supply chain agility and competitiveness, with Egyptian factory commencing operations in 2024 to serve the Middle East and African regions.

III. Air Solutions

During the reporting period, the Company realized sales revenue of RMB49.617 billion, up 7.6%.

(1) Home air conditioner business

In 2024, our home air conditioner business continued to advance R&D and modular technology while strengthening supply chain integration, thereby solidifying the foundation for long-term development. In the Chinese market, we accelerated business transformation and developed comprehensive online retail capabilities. For overseas markets, we strengthened brand positioning, expanded product categories, and established franchise networks to achieve steady growth.

We continued to increase R&D investments based on user demand to maintain leadership in energy efficiency, health, and smart technologies, thereby building competitiveness in whole-house smart air solutions. The Company has developed Positive Cycle Heat Flow Defrosting Technology for Heating, which achieves 24-hour heating with indoor temperature fluctuations controlled within 0.5ºC, addressing pain points in the Yangtze River region and other low-temperature, high-humidity areas where significant temperature fluctuations (5–9ºC) was caused by frequent defrosting during winter. We developed core competitiveness in smart air ecosystems through AI technology integration, pioneering sound wave human sensing technology that allows airflow to follow people without direct blowing at them. We also developed AI energy-saving technology that enables air conditioners to operate on just 2 kWh of electricity per day, saving up to 46% energy usage.

PERFORMANCE OVERVIEW (continued)

III. Air Solutions (continued)

(1) Home air conditioner business (continued)

The domestic market

We launched star products such as Haier Smart Airflow (聰明風) and Casarte Ultra-realm (致境) series, the former uses dual-power mechanical arms to control airflow, achieving 270º multi-directional air distribution without blowing directly at people to provide users with comfortable, powerful, and energy-efficient air solutions leveraging AI energy-saving technology based on specialized air database and AI cloud-based model.

Challenged by sluggish demand and intensified competition, the Company focused on addressing consumer needs through business innovation, content marketing, and multi-brand initiatives to enhance end-to-end operational efficiency and improve traffic conversion. We pioneered the use of digital inventory in POP stores, facilitating distributors to operate with lighter assets, shortening response lead-time, and accelerating product turnover. We precisely forecasted demand, dynamically adjusted production, and logistics to reduce waste leveraging big data models.

We catered to specific user demand through multi-brand coordination. Casarte air conditioner reinforced its All Copper Components and Gentle Breeze Technology to expand its high-end market share. Leader air conditioner focused on Generation Z by creating the popular "Ultra Energy-Saving" series. Through innovative social media marketing, Leader maintained rapid growth while strengthening competitiveness in product lineup, user traffic acquisition, and conversion online.

The Company accelerated supply chain integration, increased the in-house production of components, and strengthened cost control and improved global supply stability. Zhengzhou compressor factory commenced production in April 2024 with an annual capacity of 2.24 million units. We also doubled in-house production of PCBs by expanding Zhengzhou facility and establishing a new base in Chongqing.

Overseas markets

The Company committed to a multi-brand strategy while driving retail transformation, expanding professional channels, and localizing supply chain to enhance competitiveness in overseas markets, thereby achieving sustainable growth with improved profitability.

We continued to provide users with smart, health-oriented, and energy-efficient whole-house air solutions, driving product mix upgrades. In India, Haier's price index exceeded 100 for the first time, and our market share in TOP10 high-end chain stores reached 15.2%, ranking second in the industry.

PERFORMANCE OVERVIEW (continued)

III. Air Solutions (continued)

(1) Home air conditioner business (continued)

Overseas markets (continued)

We improved professional capabilities and expanded professional channels to achieve market share leadership in Pakistan, Thailand, and Malaysia.

We continued to enhance localized manufacturing capabilities. Our Indonesia and Bangladesh factories have completed their expansion, while the Egypt factory has rapidly improved efficiency since commencing operations in March 2024. The second phase project in Thailand has also been launched to increase risk resilience.

(2) Smart building business

During the reporting period, global smart building revenue exceeded RMB10 billion, driven by continuous investment and breakthroughs in compressors, iterations of MRV platforms, and expansion in overseas markets.

China IoL places us among the top three in the industry as the Company's domestic and export combined market share increased by 1 percentage point to 9.3% in 2024.

We strengthened in-house R&D and manufacturing of core components, established leadership in energy-saving, low-carbon, and smart technologies to solidify foundation for growth. The Company's proprietary centrifugal compressors deliver industry-leading performance and we have established in-house development capabilities for core components such as compressors. We addressed comfort, energy efficiency, and reliability challenges in MRV units under varying application environments by developing compact cascade high-efficiency heat exchange, constant-temperature frost suppression, and comfortable humidity control and energy-saving technologies which significantly improved product safety and reliability, placing us at forefront of the global industry.

The domestic market

The continuous upgrade of product lineup has driven rapid revenue growth and improved profitability. We launched the new generation Max IoT multi-connected units, achieving breakthroughs in four core technologies of high-efficiency heat exchangers, air supply, temperature and humidity control, and water-fluorine-electricity separation thermal management systems to maximize the capacity of individual module to 48 HP. The product won the only gold award in its category at the 2024 China Refrigeration Expo. It has already been applied in several projects including Fujian Future Technology Building, Huizhou Smart Industrial Park, and Yancheng Robot Industrial Park. The Company owns proprietary property rights of core components of air suspension centrifugal chiller and achieved integrated R&D, production, and distribution from compressors to complete units. This product line was successfully included in the "Green Technology Promotion Catalog (2024 Edition)" issued by the National Development and Reform Commission for excellent energy efficiency performance.

PERFORMANCE OVERVIEW (continued)

III. Air Solutions (continued)

(2) Smart building business (continued)

The domestic market (continued)

The Company focused on network expansion by enhancing distributor operational capabilities and building professional solution systems to achieve growth despite challenging market conditions. We expanded network coverage and quality by enhancing end-to-end user service capabilities and implementing differentiated network management. We helped customers signing multiple projects by building end-to-end service capabilities; while strengthening long-term engagement with strategic customers and hosting industry conferences in collaboration with design institutes to establish market insights and build an open, efficient ecosystem that improves project acquisition. The establishment of the HVAC customer club and a tiered distributor service system enabled us to respond to demand quickly, address complaints promptly, and implement clear promotion and elimination mechanisms to maintain network competitiveness.

Overseas markets

The Company accelerated development of differentiated products and improved professional channel capabilities to unlock potentials and achieve favourable growth.

We optimized product platform design, improved product efficiency and profitability by enhancing energy-efficient, healthy, comfortable, convenient, and smart experience. We secured a contract for a data centre in Malaysa with a winning bid scale of 12,000 refrigeration tons. We utilized the Company's air-cooled magnetic levitation technology and optimized product structure based on customer requirements, enhanced product performance through integrated cooling system, and reduced maintenance costs with an oil-free structure. In the U.S., we launched ductless products featuring Smart HQ controls and convenient OTA functions, achieving −22 ℉ low-temperature heating, 100% heating capacity at 5ºF, and SEER2 ratings up to 27, all of which have been well-received.

In the European market, the Company accelerated business development by expanding District Service Centre. In Southeast Asia, we drove business growth through multi-category combinations and enhanced local professional service capabilities. In the U.S., we expanded professional channels with comprehensive HVAC product solutions to ensure sustainable business development.

PERFORMANCE OVERVIEW (continued)

IV. Water Heaters & Purifiers

In 2024, global water heater and purifier revenue reached RMB16.175 billion, representing a year-on-year increase of 5.5%, driven by product innovation, business model transformation, digitalization, and operational efficiency improvements in the domestic market and strategic acquisition overseas.

According to Gfk, the Company's offline retail share was 45.2%, up 1.3 percentage points year-on-year; online retail share was 40.3%, up 1.1 percentage points year-on-year in China.

The Company achieved continuous breakthroughs in temperature control, mineral health, energy efficient as well as noise control technologies, and launched multiple star products.

Haier's "Peach Blossom Water" (桃花水) series of electric water heaters has won widespread acclaim from users for its excellent skin-nourishing effects and comfortable, constant-temperature bathing experience. The "Butterfly Dance" (蝶舞) series of gas water heaters provide stable and quiet hot water with high efficiency and energy-saving advantages. The "Fresh Water" (鮮活水) purifier series ensures users enjoy fresh, pure drinking water through advanced filtration technology, with annual sales reaching 100,000 units, making it a mainstream market choice.

The domestic market

The Company fuelled business growth by aligning with industry trends and evolving demands through content marketing, distribution channel reform, and improving operational efficiency. By collaborating across the value chain, we highlighted products in everyday language and relatable formats. Through in-depth exploration of user needs and market trends, we successfully created popular water heater series such as "Peach Blossom Water" and "Butterfly Dance", and the "Fresh Water" purifier series, establishing high-quality and influential IPs and content.

Haier water heater and purifier streamlined SKUs, focused on popular products, eliminated ineffective models, and enhanced production efficiency. By optimizing product lines and concentrating resources on developing bestsellers, we increased individual model output by 5% and optimized costs.

Overseas markets

The Company strengthened product innovation and localized professional capabilities while entering key growth markets through acquisitions.

We strengthened differentiated innovation. In the European market, to meet users' demands for healthy bathing, we launched water heaters with independent skincare certification that transform water from cleansing to nourishing. In North America, our heat pump water heaters, featuring advanced heat pump technology and high energy efficiency, has meet the new U.S. energy consumption standards set for 2029. We also developed electric water heaters with valve structures that precisely control water temperature at below 40ºC, meeting the specific bathing needs of users during Ramadan.

PERFORMANCE OVERVIEW (continued)

IV. Water Heaters & Purifiers (continued)

Overseas markets (continued)

During the reporting period, the Company acquired the century-old Kwikot brand which held a 58% market share in South Africa. This acquisition accelerated our development in the local and EMEA markets, by enhancing global capabilities in professional water heating solutions.

V. China Operations: In 2024, the company advanced its retail transformation by launching key initiatives such as one inventory and content-driven marketing, while enhancing its multi-brand strategy to meet the needs of a diverse consumer base.

One inventory Initiative

With content-based e-commerce channels on the rise, distributors seek faster response, greater customization, and tighter sales-logistics alignment. The Company built an end-to-end digital platform covering order management, operations, warehousing, distribution, and installation. This enabled full-network inventory sharing and asset-light operations boosting SKU efficiency. In December 2024, RRS Supply Chain Technology Co., Ltd. and its subsidiaries were consolidated, forming a unified logistics system that fully integrates personnel, systems, and data to accelerate retail model transformation.

The Casarte Brand

Casarte enhanced its brand strength through proprietary technology, expanded product suites, and digital marketing upgrades. We actively capitalized on the trade-in policy opportunities in Q4 2024, and Casarte's retail revenue increased by 12% for the year of 2024.

New Ultra-realm (致境) and Xingyue (星悦) suites addressed consumers' demands for design and connected living, driving a year-on-year 64.6% surge in suite sales. On Xiaohongshu, Casarte ranked No.1 in high-end appliance searches.

The Leader Brand

In 2024, the Leader brand focused on the lifestyle scenarios of young consumers. Through product innovation and enhanced marketing, we dedicated ourselves to creating personalized spaces and free lifestyles for Generation Z, achieving year-on-year increase of 26% in retail sales.

Focusing on young consumers' demands for personalized, minimalist, and efficient lifestyles, the Company launched Cloud (雲朵) series washing machines with 45-minute efficient wash-and-dry cycles and air conditioners with 180° rotating wing. We strengthened our youthful brand positioning by launching the "Lifestyle Ambassador" campaign, manifests "Your Life, Your Way". Additionally, the Company deepened partnerships with Douyin and Kuaishou to increase exposure. Our monthly GSV on Douyin exceeded RMB100 million, with A3 user[1] data base growing by 55%, effectively promoting synergies between the brand and our business.

1 A3 user: users frequently interact with brands online

PERFORMANCE OVERVIEW (continued)

V. China Operations: In 2024, the company advanced its retail transformation by launching key initiatives such as one inventory and content-driven marketing, while enhancing its multi-brand strategy to meet the needs of a diverse consumer base. (continued)

The San Yi Niao Platform

San Yi Niao focused on the smart home strategy by implementing solutions that integrated smart appliances and home furnishing. We enhanced competitiveness through product solutions, outlets upgrades, platform improvements, and smart technology advancements. Our integrated cabinet solution in partnership with Boloni has strengthened whole-house customization and high-end suite product sales. In 2024, San Yi Niao's suite product sales reached 57% of total, with Casarte accounting for 35% and pre-installation products for 40%. Our Smart Home APP concentrated on improving user experience, while Smart Home Brain upgraded connectivity and voice interaction. HomeGPT helped position our Connoisseur (鑑賞家) PRO suite product series as an industry leader in AI applications.

During the reporting period, we introduced advanced large model tools to San Yi Niao, enhancing voice interaction and scenario data-driven capabilities. Through vertical domain training, we made the application of AI technology more precise and efficient in household settings. We upgraded the AI infrastructure with service-oriented and modular improvements, increasing data processing efficiency and enabling data-driven personalized services. We enhanced voice interaction technology to achieve multi-intent recognition and more natural, complex conversations. Additionally, we incorporated visual recognition technologies such as AI Eye to facilitate identification and monitoring of ingredients and environments, along with various scenario applications.

VI. Overseas Markets

In 2024, the Company achieved revenue of RMB143.814 billion in overseas markets, representing a year-on-year increase of 5.4%.

During the reporting period, the Company strengthened product innovation and high-end transformation by leveraging R&D capabilities, integrating resources and technologies, and gaining user insights to deliver industry-leading product solutions. In terms of retail channel transformation, we promoted innovations online and offline while enhancing high-end product displays and standardization in stores. We also seized new e-commerce opportunities to accelerate global retail transformation. The Company increased global brand recognition by sponsoring the Australian Open and French Open. We have over 20 million followers across mainstream social media platforms overseas, continuously enhancing our brand influence through innovative content.

PERFORMANCE OVERVIEW (continued)

VI. Overseas Markets (continued)

1. North America

During the reporting period, the Company recorded sales revenue RMB79.529 billion while solidifying its market leadership in several categories including Range, Refrigerator, Freezer, Clothes Care and Dishwasher.

The Company continued to unveil future-proof solutions that embrace sustainability, inclusion, and wellness at home. Through modular design, the company launched new Apex freestanding range in early 2024, expanding its retail sales network and solidifying its market leadership in cooking appliances. Its unique EasyWash™ oven tray design won the Best Slide-In Range Award from TWICE VIP Award. Leveraging innovative Active Smoke Filtration technology, smoking food on kitchen countertop is made possible with GE Profile Smart Indoor Smoker, which received Best Product award at CES 2024; facilitated by major investment in manufacturing base, a new stainless tub Dishwasher line was launched to serve consumers seeking cleaner aesthetic design and enhanced functionality; building on the wild popularity of Opal Nugget Ice Makers, GE Profile Opal 2.0 Ultra features new industry-leading enhancements to reduce maintenance and optimized design to produce more crispy nugget ice; the Company also expanded its industry-leading portfolio of multi-door refrigerators with the launch of two quad door models including CAFÉ™ ENERGY STAR® Smart Quad-Door which was selected as the Best Refrigerator by Reviewed.com; GE Profile UltraFast Combo won the Innovation Award at CES 2024 for utilizing ventless heat pump technology which not only revolutionizes the way to wash and dry a large load of clothes, but also delivers 50% more energy efficient drying. All these innovation achievements helped the Company win The Home Depot Partner of the Year award and rank first in kitchen appliances department at Lowe's. Meanwhile, the Company continued its leading position in the contact channel by signing up more new builder customers.

The Air and Water business realized 70% growth with commercial air conditioners and 10x revenue growth with Unitary AC, driven by the successful launch of comprehensive HVAC solutions. Meanwhile leveraging expertise as a leading cooking manufacturer, the Company created a range line-up with reliable performance and user-friendly controls for the Recreational Vehicle (RV) Industry and realized 24% year-over-year revenue growth. The Company also introduced Bodewell, a personalized appliance care service that sets the industry standard by offering personalized care through its unique factory service network for all appliances, demonstrating our commitment to building relationships, earning trust, and delivering exceptional care.

Through collaboration with partners including Savant and Tantalus Systems, the Company launched GE Appliances EcoBalance System, integrating innovative energy-efficient appliances and smart home products, paired with energy demand management, solar panels, energy storage solutions and electric vehicle chargers. The system not only helps reduce strain on electrical grids, but also cuts energy costs for homeowners and reduces carbon emissions.

PERFORMANCE OVERVIEW (continued)

VI. Overseas Markets (continued)

1. North America (continued)

The Company integrated Google Cloud's generative AI platform, Vertex AI, into SmartHQ app to add new features, including Flavorly AI, which creates personalized recipes and simplifies the cooking experience based on consumers' dietary preferences and existing ingredients in their kitchen.

In January 2024, GE Appliances was named "Smart Appliance Company of the Year" for 7 consecutive years, and its SmartHQ app received the "IoT Innovation Award — Consumer Product of the Year" award at the 8th annual IoT Breakthrough Awards program. Additionally, for the 4th time, the Company also secured the "Consumer Cybersecurity Solution of the Year" in October 2024.

The Company's commitment to inclusion and diversity was also recognized again in March 2024, when it received the "Best Places to Work" award third time.

2. Europe

During the reporting period, the Company recorded sales revenue of RMB32.089 billion, up 12.4% compared with the same period in 2023.

The growth was driven by committed product and service upgrade including successful launch of multi-door refrigerators which contributed to market share reaching 40%, acceleration of New Candy initiatives such as Candy Fresco 700 that addresses consumer pain points in capacity, energy efficiency and preservation with innovative Panaroma Light, circle fresh air flow and Adaptive Humidity Area, was an immediate bestseller with number one in Hitlist in Spain and top ten in Italy only three month after launch; the new X series 11 washing machine contributed to market share expansion from 0.6% to 8% in unit priced €1,000 and above in Spain. A new line of H2O dish washers featuring energy efficiency technologies have been introduced to help Haier brand gain 12% market share in premium segment. The mite remover was well received by the market with sell-in volume of over 60,000 units. The Company also made efforts to increase the number of outlets and implement sellout management system that help market share reach 17%, ranking number one in premium segment in Spain. Significant breakthroughs have been made in Eastern Europe where premium X series washing machine and I-Proshine dishwashers have been introduced in Poland to give a complete makeover to instore displays; strategic partnership including 20 premium store-in-stores and 1 concept showroom was formed with the biggest distributor ALTEX in Romania and the introduction of three-door and multi-door refrigerators contributed to 50% market share and exponential growth in Chez Republic.

This year the Company renewed strategic partnership with top-tier events including Roland-Garros, the Nitto ATP Finals and several ATP tournaments; the Company also became the Official Appliance Sponsor of the Davis Cup Finals 2024 Tournament in Malaga, to promote premium hospitality experience, brand exposure and fan engagement.

For the second consecutive year, Haier Europe is honoured as a Top Employer in the UK in recognition of its commitment to a better world of work and outstanding people practices.

PERFORMANCE OVERVIEW (continued)

VI. Overseas Markets (continued)

3. South Asia

During the period, the South Asian market generated revenue of RMB11.525 billion, representing a year-on-year growth of 21.0%.

India

The Company led the Indian market with remarkable 30% revenue growth in 2024. This achievement was attributed to the effective implementation of our high-end product strategy including large capacity front-load washing machines which performed particularly well, driving continuous improvement in average selling prices.

By combining accurate market insights with strategic product portfolio, we continued to develop bestselling items and optimize our product matrix. Our cross-category lineup of high in demand products includes powerful air conditioners with 5-star energy efficiency and three-door side-by-side refrigerators.

We achieved remarkable results in distribution network expansion through successful online and offline strategic implementations. While maintaining rapid growth online, channel coverage increased by 7% by expanding in national chain stores and traditional offline channels to establish strong presence in the entire distribution network in India.

Pakistan

The Company achieved 20% revenue increase in local currency and strengthened leadership with 45% market share. This was accomplished through end-to-end cost reduction, efficiency improvements, and lean management, which drove retail and premium brand transformation to boost high-end market share and price index.

4. Australia & New Zealand

During the reporting period, the Company recorded sales revenue of RMB6.642 billion, up 8.1%.

The Company also gained 2 percentage points market share and rose to number one in Australia partly driven by robust performance of Haier brand with market share gain of 3 percentage points in laundry, 2 percentages points in refrigerators, 4 percentage points in dish washers and 5 percentage points in kitchen appliances. The Company continued to lead in New Zealand with double-digit growth from Haier brand, making it the fastest growing company in the local market.

PERFORMANCE OVERVIEW (continued)

VI. Overseas Markets (continued)

4. Australia & New Zealand (continued)

The Company continued to introduce cutting-edge products across categories including Haier 8 star energy efficiency refrigerator which was well-received by distributors including TGG and HVN, contributing to 8 percentage points market share gain in its specific capacity segment; Gemini washer and dryer combo and Hero series, which was Haier's first unit with retail price over AUD $3,000, contributing to 15 percentage points share gain; and Haier's ultra-thin heat pump dryer featuring 7 star energy efficiency performance that help grow market share by 9 percentage points. FPA also introduced unparalleled range of kitchen appliances including oven, microwave, and steamer. On the operational front, the Company upgraded digital dashboard to optimize sell-in & sell through performances, improve data analysis and decision-making process while utilizing digital payment management, AI forecast, FPA GPT and warehousing management system to maximize order management and create the ultimate experience for both customers and consumers. On 25th November, the Company became the official TV and Appliance partner of the Australian Open and Summer of Tennis events. The partnership aims to deliver immersive fan experiences by integrating advanced technologies in home appliances, including kitchen, laundry, and climate control systems, with world-class tennis.

5. Southeast Asia

During the reporting period, revenue from the Southeast Asian market grew 14.8% to RMB6.633 billion. High-end products accounted for 38% of total volume sold in Malaysia and high-end products grew by 20% in volume in Vietnam.

The Company launched T-door and French door refrigerators, high-end UV COOL VRA air conditioners in Malaysia; upgraded from self-cleansing to UV anti-bacteria air conditioners in Thailand; introduced UVC Pro and smart Eco air conditioners, large drum front-load washing machines, 700mm wide TM refrigerators equipped with magic zoom compartments and removable ice box in Vietnam where Aqua air conditioners also grew 40% in volume; and launched new series of multi-door refrigerators to create the ultimate food preservation experience in Indonesia.

The Company commenced construction of air conditioner factory in Thailand; assembled smart manufacturing lines with lower costs and greater efficiency for refrigerators and washing machines in Aqua facilities in Vietnam; upgraded pre-processing and completed press machine project in refrigerator factory to increase cost competitiveness while renovated air conditioner production line to improve output by 30% in Indonesia.

PERFORMANCE OVERVIEW (continued)

VI. Overseas Markets (continued)

6. Middle East & Africa

During the period, revenue from the Middle East and Africa grew 38.2% year-on-year to RMB2.674 billion.

The Company drove rapid growth through localized manufacturing, upgraded market operations, and strategic acquisitions. The Company focused on brand and product mix upgrades, promoting the penetration of large diameter washing machines and inverter air conditioners, while improving operations and retail capabilities to enhance brand image and promote mid to high-end products. In Egypt, the Company's eco-park phase one project commenced production to ramp up manufacturing of air conditioners, washing machines, and televisions thus unlock potentials in local market and neighbouring countries. In Saudi Arabia, the Company addressed distribution system pain points and implemented channel reforms, significantly improving whole-seller incentives and revenue growth. In South Africa, the Company completed the acquisition of Electrolux's water heater business that held the largest local market share, leveraging Kwikot brand's distribution channels to promote the development of Haier refrigerators, washing machines, and other white goods throughout South Africa and neighbouring countries.

7. Japan

During the reporting period, the Company recorded sales revenue of RMB3.426 billion, ranking 2nd with 16.5% market share in refrigerator by volume: 1st in freezers with 40.1% and 3rd in washing machine with 17.0%.

The Company introduced a collection of innovative products including TX refrigerator series in March with industry-leading full-space preservation utilizing smart temperature and humidity control technologies; the ultimate compact 8kg washing machine with best-in-class performance leveraging PTC drying module, 10kg heat-pump dryer combo led the market with 47.2% share in 10kg washers while sales volume of large TX refrigerator doubled. The Company also announced Yuzuru Hanyu as the new brand Ambassador to mark the launch of campaigns across multiple platforms to capture maximum attention during year-end shopping season.

PERFORMANCE OVERVIEW (continued)

VII. Deepening Digital Transformation and Implementing Cost Optimization Initiatives to Enhance End-to-End Cost and Expense Competitiveness

In 2024, the Company focused on operational cost reduction, efficiency improvement, and user experience enhancement. We deepened the end-to-end digital transformation of our domestic operations to unlock reform dividends. Additionally, we initiated digital transformation in overseas regions by implementing our domestic operational model to improve operational standards and profitability in overseas markets.

On the market side, we continuously upgraded our business model to enhance operational capabilities. (1) We upgraded our offline channel model by actively leveraging national subsidy opportunities and implementing the Smart Home Cloud Store OTO model across more than 20,000 stores, generating retail sales of RMB450 million. (2) We advanced full-chain digital marketing to improve our new media matrix operations, smart content creation, and lead management capabilities, achieving over 1.4 billion new media impressions with a 24.7% lead conversion rate.

In our service platform, we optimized resource allocation through smart tool applications, enhancing service efficiency and user retention. (1) In customer service operations, we established smart customer service capabilities by building a knowledge base system, standardizing interaction scenarios, and implementing smart interaction solutions. In 2024, the proportion of smart interactions increased by 25.52% year-on-year, while smart resolution rates improved by 10.35%. (2) In after-sales services, we completed the development of digital capabilities including smart scheduling, continuous online availability, and full-chain spare parts digitalization. As a result, user complaints decreased by 33.22% year-on-year, and service costs declined by 5.2%.

In our supply chain platform, we built smart forecasting capabilities to achieve agile response to market orders. We connected planning, marketing, manufacturing, procurement, and logistics nodes to establish an algorithm-driven smart prediction model and a cloud-based smart analysis operating system, which enhanced our order forecasting capabilities. We implemented a system where production scheduling information is visible and accessible within T+6 weeks, with automatic inventory replenishment and smart review capabilities, which improved our on-demand delivery efficiency. In 2024, our domestic order response cycle improved by 13%, while the customer funds cycle decreased by 7 days.

We replicated our domestic digitalization framework in overseas markets to enhance regional competitiveness and profitability. (1) We established overseas customer experience platforms in Thailand, Middle East and Africa, enabling online management of pricing policies and terminal sales. (2) We implemented digital systems across 17 overseas factories, improving capabilities in procurement strategy, production planning, manufacturing execution, commodity storage, and finished product warehouse management. (3) In customer service, by leveraging AI large models, we achieved precise guidance and rapid inquiry resolution for customer issues, reducing manual service workload and improving customer service staff efficiency, with average conversation duration shortened by 15%.

PERFORMANCE OVERVIEW (continued)

VII. Deepening Digital Transformation and Implementing Cost Optimization Initiatives to Enhance End-to-End Cost and Expense Competitiveness (continued)

In 2024, the Company launched the Cost Optimization Project, benchmarking against global leading practices to restructure our objectives. We drove implementation through organization-wide collaboration, systematically enhancing our cost competitiveness.

In R&D processes, we optimized the product BOM lifecycle and built dynamic cost monitoring models to perform in-depth analysis of component cost structures and drive improvements. We enhanced product platform management by eliminating over 1,500 redundant long-tail models and reducing over 5,000 specialized material codes, strengthening our product cost competitiveness from the source. On the procurement side, we increased the openness of our supplier network. By establishing an order journey platform, we promoted transparency throughout the entire supplier process from ordering, delivery, and warehousing to usage and settlement, thereby improving efficiency and reducing hidden costs.

INTRODUCTION OF THE INDUSTRY WHERE THE COMPANY OPERATES DURING THE REPORTING PERIOD

(I) Industry Overview for 2024

1. The domestic market

Following the implementation of the national home appliance trade-in policy since August 2024, the industry has gradually recovered from the first half of the year. According to AVC, China's home appliance retail sales across all categories (excluding 3C products) reached RMB907.1 billion in 2024, representing a year-on-year increase of 6.4%.

Home Air Conditioning Industry

According to AVC, the home air conditioner industry recorded retail volume of 59.78 million units in 2024, a year-on-year decrease of 1.8%, while retail value reached RMB207.1 billion, down 2.2% year-on-year. In the first half of the year, industry demand was hampered by rainy weather in southern regions and cautious consumer behaviour. High channel inventory intensified price competition. Beginning in August, national subsidy policies were gradually implemented, effectively stimulating market demand.

High-efficiency air conditioners were increasingly favoured by consumers with Annual Performance Factor (APF) becoming a key consideration, driving market share growth. Meanwhile, innovative products such as fresh air conditioners and integrated air conditioning systems continued to emerge, meeting consumers' pursuit of healthier and more comfortable living environments with product mix upgrade.

INTRODUCTION OF THE INDUSTRY WHERE THE COMPANY OPERATES DURING THE REPORTING PERIOD (continued)

(I) Industry Overview for 2024 (continued)

1. The domestic market (continued)

Refrigerator Industry

In 2024, the refrigerator industry achieved steady growth driven by replacement demand and continuous innovation. According to AVC, annual retail volume reached 40.19 million units, a year-on-year increase of 4.9%, while retail revenue reached RMB143.4 billion, representing a 7.6% year-on-year growth.

Product upgrades primarily focused on built-in solutions, fresh food preservation, and smart features to enhance users' quality of life. Preservation technology emphasized nutrient retention and quality food storage, while appearance design incorporated new materials that harmonize with home environments, improving both aesthetics and functionality. In 2024, the market penetration of flat built-in refrigerators increased with from 7.1% to 20.1% online and from 12% to 38.9% offline.

Laundry Care Industry

According to AVC, China's washing machine industry had a retail volume of 42.97 million units in 2024, representing a year-on-year increase of 7.3%. Retail revenue reached RMB101.4 billion, up 7.6% year-on-year. Tumble dryers demonstrated strong growth momentum in 2024, with retail volume surging 30.6% year-on-year to 2.83 million units, and retail revenue rising 25.7% year-on-year to RMB16.2 billion.

The washing machine product mix continued to improve driven by expanding front-load washing machines, whose online retail share rose by 4.8 percentage points to 44.1%, while offline retail share increased by 8.2 percentage points to 51.2% in 2024 according to Gfk. Industry trends continued to evolve towards larger capacity, multi-functionality, smart, and aesthetic appeal. Front-load washer-dryer combos maintained rapid growth, with GfK data showing the market size for these combo products increased by 65.1% year-on-year to RMB8.4 billion. Product development was accelerating towards ultra-thin, flat built-in designs to achieve better integration with home furnishings.

INTRODUCTION OF THE INDUSTRY WHERE THE COMPANY OPERATES DURING THE REPORTING PERIOD (continued)

(I) Industry Overview for 2024 (continued)

1. The domestic market (continued)

Kitchen Appliance Industry

(1) Range hood and stove industry

According to AVC, the overall retail sales of range hoods reached RMB36.2 billion in 2024, representing a year-on-year increase of 14.9%, with retail volume reaching 20.83 million units, up 10.5% year-on-year. The gas stove market achieved retail sales of RMB20.4 billion, growing 15.7% year-on-year, with retail volume of 24.29 million units, up 15.2% year-on-year.

Product upgrades focused on smart, integrated home appliances with furnishings, and high energy efficiency to meet consumer demands for operational convenience and space utilization. Smart features such as gesture sensing, hood-stove integration, and APP control continued to increase. New product styles including ultra-thin models and 7-shaped hoods were gaining market share. High-power, energy-efficient gas stoves gained popularity, with dry-fire prevention feature becoming a key consideration for consumers.

(2) Dishwasher industry

The dishwasher industry continued to experience rapid growth. According to AVC, retail sales reached RMB13.2 billion in 2024, representing a year-on-year increase of 17.2%, while retail volume grew to 2.29 million units, up 18.0% year-on-year.

Dishwashers have evolved to offer larger capacities, better kitchen renovation compatibility, and zone washing capabilities to address user pain points such as insufficient capacity and limited kitchen space. These improvements enhanced space utilization and user experience. Fully built-in models have become the most recommended style, with their retail market share rising from 34% to 47% online and from 79% to 81% offline.

Water Heater Industry

According to AVC, the water heater market in 2024 had retail sales of RMB53.2 billion, a year-on-year increase of 5.3%, with retail volume of 31.45 million units, up 5.1% year-on-year. Electric water heaters generated retail sales of RMB23.6 billion, up 1.3% year-on-year, with a retail volume of 18.02 million units, increasing 2.5% year-on-year. Gas water heaters achieved retail sales of RMB29.6 billion, up 8.8% year-on-year, with a retail volume of 13.43 million units, growing 8.7% year-on-year.

INTRODUCTION OF THE INDUSTRY WHERE THE COMPANY OPERATES DURING THE REPORTING PERIOD (continued)

(I) Industry Overview for 2024 (continued)

1. The domestic market (continued)

Water Heater Industry (continued)

Large capacity and high-power models have become mainstream in electric water heater market, with 60L models accounting for over 60% of total. Dual-tank ultra-thin products grew rapidly by 20% both online and offline, as they align with consumer demands for home aesthetics and efficient space utilization. These products are expected to become a future market trend. National subsidies significantly boosted demand high-efficiency gas water heaters products, with GfK data showing that Level 1 energy efficiency products experienced a 69% increase in retail sales in offline markets from September to December in 2024.

Additionally, water home appliance products[1] maintained rapid growth in 2024, driven by trade-in policies and home improvement subsidies, with industry retail sales reaching RMB34.6 billion, a year-on-year increase of 16.3%, and retail volume reaching 27.9 million units, up 6.2% year-on-year.

Trade-in policy incentives helped offline channels accelerate in growth towards year-end, with particularly strong performance from both national and local chain retailors. According to AVC, Q4 retail sales skyrocketed by 75.5% year-on-year, with annual retail sales growing by 22.3% year-on-year. Online channels showed mixed results, with traditional e-commerce platforms posting a 6.9% year-on-year increase in annual retail sales. Content-based e-commerce has emerged as a new growth engine through innovative marketing and strong user retention, achieving a remarkable 55.5% year-on-year growth in retail sales for 2024.

Industry leaders leveraged technological, brand, and channel advantages through multi-brand portfolio strategies and full-category operations to capitalized on national subsidy opportunities and increase market share, resulting in higher concentration among domestic brands. Meanwhile, internet-based brands, relying on their ecosystem and traffic advantages, rapidly increased their market share online through innovative marketing and entry-level product offerings.

1 Water purifiers, purified water dispensers, water dispensers, water purification equipment

INTRODUCTION OF THE INDUSTRY WHERE THE COMPANY OPERATES DURING THE REPORTING PERIOD (continued)

(I) Industry Overview for 2024 (continued)

2. Overseas markets

According to Euromonitor, core appliances reached USD 288.2 billion in 2024, up 2.1% year-on-year, while small appliances generated USD 245.1 billion, growing 3.1% year-on-year. Developed markets was challenged by high interest rates and weak consumer confidence, while emerging markets achieved steady growth driven by air conditioners and online channel expansion, despite intensifying competition and rising costs.

By market:

(1) The U.S.:

Federal Reserve's interest rate hikes kept mortgage rates elevated, suppressing real estate market and affecting home appliance performance. As competition intensified, appliance manufacturers resorted to price reductions putting pressure on profitability. High inflation led to lower-than-expected rate cut, further dampening consumption of durable goods like home appliances.

(2) Europe:

GfK data indicated that European consumers generally planned to reduce discretionary spending in 2024, with overall industry sales volume growing only 1.8% year-on-year. In 2024, cumulative online sales volume increased by 7.9% year-on-year, while traditional offline channels declined by 1%.

(3) South Asia:

India: Driven by strong air conditioner demand, overall sales volume increased 8.6% year-on-year, with revenue up 10.4% and average prices rising 2%. High-end products gained penetration in first and second-tier cities, while entry-level products remained dominant in third and fourth-tier cities. Online growth was rapid and offline chain stores were actively expanding, putting pressure on traditional channels. Leading companies responded through channel adjustments or cost reductions, while local brands captured market share through aggressive pricing strategies.

Pakistan: Sales volume increased 15% year-on-year, with revenue up 16% and average prices rising 2%. High inflation and rapidly rising electricity prices stimulated demand for energy-efficient products, while the share of chain channels continued to increase.

INTRODUCTION OF THE INDUSTRY WHERE THE COMPANY OPERATES DURING THE REPORTING PERIOD (continued)

(I) Industry Overview for 2024 (continued)

2. Overseas markets (continued)

(4) Australia & New Zealand:

Based on channel estimates in 2024, the overall Australian market decreased 10% year-on-year, with average prices falling 5%. Consumer interest for value-for-money products was on the rise. New Zealand demand remained weak, with white goods import volumes in 2024 flat year-on-year and GDP contracting for two consecutive quarters. Consumer spending continued to tighten due to inflation and high interest rates, compounded by a sluggish real estate market, resulting in persistently weak appliance demand.

(5) Southeast Asia:

Thailand's growth primarily relied on the expansion of air conditioners and refrigerators. Vietnam showed increasing demand for washing machines and air conditioners. Malaysia experienced modest growth, while Indonesia remained generally flat with only refrigerators achieving growth. Consumer prefer health-conscious (water purifiers, energy-efficient air conditioners), smart, and value for money products.

(6) Japan:

The weak currency has driven up costs, while high prices combined with an aging population suppressed overall consumption. According to GfK, white goods including refrigerators, freezers, and washing machines experienced declines in both volume and revenue in 2024: retail volume decreased 0.6% year-on-year, retail revenue fell 1.9% year-on-year, and average unit price dropped 1.3% year-on-year. Demand shifted towards large-capacity and energy-efficient models, with front-load washing machines and variable-frequency refrigerator/washer gaining popularity, while high-end demand remained sluggish under economic pressures.

(II) Industry Outlook for 2025

1. The domestic market

Currently, China's home appliance market is characterized by high penetration and a large installed base, with replacement purchases becoming the main growth driver. According to GfK, by the end of 2023, China's home appliance ownership exceeded 6.9 billion units; 66% of purchases were replacements, while 34% were first-time or additional purchases. The overall market is expected to grow in the future as consumers continue to improve quality of life thus driving value growth from product upgrades and increasing penetration of categories such as dishwashers and tumble dryers.

The 2025 Government Work Report points out that China will firmly implement strategies to expand domestic demand, allocating RMB300 billion in special ultra-long-term bonds to support trade-in programs for consumer goods. White goods, with their high value and necessity in nature, are likely to continue benefiting from these initiatives. AVC expects the home appliance industry to maintain growth in 2025.

INTRODUCTION OF THE INDUSTRY WHERE THE COMPANY OPERATES DURING THE REPORTING PERIOD (continued)

(II) Industry Outlook for 2025 (continued)

2. Overseas markets

In 2025, global home appliance market will be affected by macroeconomic fluctuations and changes in trade policies, with consumer upgrade trends and structural growth opportunities. Companies need to monitor economic and policy developments and adapt to uncertainties through technological innovation, cost control, and flexible supply chain strategies to capture growth.

(1) North America

OECD forecasts US economy to grow 1.9% and the FED expects PCE inflation to be 2.7% in 2025. However, tariffs continue to create uncertainties for business investment and individual incomes, thus creating pressure for home appliance market where consumers still prefer high efficiency and energy saving products. The appliance industry is likely to benefit from rate-cut related property market recovery in the long run.

(2) Europe

The European economy continues to be affected by uncertainties from the Russia-Ukraine conflict and energy price fluctuations. However, production costs and retail prices of home appliances are expected to decrease with the gradual declining in natural gas prices. While trade uncertainties put pressure on the euro, EU fiscal expansion and potential increases in defence spending may alleviate some economic pressure. The market is expected to remain focused on sustainable, environmentally friendly and energy-efficient products thus intensifying competition in ESG performance and product innovation.

(3) Emerging Markets

Emerging markets show favourable growth prospects. Accelerated urbanization and middle-class expansion in Southeast Asia, South Asia, the Middle East, and Africa will create new market opportunities and interest rate cuts may improve consumer credit environment thus benefiting home appliance consumption.

PRINCIPAL ACTIVITIES OF THE COMPANY DURING THE REPORTING PERIOD

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

Market Position

- **Global leader of the major home appliance industry**: According to data from Euromonitor — an authoritative market researcher, the Company ranked first in terms of sales volume in global major appliance market for 16 consecutive years. The Company has a global portfolio of brands, including Haier, Casarte, Leader, GE Appliances, Candy, Fisher & Paykel and AQUA. From 2008 to 2024, Haier brand refrigerators and washing machines ranked first among global major home appliance brands in sales volume for 17 and 16 consecutive years respectively.

- **Pioneer of global smart home solutions**: Capitalizing on our full-range home appliances products, the Company is recognised by Euromonitor as one of the first in the industry to introduce smart home solutions. San Yi Niao remained committed to the mission of "providing smart home experience for a better home", by enhancing three major capabilities in respect of tailored platforms, delivery platforms and Smart Home's main platform, we have been dedicated to providing customised and specialised smart home appliance solutions for users.

Business Layout

Over the years, the Company has established a business layout that includes smart solutions for, amongst others, food storage and cooking, laundry, air and water, the Overseas Home Appliance and Smart Home Business, and Other Business.

- **Household food storage and cooking solutions**: Through selling products such as refrigerators, freezers, kitchen appliances in global market, as well as providing one-stop smart kitchen scenario solutions and ecosystem solutions including smart cooking and nutrition planning, the Company fully addresses users' need for convenient, healthy and tasteful gourmet experiences. For example，by upgrading the bottom front cooling technology and optimising the heat preservation system, Casarte's original built-in refrigerator is designed to address problem of fitting home appliance into cabinet encountered in home appliances and furnishing integration, enabling a perfect match to the international standard cabinet with a depth of 600mm and a width of 800mm/900mm, providing a seamless built-in solution.

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

Business Layout (continued)

- **Household laundry management solutions**: Haier's washing machine focuses on applying original technologies to directly address users' pain points in home living scenarios and create new experiences and value for users. With a product lineup of washing machines, tumble dryers, all- in-one laundry machines, garment care machines, and heated drying racks, the Company has evolved from selling individual products to providing scenario-based solutions and offering end-to-end laundry care services. For example, the Zhongzihemei (中子和美) 3-in-1 washer combines washing, drying, and fabric care functions into a single unit, and the Essence Wash washing machine reduces washing time and improves cleaning effectiveness by producing a highly concentrated detergent solution that can quickly soak into clothes through detergent pre-mixing and high pressure spraying. In addition, Haier Smart Home has developed the first 3D transparent drying technology, which uses sensors to see through the outer layer of clothes and directly assess their inner condition. This allows the machine to accurately determine the level of dryness and stop drying process instantly once the clothes are dry.

- **Air solutions (Internet of air):**

  Home air-conditioners: Through selling of our products (such as home air-conditioners and fresh air systems) to markets worldwide, as well as providing full-cycle solutions that include design, installation and services, with products featuring smart system based inter-connectivity, we have, for example, formulated all-spaces, all-scenarios intelligent air-conditioning solutions consist of multiple air-conditioner and purifier coordination, adaptive air flow, air quality monitoring and air disinfection, thereby delivering a healthy and comfortable experience at home and during commuting that caters to users' needs in terms of air temperature, humidity and quality. One notable example is our self-cleaning air-conditioners, which use smart sensors and automated water-cleaning technology to run the automated cleaning process and ensure cleanliness and health of their interior.

  Smart buildings: The Company is committed to becoming a leader in efficient, sustainable and smart building solutions based on China's "carbon peaking and carbon neutrality" strategy. Focusing on business segments such as smart control, environment, energy and system integration of buildings, the Company provides green and smart building solutions integrating "technology + experience + space" for government and public buildings, commercial uses, railways, schools, and hospitals. In areas such as magnetic levitation centrifugal chillers, IoT-based multi-split system, and air-to-water heat pump, not only have Haier occupied a pivotal market position in China, but also have achieved remarkable success globally.

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

Business Layout (continued)

- **Household water solutions (Internet of water)**: Through providing worldwide users with electric water heaters, gas water heaters, solar water heaters, air energy heat pump water heaters, POE water purifiers, POU water purifiers, water softening equipment, Haier offers smart water solutions including interactions between water heaters and purifiers, and between heating appliances and water heaters, so as to comprehensively cater to users' needs for water purification, softening and heating. One example is our water heater with instant hot water. It uses smart hot water circulation technology to provide hot water quickly, eliminating the need for users to wait for the water to heat up. In 2024, the Company acquired Kwikot, an established water heater brand in South Africa. With its strong market reputation and well-established sales channels, the acquisition enables the Company to rapidly expand its water heater business in South Africa market, boosting brand awareness and market share. This acquisition has further strengthened Haier Smart Home's business presence in the overseas water heater segment.

Global Market Presence

The Company manufactures and sells a comprehensive portfolio of home appliance products and provides value-added services in more than 200 countries and regions, including North America, Europe, South Asia, Southeast Asia, Australia, New Zealand, Japan, Middle East and Africa.

To overseas markets, the Company has been manufacturing and selling proprietary appliance products catering for local users' demands for more than 20 years. During the time, a number of acquisitions contributed to our growth including acquisitions of Haier Group Corporation's overseas white goods business (which included Sanyo Electric Co., Ltd.'s white goods business in Japan and Southeast Asia) in 2015, home appliances of GE in the US in 2016, Fisher & Paykel in 2018, and Candy in 2019.

In 2024, Haier Smart Home added another two brands, namely CCR and Kwikot, under its belt through mergers and acquisitions. The CCR acquisition has enabled Haier Smart Home to push forward its comprehensive refrigeration chain strategy and broadened its business reach to the commercial refrigeration segment, providing strong support for the Company's development in the European market while further promoting the development of the commercial refrigeration sector in Asia-Pacific and other regions. The acquisition of Kwikot, a century-old water heater brand in South Africa, has strengthened Haier Smart Home's business presence in the water heater sector and further facilitated the rapid penetration of white goods business into the South African market.

At present, the overseas business of the Company has entered a stage of healthy growth, having achieved a multi-brand, cross-product and cross-regional presence on a global basis. According to Euromonitor, the Company's market shares (by retail volume) for major home appliances in key regions around the globe in 2024 were as follows: ranked 1st in Asia in terms of retail volume with a market share of 25.9%; ranked 1st in North America with a market share of 24.5%; ranked 1st in Australia and New Zealand with a market share of 15.9%; and ranked 3rd in Western Europe with a market share of 8%.

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

Other Businesses

Building on our established smart home businesses, the Company has also developed small home appliances, cleaning robots, channel distribution and other businesses. In particular, the small home appliance business primarily involves small home appliances designed by the Company, produced by outsourced third-party manufacturers and sold under the Company's brands. It serves to enrich our smart home solutions product mix. The channel distribution business primarily offers distribution services for products such as televisions and consumer electronics for Haier Group or third-party brands, leveraging the Company's sales network. During the reporting period, the Company succeeded in acquiring CCR, which has enabled further expansion of our commercial refrigeration segment, and expedited Haier Smart Home's comprehensive refrigeration chain strategy.

Honours and Recognitions

During the reporting period, the Company was once again listed among the Top 500 World's Companies and named again as the 2024 World's Most Admired Companies by the Fortune Magazine. We are the only company being selected in Europe and Asia in the home appliances industry and are the only selected company incorporated outside the US. Meanwhile, the Company is also the world's only Internet-of-Things (IoT) ecosystem brand being named again as BrandZ™ Top 100 Most Valuable Global Brands in 2024.

At the same time, the Company was named again among Fortune's China ESG Impact list and Forbes' The World's Best Employers 2024 list. The Company's ESG effort has also been recognised by external rating agencies, receiving an MSCI ESG rating of AA, which is at leading levels within home appliance sector in China. Haier Smart Home was selected into the three major ESG indices of the Hang Seng Index, including the HSI ESG Enhanced Index, the HSI ESG Enhanced Select Index and the HSCEI ESG Enhanced Index. In addition, the Company also won, amongst others, the "Top 100 ESG Golden Bull Award", "2024 ESG Pioneer 60th Annual Social Responsibility Excellence Award", "Golden Bull Best Investment Award", "Golden Information Disclosure Award" in 2024, further demonstrating the Company's influence and leading position in the industry.

ANALYSIS ON CORE COMPETITIVENESS DURING THE REPORTING PERIOD.

The Company has established a solid strategic presence and competitive advantage in global market. In China's major home appliance market, the Company has long maintained a leading position across all product categories. According to Gfk CMM's report, the Company has established a continued leading market position in key major home appliance categories in 2024. In overseas markets, the Company has adhered to its high-end brand creation strategy. Coupling with the two newly acquired brands, namely CCR and Kwikot, this has served us well in building capacity to create global sustainable growth and continuously gaining market share. Building on this foundation and by leveraging on the consolidation and synergy of our global unified platform, efficiency transformation driven by digitalisation, technological strength and innovative capabilities, the Company will further consolidate its leading position in the industry. As cornerstone for sustainable development, our "Rendanheyi (人單合一)" Model also provided management guidance to the Company and enabled us to replicate successful experiences. It is believed that the following advantages will help the Company to continue to strengthen its leading position:

(i) Building up excellent high-end brand operation capabilities and creating a well-recognised high-end brand through forward-looking layout and long-term investment in the global market to achieve a leading market position.

To better meet the need of consumers in pursuit of quality life, the Company has started to develop the high-end brand Casarte in the Chinese market more than 10 years ago. The creation of high-end brands requires not only focus, experience and patience, but also continuous innovation of technological standards and differentiated service capabilities to fulfil user demand for high-quality experiences. The Casarte brand combined the Company's global technological strengths, product development capabilities and manufacturing craftsmanship, as well as privilege marketing and differentiation services, which has won the trust of users in China's high-end market. According to data from CMM, the Casarte brand has assumed a definitive leading position in China's high-end major home appliance market in 2024, ranking first in the retail sales of refrigerator, washing machine and air-conditioner categories in the high-end segment. In particular, market shares (in terms of offline retail sales) of the Casarte brand of refrigerators, air-conditioners and washing machines reached 49%, 34% and 88% respectively in the market with product priced above RMB15,000 in China.

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

(ii) Providing users with specialised and customised smart household solutions through the San Yi Niao brand with cross-household design focusing on scenario-based experience to carry out the mission of "providing smart home experience for a better home".

As users continued to demand for higher living quality, coupled with the development of technologies such as Internet of Things and big data, the industry has shown a smart and high- end development trend that prioritised product suites, based upon scenarios, and home appliances integrated with home furnishings. With leading user insights, extensive product coverage and technological accumulation from algorithms, big data models and IoT equipment technology, the Company enhanced its three major capabilities in respect of scenario-tailored platforms, delivery platforms and Smart Home's main platform to create a new home appliances sales method with cross-household design focusing on scenario-based experience, and develop high-end, package, and front-end sales capabilities.

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

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

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

In 2024, the Company established 10+N innovative ecosystems, 131 manufacturing centres, and 108 marketing centres around the world, and achieved a coverage of nearly 230,000 points of sales in global markets.

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

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

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

In 2024, Haier Smart Home added another two brands, namely CCR and Kwikot, under its belt. The CCR acquisition has enabled Haier Smart Home to push forward its comprehensive refrigeration chain strategy and broadened its business reach to the commercial refrigeration segment, providing strong support for the Company's development in the European market while further promoting the development of the commercial refrigeration sector in Asia-Pacific and other regions. The acquisition of Kwikot, a century-old water heater brand in South Africa, has strengthened Haier Smart Home's business presence in the water heater sector and further facilitated the rapid penetration of white goods business into the South African market.

(v) Cross-border acquisition and synergy realisation capabilities

The Company has an excellent track record of acquisition and integration. The Company has acquired Haier Group Corporation's overseas white goods business, including Sanyo Electric Co., Ltd.'s white goods businesses in Japan and Southeast Asia in 2015, the home appliance business of General Electric in the US in 2016, the New Zealand company Fisher & Paykel (which has been entrusted by the Haier Group since 2015) in 2018, and the Italian company Candy in 2019. In addition, the Company successfully acquired CCR in 2024, which has expedited the Company's comprehensive refrigeration chain strategy and strengthened the development of its commercial refrigeration segment. The acquisition of Kwikot, a century-old water heater brand in South Africa, has expanded the Company's business footprint in the African market and strengthened its market competitiveness in the region. Capitalising on the local resources and technological strengths of CCR and Kwikot, Haier Smart Home has rapidly increased its brand awareness and market share in the region.

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

(v) Cross-border acquisition and synergy realisation capabilities (continued)

The Company's capability to perform acquisition and integration is reflected in the following: First of all, the Company implements the 'Rendanheyi (人單合一)' Model in the acquired companies, which is a value-added sharing mechanism for the whole-process team under a common goal. Such model can motivate the acquired companies and their employees and enable them to generate more value. Secondly, the Company made use of its global platform to empower the acquired companies in terms of strategic planning, R&D and procurement in order to enhance their competitiveness. Thirdly, the Company's open and inclusive corporate culture can support the acquired companies in establishing a flexible and autonomous management mechanism, which can easily earn recognition from the acquired companies and is conducive to the promotion of integration.

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

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

- **Global product collaboration:** Focusing on the needs of overseas users and customers, we leverage global R&D resources to ensure close collaboration across all stages, including user demand analysis, product planning, technical solution design, development testing and trial production, and have launched top-selling products in various regions around the world. For example, the only caravan air-conditioner in North America with a heat pump that operates at temperatures as low as −5 degrees Celsius, the first-ever 8.0 Energy Star refrigerator in the Australian market (which is 40% more energy-efficient than its rivals), a brand-new washing machine platform that meets the needs of both the China-US and Europe-Australia markets, and the global micro-vaporisation and roasting platform that integrates the R&D capabilities of Haier from, among others, China, Italy, New Zealand, America, and Japan. Through global product collaboration, overseas brands such as Haier, Fisher & Paykel, Candy, and GE have significantly expanded their product portfolios.

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

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

- **Global capability collaboration:** Development of high-caliber young engineers is conducted in accordance with the unified training model at both the Qingdao headquarters and GE Appliances in the U.S., which has yielded further progress. In Qingdao, young engineers trained through the Global Engineer Development Programme (GEDP) are continuously joining industrial R&D teams and becoming key players in product development. Meanwhile, driven by digital transformation, various global regions are progressively adopting advanced development tools and design methodologies from the automotive industry, significantly enhancing development accuracy and product quality.

- **Global design collaboration:** An industrial design collaboration system for global top-selling products centred on user experience and branding has been established. Through collaboration with global designers, design quality has been greatly improved. For example, the headquarters design team collaborated with the CANDY design team to complete the creation of Haier's Titanium Series 2/4/6 ovens under the global platform oven, which have been successively launched in markets included Europe and Australia. Meanwhile, the headquarters design centre supported Candy's brand transformation and realised Candy's price index improvement.

- **Global procurement collaboration:** The Company has established a global procurement committee to coordinate procurement activities. The committee has built a digital sourcing platform that brought together partners across industries and regions to develop an autonomous and controlled global supply chain ecosystem. The committee also created a global database of preferred suppliers and materials to achieve cost reduction by aggregating resources at the Company level. By unifying procurement rules and processes, the Company established a standardised operating system with differentiated procurement strategies to enhance efficiency while lowering risks. We have also developed a Company- level digital procurement platform to enhance shared capabilities through connecting "materials, businesses, people and mechanisms" to the platform, thereby improving the resilience of our global supply chain.

- **Global supply chain collaboration:** The Company has built an end-to-end digital management system for the global supply chain that spanned from marketing to suppliers to production and logistics. Using intelligent algorithms, the system enabled real-time flexible deployment of production capacity, and factories across the globe could share and develop smart manufacturing technologies to boost competitiveness.

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

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

- **Global marketing and brand promotion collaboration:** The Company operates a multi- level brand portfolio with collaborative brand promotions. The Company also promotes and introduces successful marketing strategies among regional markets. For example, the Company successfully replicated its sales and marketing model of China's third and fourth- tier markets to markets such as India, Pakistan, and Thailand, strengthening the company's brand image and regional market competitiveness.

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

Haier Smart Home delves into technological innovation to expedite the development of innovation-driven productivity that aims for high-end, smart and green upgrade. Leveraging on our industry-leading and comprehensive R&D presence, we constantly provide global users with home appliances that meet their needs and customise their smart and convenient way of living, thus enriching users' life experience as well as cementing our leading position in high-end brands, scenario brands and ecosystem brands.

- **Leadership in original technologies:**
  In 2024, Haier Smart Home launched a refrigerator featuring magnetically controlled frozen-fresh technology that achieves a 98% nutrient retention rate and is the only one in the industry capable of maintaining its fresh flavour and aroma even after 60 days of freezing. Building on its previous-generation MSA oxygen control freshness preservation technology, the upgraded MSA nitrogen-oxygen intelligent control freshness preservation refrigerator boasts a nutrient retention rate of over 99% after 7 days of refrigeration, elevating the industry standard to a "cellular level." It also pioneered large drum diameter ultra-thin technology to achieve a globally leading fully integrated washing machine design. An air-conditioner equipped with refrigerant directional distribution and dual evaporator coupling with independent control technology increases the room's comfortable area by 40%. Additionally, the ball-brush style drawer shoe washing machine revolutionises traditional water washing with a cleaning ratio exceeding 1.0, and the household cleaning robot based on the SH-AI algorithm automatically recognises 41 common items across 7 categories in home environments with 3mm high-precision linear recognition and obstacle avoidance, leading the industry with innovative products.

- **Certification from authorities:**
  As of the end of 2024, the Company received a total of 17 State Science and Technology Progress Award, more than any other company in the industry. The Company won the highest accolade of the Disruptive Technology Innovation Competition (Winner Award), and is the only company to have won the highest accolade in the industry for 3 times.

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

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

- **Leadership in patent quality:**
  As of the end of 2024, Haier Smart Home has accumulated more than 112,000 patents applications globally, including more than 73,000 invention patents. The Company also accumulated 12 state patent gold awards, ranking first in the domestic market. In the 'Global Smart Home Invention Patent Ranking' in 2024, Haier Smart Home once again topped the list with 5,582 published patent applications, ranking 1st in the world for 12 consecutive times.

- **Leadership in international standards:**
  As of the end of 2024, Haier Smart Home has cumulatively led and participated in the drafting of 110 international standards and 788 state/industrial standards. We are the only company in the industry to have participated in smart home standards from international organisations including the IEC, ISO, IEEE, OCF and Matter. We are also the only enterprise in the world to serve on both the IEC Board and the IEC Market Strategy Board, which have enabled the Company to stay actively involved in the formulation of international standards.

- **Leadership in experience design:**
  Haier won over 600 accolades, including international design awards such as the German IF Design Award and the Red Dot Design Award. The Company won the most international design gold awards in the industry with six in total and won 3 China Excellent Industrial Design Gold Awards from the Ministry of Industry and Information Technology, which is the only enterprise in China that have earned three consecutive gold awards.

(viii) Leading logistics and delivery capabilities in the PRC

Haier RRS Logistics has demonstrated strong competitiveness, particularly in its supply chain management solutions, which cover the entire process and various scenarios, as well as a delivery-loading synchronised logistics service network. By leveraging its digital operation and management capabilities, Haier RRS Logistics has integrated resources such as warehouses, transportation, and service outlets. As a result, it has built a nationwide logistics network that extends to villages and households, offering services that cover the entire process from procurement and factory manufacturing to end consumers. Additionally, Haier RRS Logistics has acquired strong capability in provision of customized services, boasting its strength in customising supply chain solutions according to individual customer needs, catering to a diverse range of needs of various clients. The Company also excels in cross-border supply chain management, addressing client needs in cross-border logistics through air, marine, railway, and multi-modal transportation.

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

(ix) Sustainability

① **Global ESG governance structure:** To advance the implementation of ESG initiatives, Haier Smart Home has further strengthened its organisational structure framework, building on its 3-tier global ESG governance structure (the ESG Committee of the Board of Directors, the ESG Global Executive Office and the Global ESG Executive Working Group). At the executive level, the structure has been expanded to include sub-clusters in areas such as environmental management, sustainable risk management, corporate governance, and supply chain management, providing organisational support for the effective advancement of ESG management.

② **Green development and low-carbon operation:** Haier Smart Home has formulated the "6 Green" strategy of green management throughout the entire life cycle, which includes "green design, green manufacturing, green marketing, green recycling, green disposal, and green procurement", and promotes green actions throughout the entire life cycle. Haier Smart Home has integrated low-carbon, recycling, energy saving and emission reduction into its daily operations to promote green upgrading of the industry.

③ **Social responsibility and charity work:** Haier Smart Home actively participates in public welfare projects such as the Hope Project, rural revitalisation, and emergency relief on a global scale, and continues to give back to society through donations and volunteer services.

④ **Leading ESG rating:** Haier Smart Home has the leading rating among its peers in China in respect of the ESG ratings issued by three major organisations, namely CSI, MSCI and Wind. Among which, its MSCI rating has been upgraded to an AA level. This demonstrates its excellent performance in environmental, social responsibility and corporate governance.

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

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

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

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

Company Strategy

Guided by our vision to become a world-class smart living ecosystem enterprise, the Company will enhance our capabilities in technological innovation, global operations, and digital transformation. We are doing so by developing proprietary technologies, fostering global collaboration, implementing scenario-based solutions, and accelerating digitalization. These efforts will reinforce our leadership in the smart home sector, drive growth in our smart HVAC business, and establish a presence in emerging industries — supporting sustainable, high-quality development.

- ***Smart Home Business:***
  We will reinforce our leadership in refrigeration, laundry care, and kitchen appliances. By leveraging our comprehensive smart product suites, cutting-edge technology, and Smart Home Brain platform, we will continuously elevate the smart living experience across all scenarios.

- ***Smart HVAC Business:***
  We will evolving from standalone products — such as home air conditioners, water heaters and purifiers, central air conditioners, and heat pumps to integrated smart HVAC solutions, rapidly enhancing our global competitiveness and industry position. Additionally, we foster synergy between our commercial refrigeration and smart building segments to deliver leading-edge cold chain solutions for commercial and industrial applications.

- ***Emerging Businesses:***
  Capitalizing on trends like an aging population and the low-carbon circular economy, we will expand into smart healthcare, home service robotics, and recycling sectors. These initiatives are designed to offer consumers a more diverse smart and low-carbon lifestyle experience.

Operational Plan for 2025

In 2025, the Company will drive deep transformations in our business models and organizational structures across domestic and overseas markets. We will enhance our competitiveness in product innovation, digital inventory management, direct consumer engagement, content marketing, and cost optimization — laying a solid foundation for sustainable, high-quality growth.

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

Operational Plan for 2025 (continued)

Refrigerator and Laundry Care Business:

- ***Domestic Market:***
  We will expand our omni-channel presence and leverage precise consumer insights to establish leading position across all price segments, continuously growing our market share.

- ***Overseas Markets:***
  By focusing on high-end brand development and tailoring our strategies to meet the specific needs of different countries, we will fine-tune product features, design, and marketing efforts to enhance our brand strength and profitability.

Kitchen Appliance Business:

- ***Domestic Market:***
  We will concentrate on smart kitchen solutions featuring built-in product suites and continue to expand the Casarte lineup. Key initiatives include accelerating our new media marketing transformation, developing end-to-end professional capabilities, and expanding targeted distribution channels.

- ***Overseas Markets:***
  We will integrate global product platforms to deliver universally appealing and market-leading offerings. By aligning products with regional market needs and leveraging global resources, we aim to drive rapid growth across key markets.

Home Air Conditioners:

- ***Domestic Market:***
  We will enhance user experience with a refreshed product lineup and improve the efficiency through the one-inventory system. In addition, we will strengthen our professional channels, expand into lower-tier markets, and improve our e-commerce performance. Our focus on new media marketing — leveraging emerging platforms — will further broaden our brand influence and product awareness.

- ***Overseas Markets:***
  Tailored breakthrough strategies will be deployed in each region. Through localized product development, the establishment of dedicated marketing teams, and expanded partnerships, we aim to scale our growth and capture additional market share.

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

Operational Plan for 2025 (continued)

Water Heaters and Purifiers:

- ***Domestic Market:***
  We will accelerate our transformation toward integrated water and HVAC solutions. By leveraging proprietary technologies and a broad product portfolio, we will maintain our industry leadership. A multi-channel approach — spanning both online and offline — along with refined operations will further enhance our competitiveness.

- ***Overseas Markets:***
  We will continue to build localized capabilities by focusing on local R&D, manufacturing, and sales to drive expansion.

Commercial Refrigeration:

We will focus on medium to long-term growth and profitability by strengthening internal collaboration and advancing our digital capabilities. Key initiatives include:

- Enhancing end-to-end technical and product coordination with headquarters.

- Expanding the application of industrial mechanical systems centred on CO^2 technology to seize emerging market opportunities.

- Improving the competitiveness of display cases through better energy efficiency, automation, and modular design.

- Redesigning digital processes to create a more agile and high-performing operational framework.

China Region:

We will drive digital transformation across multiple areas to boost our overall competitiveness. Our strategic priorities include:

- One-inventory: Establishing an integrated online-offline inventory system with a centralized to C network to improve product turnover, warehousing, and distribution efficiency while lowering operational costs.

- Digital marketing: Establishing a consumer-facing marketing team and developing new strategies to better understand and reach customers. Our digital marketing platform will enable real-time performance tracking to maximize return on investment.

- Optimal Smart Home Experience: Focusing on the implementation of the San Yi Niao integrated cabinet-appliance solution, we aim to deliver a seamless, intelligent home experience. We will build end-to-end capabilities covering everything from consumer needs analysis and solution design to installation and after-sales service.

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

Operational Plan for 2025 (continued)

Overseas Regions:
We will committed to strengthening our global brand and profitability and entering a new phase of transformation:

- Leveraging global R&D resources and collaborative systems to enable rapid product iterations and create market-leading offerings.

- Establishing lean, region-specific operational units under the principle of "lean platforms, localized operations, and specialized industry focus". With centralized support, each region can fully leverage its strengths for efficient growth.

- Integrating digital tools to restructure our marketing, R&D, and manufacturing processes, building a flatter, more agile organization that responds swiftly to market and consumer needs.

- Improving supply chain efficiency through network optimization, supplier diversification, and stronger cross-functional coordination — ensuring stable raw material supply and timely product manufacturing and delivery.

Potential Risks of the Company

1. Risk of Tariff Increases and Retaliation Trade Policies. Potential tariff policies and retaliation trade 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 the 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 our localized supply chain resources in respective markets, further optimize supply chain management, enhance production flexibilities, and strengthen regional manufacturing and collaboration capabilities.

2. 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 financial 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 utilizing authorized hedging instruments.

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

Potential Risks of the Company (continued)

3. Risk of decreasing market demand due to macroeconomic slowdown. Sales of white goods and home appliances exhibits inherent cyclicality tied to discretionary consumer spending patterns and their expectations of future disposable income growth. Economic slowdown 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 in a negative way.

4. Risk of price war caused by intensified industry competitions. As industry concentration level continues 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 level in certain verticals due to demand-supply imbalance may lead to price wars. Furthermore, rapid technological development, scarcity of talents in the industry, shortened product life cycles and relative easiness of copycat increase the difficulty to maintain 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.

5. Risk of fluctuations in raw material prices. The Company's products and core components use metals such as steel, aluminum, and copper, as well as commodities such as plastics and foams. If raw material prices continue to increase, it will put certain pressures on the 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 supply chain or significant price increases will have a negative impact on the Company's business. As a leader in the industry, the Company will take actions and have contingency plans including volume and price adjustment mechanism and hedging to reduce the volatility of raw material prices.

6. Operational risks in overseas markets. As manifested by the increasing percentage of revenue from overseas markets, the Company has developed our global business to a certain extent and established production bases, R&D centers, and marketing centers in key regions of the world. 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 certain 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.

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

Potential Risks of the Company (continued)

7. Risk of relevant policy changes. The home appliance industry is closely related to the consumer market and property market. Changes in macroeconomic policies, consumption and investment policies, property policies and relevant laws and regulations will affect the demands from distributors, and in turn the sales of the Company. The Company will closely monitor changes in the relevant policies, laws, and regulations, and make forecasts of market changes, in order to ensure further development of the Company.

8. Credit risk. There are possibilities that 1) the Company may be unable to collect all trade receivables from its distributors, or 2) distributors are unable to settle the Company's all trade receivables in a timely manner. If that is the case, the Company's business, financial status, and operation performance may be affected negatively. To mitigate this risk, the Company will maintain flexibilities by offering credit period of 30 to 90 days to certain distributors based on their credit history and transaction amount.

9. Inventory risk. Excess inventory might occur as the Company may not accurately predict trends and events at all times and maintain optimal 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, inventory shortage may lead to loss of revenues. 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 characterized by slowing global economy and declining consumer demand, the existing production capacities may overwhelm the market in extreme case. This could lead to low utilization rate across the industry, lower down profitability and ROEs. The Company will actively manage the changes in the macroeconomic environment by forecasting and recalibrating market demand trends, optimizing capacity footprint, and improving existing utilization rate, in order to minimize capital expenditure risks.

FINANCIAL REVIEW

In 2024, the Group's revenue amounted to approximately RMB285,971 million, representing an increase of 4.3% from RMB274,198 million (restated) in 2023. The profit for the year attributable to owners of the Company was RMB18,741 million, representing an increase of 12.9% from RMB16,597 million (restated) in 2023.

1. ANALYSIS OF REVENUE AND PROFIT

Items	2024 RMB'M	2023 RMB'M (Restated)	Change %
Revenue			
Household Food Storage and Cooking Solutions			
— Refrigerator/Freezers	**83,556**	81,910	2.0
— Kitchen Appliances	**41,184**	41,654	(1.1)
Air Solutions	**49,617**	46,104	7.6
Household Laundry Management Solutions	**63,320**	61,492	3.0
Household Water Solutions	**16,175**	15,336	5.5
Other Businesses	**118,218**	110,270	7.2
Inter-segment eliminations	**(86,099)**	(82,568)	4.3
Consolidated revenue	**285,971**	274,198	4.3
Adjusted operation profit*	**20,437**	17,793	14.9
Profit for the year attributable to owners of the Company	**18,741**	16,597	12.9
Earnings per share attributable to ordinary equity holders of the Company			
Basic			
— Profit for the year	**2.02**	1.79	12.8
Diluted			
— Profit for the year	**2.02**	1.78	13.5

1. ANALYSIS OF REVENUE AND PROFIT (continued)

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

	2024 RMB'M	2023 RMB'M (Restated)	Change %
China	**142,157**	137,786	3.2
Other countries/regions	**143,814**	136,412	5.4
Total	**285,971**	274,198	4.3

* Adjusted operation profit is defined as profit before taxation 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 2024, the Group had overseas assets of RMB139,690 million, accounting for 48.2% of the total assets. In 2024, the operating revenue and operating profit of the Group's overseas assets amounted to RMB143,814 million and RMB7,076 million respectively.

In 2024, the Group's revenue increased by 4.3% from approximately RMB274,198 million (restated) to RMB285,971 million. Revenue growth was driven by several key factors: 1) In the Chinese market, we actively capitalized on the trade-in policy and leveraged our premium product and brands. We also strengthened strategic investment in the Leader brand, focusing on building brand awareness among young consumers to drive rapid growth in brand revenue. 2) In overseas markets, we continuously expanded market share across all regions, outperforming the industry, particularly in emerging markets such as Southeast Asia, South Asia, and the Middle East and Africa, where we focused on high-end product mix upgrades and retail transformation to achieve rapid growth. 3) We accelerated our HVAC business development through external acquisitions and internal transformation. ① The strategic acquisition of Carrier's commercial refrigeration business (consolidated in October 2024) and South African water heater leader Kwikot (consolidated in December 2024) expanded our commercial refrigeration business and accelerated the development of our water heater and purifier business in overseas markets; ② Our smart building business achieved revenue growth through continuous investment and breakthrough in core technologies and ongoing product platform iterations. 4) We seized development opportunities from improvement in living quality and the transition to low-carbon economy by building a comprehensive product portfolio including tumble dryers, dishwashers, water purifiers, home cleaning robots, heat pumps, and recycling solutions.

1. ANALYSIS OF REVENUE AND PROFIT (continued)

(1) Household Food Storage and Cooking Solutions

Revenue from the refrigerator/freezers increased by 2.0% from approximately RMB81,910 million in 2023 to approximately RMB83,556 million in 2024. The refrigerator/freezer business maintained global leadership through continuous innovation, targeted brand positioning, and efficient localized supply chain deployment. By advancing core technologies including food preservation, built-in applications, and AI, we provided global users with enhanced experiences and smart food solutions.

Revenue from the kitchen appliances decreased by 1.1% from approximately RMB41,654 million in 2023 to approximately RMB41,184 million in 2024. The kitchen appliance business continued to focus on becoming the global leader in high-end smart kitchen appliances. By driving innovation in product suites, built-in technologies, and smart scenario-based solutions, we enhanced in-store experience and expanded market share.

(2) Air Solutions

Revenue from the Air Solutions increased by 7.6% from approximately RMB46,104 million in 2023 to approximately RMB49,617 million in 2024. The home air conditioner business continued to advance R&D and modular technology while strengthening supply chain integration, thereby solidifying the foundation for long-term development. In the Chinese market, we accelerated business transformation and developed comprehensive online retail capabilities. For overseas markets, we strengthened our brand positioning, expanded product categories, and established franchise networks to achieve steady business growth.

The smart building business strengthened in-house R&D and manufacturing of core components, establishing leadership in energy-saving, low-carbon, and smart technologies to solidify our foundation for growth. Revenue growth was driven by continuous investment and breakthrough in core components such as compressors, iterations of MRV platforms, and expansion in overseas markets.

(3) Household Laundry Management Solutions

Revenue from Household Laundry Management Solutions increased by 3.0% from approximately RMB61,492 million in 2023 to approximately RMB63,320 million in 2024. The laundry business continued to strengthen its foundation for long-term development through technological innovation, product upgrades, market expansion, and supply chain optimization. We accelerated the digital inventory and marketing transformation to enhance omni-channel retail capabilities in the domestic market, while strengthening product innovation and channel expansion to achieve steady growth overseas.

1. ANALYSIS OF REVENUE AND PROFIT (continued)

(4) Household Water Solutions

Revenue from Household Water Solutions increased by 5.5% from approximately RMB15,336 million in 2023 to approximately RMB16,175 million in 2024. The water heater and purifier business maintained leadership in the domestic market through product innovation, business model transformation, digital transformation, and operational efficiency improvements. We achieved revenue growth overseas by accelerating market expansion through strategic acquisitions.

Profit for the Year Attributable to Owners of the Company

In 2024, the profit for the year attributable to owners of the Company was approximately RMB18,741 million, representing an increase of 12.9% from approximately RMB16,597 million (restated) in 2023.

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.

In 2024, the adjusted operating profit of the Group was approximately RMB20,437 million, representing an increase of 14.9% as compared to approximately RMB17,793 million (restated) in 2023. The increase in adjusted operating profit was mainly attributed to the growth of profits in the Group's various business segments across global markets.

1. ANALYSIS OF REVENUE AND PROFIT (continued)

Adjusted Operating Profit (continued)

The following table sets forth the reconciliation between the Group's adjusted operating profit and profit before tax prepared in accordance with IFRS in 2024 and 2023:

	2024 RMB'M	2023 RMB'M (Restated)
Profit before tax	**22,733**	20,211
Adjustments:		
Bank interest income	**(1,858)**	(1,514)
Foreign exchange loss/(gains)	**120**	(133)
Government grants	**(1,324)**	(1,251)
Return on investments in other financial assets	**(69)**	(51)
Dividend income from an equity investment designated at fair value through other comprehensive income	**(54)**	(59)
Finance costs	**2,705**	2,165
Share of profits or losses of associates	**(1,816)**	(1,575)
Adjusted operating profit	**20,437**	17,793

Gross Profit Margins

In 2024, the overall gross profit margin of the Group was approximately 27.2%, increased by 0.3 percentage points year on year. In the domestic market, we continued to advance digital transformation in procurement, R&D, and manufacturing, while building a digital production and sales coordination system. Through product mix upgrades and enhanced scenario-based experiences, we improved brand premium capabilities, resulting in year-on-year gross profit margin growth. In overseas markets, we maintained our high-end brand strategy, focused on localized needs, enhanced cost competitiveness by establishing a digital procurement platform, and improved capacity utilization through global supply chain collaboration, leading to year-on-year gross profit margin improvement.

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 11.7% in 2024, an improvement of 0.2 percentage points compared to 2023. In the domestic market, digital transformation initiatives improved efficiency in marketing resource allocation, logistics, and warehouse operations, resulting in a year-on-year optimization of the domestic selling and distribution expense ratio. In overseas markets, despite improved operational efficiency through retail innovation and global resource integration, the benefits were offset by increased investments in channel expansion, new product promotions, and store upgrades due to intensified market competition. As a result, overseas selling and distribution expense ratio remained unchanged year-on-year.

Administrative Expenses

The ratio of administrative expenses of the Group to its revenue was 8.6% in 2024, an improvement of 0.1 percentage points compared to 2023. The domestic and overseas administrative expense ratios improved due to the application of digital tools, which streamlined business processes and enhanced organizational efficiency.

2. FINANCIAL POSITION

Items	2024 RMB'M	2023 RMB'M (Restated)
Non-current assets	**138,424**	122,154
Current assets	**151,690**	138,914
Current liabilities	**149,722**	123,930
Non-current liabilities	**22,003**	29,608
Net assets	**118,389**	107,530

2. FINANCIAL POSITION (continued)

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

As at 31 December 2024, the Group's total balance of cash and cash equivalents and wealth management products from other financial assets decreased by 5.1% from RMB58,704 million (restated) as at 31 December 2023 to RMB55,727 million as at 31 December 2024. The decrease resulted primarily from net cash inflows from operating activities being offset by net cash outflows from investing and financing activities.

Items	2024 RMB'M	2023 RMB'M (Restated)
Cash and cash equivalents	**54,981**	56,683
Wealth management products from other financial assets — Current portion	**746**	2,021
Total	**55,727**	58,704

Net Assets

The Group's net assets increased by 10.1% from RMB107,530 million (restated) as at 31 December 2023 to RMB118,389 million as at 31 December 2024. The increase in net assets was primarily 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 2024 was 45 days, representing an increase of 5 days as compared to the end of 2023. This was mainly due to the increase in bills received by the Group during the current period.

Inventory Turnover Days

The Group's inventory turnover days as at the end of 2024 was 72 days, representing a decrease of 2 days as compared to the end of 2023. This was mainly due to the Group's effective optimization of inventory control and stock management.

Trade and Bills Payables Turnover Days

The Group's trade and bills payables turnover days as at the end of 2024 was 130 days, which is the same as it was at the end of 2023.

3. CASH FLOW ANALYSIS

Items	Note	2024 RMB'M	2023 RMB'M (Restated)
Cash and cash equivalents as stated in the statement of cash flows at the beginning of the year		**56,683**	55,157
Net cash flow generated from operating activities		**26,543**	26,536
Net cash flow used in investing activities	(a)	**(20,074)**	(17,340)
Net cash flow used in financing activities	(b)	**(7,914)**	(7,921)
Effect of foreign exchange rate changes, net		**(257)**	251
Cash and cash equivalents as stated in the statement of cash flows at the end of the year		**54,981**	56,683

Net cash inflow from operating activities for the year amounted to RMB26,543 million. Net cash flow from operation activities to net profit was 1.36.

(a) Net cash outflow from investing activities for the year amounted to RMB20,074 million, representing an increase of 15.8% as compared to last year, with the details as follows:

Items	2024 RMB'M	2023 RMB'M (Restated)
Payment for purchases of non-current assets	**(10,071)**	(10,542)
Purchase of wealth management products	**(6,498)**	(7,608)
Net cash outflow for subsidiaries acquisition and disposal	**(4,409)**	(156)
Cash from disposal of fixed assets and leasehold land	**42**	171
Dividend from an associate	**579**	684
Interest received from wealth management products	**136**	90
Net cash inflow from other investing activities	**147**	21
Net cash flow used in investing activities	**(20,074)**	(17,340)

3. CASH FLOW ANALYSIS (continued)

(b) Net cash outflow in financing activities for the year amounted to RMB7,914 million, representing a decrease of 0.1% as compared to last year, with details as follows:

Items	2024 RMB'M	2023 RMB'M (Restated)
Proceeds from borrowings	**13,647**	20,942
Repayment of borrowings	**(9,569)**	(18,854)
Repurchase of shares	**(559)**	(1,802)
Dividend paid to shareholders and non-controlling interests	**(7,537)**	(5,284)
Interest paid	**(2,444)**	(1,983)
Lease payment	**(1,691)**	(1,729)
Cash payment for business combination under common control	**–**	(95)
Change in ownership interests in subsidiaries	**255**	911
Net cash outflow from other financing activities	**(16)**	(27)
Net cash flow used in financing activities	**(7,914)**	(7,921)

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 2024, the Group had a current ratio of 1 (31 December 2023: 1.1).

Items	2024 RMB'M	2023 RMB'M (Restated)
Cash and cash equivalents	**54,981**	56,683
Wealth management products from other financial assets	**746**	2,021
	55,727	58,704
Less:		
Interest-bearing borrowings	**(33,793)**	(29,416)
Net balance of cash and cash equivalents and wealth management products from other financial assets	**21,934**	29,288

LIQUIDITY AND FINANCIAL RESOURCES (continued)

As at 31 December 2024, the wealth management products from other financial assets amounted to RMB746 million as compared to RMB2,021 million in 2023.

As at 31 December 2024, the Group's net balance of cash and cash equivalents and wealth management products from other financial assets amounted to RMB21,934 million (31 December 2023: RMB29,288 million (restated)), representing a decrease of 25.1% as compared to 2023, mainly due to improved returns on capital and increased debt investment.

Among the cash and cash equivalents and the wealth management products from other financial assets balance, approximately 62.7% was denominated in Renminbi and the remaining 37.3% was denominated in Euro, Hong Kong dollars, U.S. dollars, New Zealand Dollars and other currencies.

As at 31 December 2024, the Group's interest-bearing borrowings amounted to RMB33,793 million (31 December 2023: RMB29,416 million (restated)). For details of the interest-bearing borrowings, please refer to financial statements.

In 2024, financial return of cash and cash equivalents and the return on wealth management products from other financial assets amounted to RMB1,928 million, representing an increase of 23.3% as compared to RMB1,564 million (restated) in 2023, which was mainly due to the enhancement of capital management efficiency.

The Group will continue to maintain stable liquidity in its operations in 2024 to ensure meeting its working capital requirements in the coming year, and also for constructing super factory, as well as maintaining the financial flexibility for future strategic investment opportunities.

SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As of 31 December 2024, the Group did not have any significant investment or future plans for material investments or capital assets.

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

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.

USE OF PROCEEDS FROM PLACEMENT OF SHARES (continued)

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 2024 are set out below:

	Unutilized net proceeds as at 1 January 2024 HK$'M	Amount of net proceeds utilized during the year ended 31 December 2024 HK$'M	Unutilized net proceeds as at 31 December 2024 HK$'M
Capacity building of overseas industrial parks	—	—	—
Investments in ESG (Environmental, Social and Governance) related areas	172.50	—	172.50
Information technology upgrading of overseas industrial parks	—	—	—
Overseas channel building and promotion	—	—	—
	172.50	—	172.50

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 RMB10,071 million (2023: RMB10,542 million (restated)), in which RMB5,733 million and RMB4,338 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 2024, the Group's gearing ratio (defined as total borrowings (including interest-bearing borrowings and lease liabilities) divided by net assets of the Group) was 33.5%, as compared to 31.8% for 2023. This was mainly due to the increase in domestic loans.

TREASURY POLICIES

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

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

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

CAPITAL COMMITMENT

The Group's capital commitments contracted but not yet provided for amounted to RMB5,916 million as at 31 December 2024 (31 December 2023: RMB3,927 million (restated)), which were mainly related to the Group's domestic and overseas factories construction projects.

CHARGE OF ASSETS

As at 31 December 2024, the Group's trade and bills receivables with a net carrying value of RMB47 million (31 December 2023: RMB158 million (restated)), the Group's other intangible assets amounting to RMB97 million (31 December 2023: RMB55 (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 RMB320 million as at 31 December 2024 (31 December 2023: Nil).

In addition, as at 31 December 2024, certain of the Group's bills payable were secured by the pledge of the Group's bank deposits amounting to RMB484 million (31 December 2023: RMB434 million (restated)) and the Group's bills receivable amounting to RMB5,068 million (31 December 2023: RMB4,357 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 continuous 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.

The total number of employees of the Group increased by 9.1% to 122,733 as at 31 December 2024 from 112,458 as at 31 December 2023.

RELATIONSHIP WITH CUSTOMERS AND SUPPLIERS

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

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

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

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

RELATIONSHIP WITH CUSTOMERS AND SUPPLIERS (continued)

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

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

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

MATERIAL ACQUISITIONS AND DISPOSALS

The Group had no material acquisition or disposal of subsidiaries, associates or jointly controlled entities during the year.

EVENTS AFTER THE REPORTING PERIOD

According to the resolution of the 13th meeting of the 11th session of the Board of Directors of the Company held on 27 March 2025, 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 RMB9.65 (including taxes) for every 10 shares to all shareholders.

DIVIDENDS

The Board proposes the distribution of the final dividend for the year ended 31 December 2024 of RMB9.65 in cash for every 10 shares (inclusive of tax), totaling approximately RMB9.00 billion based on the current total issued capital, net of repurchased shares but not yet cancelled. This dividend represented approximately 48.01% 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 2024 annual general meeting, and the final dividend is expected to be distributed to shareholders in two months from the 2024 annual general meeting.

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

Notice of the 2024 annual general meeting will announce the date of the 2024 annual meeting of the Company and details of relevant book closure of H Shares, as well as the arrangement of book closure of H Shares for the final dividend.

CORPORATE GOVERNANCE 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 2024 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

Composition

As at 31 December 2024, the Board comprised two Executive Directors (Mr. LI Huagang (Chairman) and Mr. GONG Wei), three Non-executive Directors (Mr. YU Hon To, David, Ms. Eva LI Kam Fun and Ms. SHAO Xinzhi) and four Independent Non-executive Directors (Mr. CHIEN Da-Chun, Mr. WONG Hak Kun, Mr. LI Shipeng and Mr. WU Qi) (the "INED(s)"). They formed the 11th session of the Board which commenced from June 2022 till the conclusion of the annual general meeting to be convened in May 2025.

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 14 to 18 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.

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

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

BOARD OF DIRECTORS (continued)

Board diversity policy

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

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

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

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

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

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

The achievements made from above Board diversity measures during the transition from the 10th session of the Board to the current 11th session of the Board included the followings:

The current 11th session of the Board, commenced from June 2022, comprises of nine Directors, including two executive Directors, three non-executive Directors and four independent non-executive Directors. In particular, there are two female Directors, accounting for 22.2%, an increase of 13.2 percentage points as compared to the percentage of female Directors (9%) in the previous 10th session of the Board; and four independent Directors, accounting for 44.4%, an increase of 8.1 percentage points compared to the previous 10th session of the Board (36.3%). Members of the Board of Directors have extensive knowledge and experience in industry experience, Internet of Things, 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.

BOARD OF DIRECTORS (continued)

Board diversity policy (continued)

The Board had achieved and maintained to have two female Directors in the current 11th 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 122,733 employees from about 50 countries around the world, including 43,950 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	72.9%	27.1%
Percentage of senior management by gender	90.0%	10.0%

The Group had targeted to increase the ratios of female members in senior management and the overall workforce. For instance, GE Appliances, one of the major overseas subsidiaries of the Company, has set a target to achieve the ratio of female members in workforce to 40% by 2025 (currently the ratio is 33%). 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 proportion of our employee in skills, age and gender.

Corporate strategy

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

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

Chairman and Chief Executive Officer ("CEO")

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")

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.

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.

BOARD OF DIRECTORS (continued)

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 have fully observed the 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 2024, the Board held four meetings to review and approve, among other things, the 2023 annual results, 2024 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.

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.

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 June 2022, the Company completed the transition to the current 11th session of the Board, further enhancing the independence of the Board. The new Board comprises of 4 independent Directors, accounting for 44.4% of the Board, an increase of 8.1 percentage points compared to the previous term (36.3%). All of the independent Directors of the Company are experienced professionals with expertise in accounting, finance and business management. In 2024, 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.

BOARD OF DIRECTORS (continued)

Board meetings (continued)

The following table shows the attendance of the Directors at the Board Meetings during the year ended 31 December 2024:

	No. of the Board Meetings attended/held
Executive Directors:	
Mr. LI Huagang *(Chairman)*	4/4
Mr. GONG Wei	4/4
Non-executive Directors:	
Ms. SHAO Xinzhi *(Vice Chairman)*	4/4
Mr. YU Hon To, David	4/4
Ms. Eva LI Kam Fun	4/4
INEDs:	
Mr. CHIEN Da-chun	4/4
Mr. WONG Hak Kun	4/4
Mr. LI Shipeng	4/4
Mr. WU Qi	4/4

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 2024.

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 2024.

BOARD OF DIRECTORS (continued)

Board Committees

The Board has established an Audit Committee (the "Audit Committee"), a Remuneration and Appraisal Committee (the "Remuneration and Appraisal Committee"), a Nomination Committee (the "Nomination Committee"), a Strategy Committee (the "Strategy Committee") and a Environmental, Social and Governance Committee (the "ESG Committee") (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 2024, the Audit Committee comprised five members throughout the year. The members are as follows:

Mr. WONG Hak Kun;
Ms. SHAO Xinzhi;
Mr. CHIEN Da-chun;
Mr. YU Hon To, David; and
Mr. WU Qi

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

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.

BOARD OF DIRECTORS (continued)

Board Committees (continued)

(1) Audit Committee (continued)

During the year ended 31 December 2024, 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 2023 annual results and 2024 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 2024 were also reviewed by the Audit Committee.

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

The following table shows the attendance of members of the Audit Committee during the year ended 31 December 2024:

	No. of Audit Committee meetings attended/held
Non-executive Directors:	
Mr. YU Hon To, David	5/5
Ms. SHAO Xinzhi	5/5
INEDs:	
Mr. WONG Hak Kun	5/5
Mr. CHIEN Da-chun	5/5
Mr. WU Qi	5/5

BOARD OF DIRECTORS (continued)

Board Committees (continued)

(2) Remuneration and Appraisal Committee

The Remuneration and Appraisal Committee currently comprises three members including:

Mr. LI Huagang;
Mr. CHIEN Da-chun; and
Mr. LI Shipeng

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

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

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.

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 2024 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 2024 A-share and H-share Core Employee Stock Ownership Plan (ESOP), and the 2024 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.

BOARD OF DIRECTORS (continued)

Board Committees (continued)

(2) Remuneration and Appraisal Committee (continued)

Particularly, in approving the 2024 share award and share option scheme, the Remuneration and Appraisal Committee has reviewed the material 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 managements with reference to the Board's corporate policies and objectives, and make recommendations to the Board. The remuneration plans or proposals mainly include but not limited to performance appraisal criteria, procedures and key appraisal system, and major incentive and penalty plans and systems. The Board will have final authority to approve the recommendations made by the Remuneration Committee.

The following table shows the attendance of members of the Remuneration and Appraisal Committee during the year ended 31 December 2024:

	No. of Remuneration and Appraisal Committee meetings attended/held
Executive Director:	
Mr. LI Huagang	2/2
INEDs:	
Mr. CHIEN Da-chun	2/2
Mr. LI Shipeng	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.

BOARD OF DIRECTORS (continued)

Board Committees (continued)

(3) Nomination Committee

The Nomination Committee currently comprises three members including:

Mr. LI Huagang;
Mr. LI Shipeng; and
Mr. WU Qi

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

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

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 2024, the Nomination Committee held one meeting. At the meeting, members of the Nomination Committee have reviewed the composition of the Board and diversity of the Board.

BOARD OF DIRECTORS (continued)

Board Committees (continued)

(3) Nomination Committee (continued)

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.

The following table shows the attendance of members of the Nomination Committee during the year ended 31 December 2024:

	No. of Nomination Committee meetings attended/held
Executive Director:	
Mr. LI Huagang	1/1
INEDs:	
Mr. WU Qi	1/1
Mr. LI Shipeng	1/1

(4) Strategy Committee

The Strategy Committee currently comprises four members including:

Mr. LI Huagang;
Mr. LI Shipeng;
Mr. WU Qi; and
Mr. GONG Wei

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 which requires to be approved by the Board of Directors as stated in the Articles of Association and make recommendations;

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

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

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

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

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

During the year ended 31 December 2024, the Strategy Committee held three meetings. At the meetings, members of the Strategy Committee have discussed the shareholders' return plan for the forthcoming three years (from 2024 to 2026); reviewed a capital expenditure project (air conditioner production facilities); reviewed the connected transaction on entering into a voting right entrustment agreement (in relation to Goodaymart Logistic); 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 2024:

	No. of Strategy Committee meetings attended/held
Executive Directors:	
Mr. LI Huagang	3/3
Mr. GONG Wei	3/3
INEDs:	
Mr. LI Shipeng	3/3
Mr. WU Qi	3/3

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 three members including:

Ms. Eva LI Kam Fun;
Mr. CHIEN Da-Chun; and
Mr. GONG Wei

Ms. Eva LI Kam Fun serves as the chairwoman of the ESG Committee.

The ESG Committee serves as the specific working body for evaluating the Company's working progress on the environmental, social and governance (ESG) responsibilities and the risks and opportunities it faces, 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 2024, the ESG Committee held three meetings. At the meeting, members of the ESG Committee have discussed and reviewed the Company's 2023 ESG report for publication; discussed and reviewed the consultancy reports from professional advisers; 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 2024:

	No. of ESG Committee meetings attended/held
Executive Director:	
Mr. GONG Wei	3/3
Non-executive Director:	
Ms. Eva LI Kam Fun	3/3
INED:	
Mr. CHIEN Da-chun	3/3

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.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS (continued)

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 2024 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.

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 and its investors had extensive exchanges 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 the disclosure, which have been highly rated by external organizations.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS (continued)

During the year ended 31 December 2024, the Company held five general meetings, including the AGM, one A-shares class meeting, one D-shares class meeting, one H-shares class meeting, and one extraordinary general meeting. In these general meetings and class meetings, various resolutions were passed.

The following table shows the attendance of the Directors at the general meetings held during the year ended 31 December 2024:

	No. of the General meetings attended/held
Executive Directors:	
Mr. LI Huagang *(Chairman)*	5/5
Mr. GONG Wei	5/5
Non-executive Directors:	
Ms. SHAO Xinzhi *(Vice Chairman)*	5/5
Mr. YU Hon To, David	5/5
Ms. Eva LI Kam Fun	5/5
INEDs:	
Mr. CHIEN Da-chun	5/5
Mr. WONG Hak Kun	5/5
Mr. LI Shipeng	5/5
Mr. WU Qi	5/5

Reference is made to the announcement of the Company dated 27 March 2024. During the year ended 31 December 2024, 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.

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 Central, Wan Chai, Hong Kong
E-mail:	ir@haier.hk

SHAREHOLDERS' RIGHTS (continued)

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 shareholding proportions 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.

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

2. According to Clause 84 of the Articles of Association, when the Company decides to convene a shareholders' general meeting, the Board of Directors, the Board of Supervisors and shareholders that severally or jointly hold 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.

SHAREHOLDERS' RIGHTS (continued)

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

3. According to Clause 89, Clause 120, Clause 129 and Clause 164 of the Articles of Association and the Independent Directors System, the election of directors and supervisors shall comply with the following provisions:

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

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

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

(IV) The Company's Board of Directors, Board of Supervisors and shareholders who hold 1% or more of the issued shares of the Company, individually or jointly, may nominate candidates for independent directors, who will be decided through election by the shareholders' general meeting. The 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.

SHAREHOLDERS' RIGHTS (continued)

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

3. According to Clause 84, Clause 120, Clause 129 and Clause 164 of the Articles of Association and the Independent Directors System, the election of directors and supervisors shall comply with the following provisions: (continued)

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

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

INSURANCE

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

POLICY ON PAYMENT OF DIVIDENDS

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

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

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

POLICY ON PAYMENT OF DIVIDENDS (continued)

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

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

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

From 2024 to 2026, 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 2025 and 2026, the proportion of cash dividends shall not be less than 50% of the net profit.

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 2024, 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.

RISK MANAGEMENT AND INTERNAL CONTROL (continued)

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.

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

RISK MANAGEMENT AND INTERNAL CONTROL (continued)

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.

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 been taken place, or where new businesses have been set up.

During the year ended 31 December 2024, the Internal Audit Department has conducted a review of the effectiveness of 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 Board. Such recommendations have been or are being implemented by the Management with regular review.

RISK MANAGEMENT AND INTERNAL CONTROL (continued)

Review of Control Effectiveness

The Audit Committee reviewed the effectiveness of the risk management and internal control systems by reviewing the internal control assessment report of the Internal Audit Department at lease twice in a year. The Board has, through the Audit Committee, reviewed and considered that for the year ended 31 December 2024, 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.

ANTI-CORRUPTION (continued)

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 2024 were Hexin Certified Public Accountants LLP and HLB Hodgson Impey Cheng Limited.

During the year ended 31 December 2024, 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.

27 March 2025

REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements of the Group for the year ended 31 December 2024.

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 13 and 22 to 80 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 2024 and the Group's financial position as at that date are set out in the financial statements on pages 159 to 311.

The Directors of the Company recommend the payment of a final dividend for the year ended 31 December 2024 of RMB9.65 (2023: RMB8.0131 (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 312. 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 2024 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 2024 are set out in note 36 to the financial statements.

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 2024, 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 Highest HK$	Price per share Lowest HK$	Total price paid HK$'M
September 2024	1,150,000	23.80	23.2	27.00

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 RMB23 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 20 June 2024 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 2024, 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 Highest RMB	Price per share Lowest RMB	Total price paid RMB'M
January 2024	5,406,200	22.74	21.15	118.07
February 2024	10,536,828	24.15	22.28	247.72
March 2024	4,139,014	24.96	23.78	100.78
	20,082,042			466.57

The repurchases of the Company's A-Shares during the year was effected by the Directors, pursuant to a board resolution passed on 27 April 2023 regarding the repurchase of A-Shares. The A-shares repurchased will be used in the Company's share incentive plans.

A total of 20,082,042 A-Share were repurchased during the year but not yet cancelled, and will be used in other share incentive plans of the Company.

During the year, 54,051,559 A-Share treasury shares were cancelled in September 2024 in accordance with a resolution passed at the 2023 Annual General Meeting of the Company. As at 31 December 2024, the Company held a total of 59,919,870 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 2024.

Saved as disclosed above, there were no treasury shares held by the Company as at 31 December 2024.

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 2024, the Company's reserves available for distribution, calculated in accordance with the provisions of the Company Law of the PRC, amounted to approximately RMB9.69 billion, of which RMB9 billion has been proposed as a final dividend for the year.

ENVIRONMENTAL AND SOCIAL POLICIES AND PERFORMANCE

The Board of Directors is the highest responsible 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, be aware 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 this 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.

Since joining the United Nations Global Compact (UNGC), we have closely integrated our ESG strategy with the practice of the United Nations 2030 Sustainable Development Goals (UN SDGs), committing to uphold the Ten Principles of the Global Compact grounded on United Nations Conventions, and continuously achieving ESG leadership.

For Haier Smart Home, ESG serves as an important guide in achieving high-quality and sustainable development. During the year, the Company further enhanced our ESG strategy framework based on our business characteristics and industry context. We established five key pillars and future actions, using them as a roadmap to actively engage in sustainable development. Aligned with the core pillars of our ESG strategy, we have updated ESG targets for the next 1 to 3 years and are taking proactive steps to facilitate their achievement.

Further discussions on above are in the Environmental, Social and Governance Report which are issued separately.

COMPLIANCE WITH LAWS AND REGULATIONS

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

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 2024, 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. GONG Wei

Non-executive directors:
Ms. SHAO Xinzhi *(Vice Chairman)*
Mr. YU Hon To, David
Ms. Eva LI Kam Fun

Independent Non-executive directors:
Mr. CHIEN Da-chun
Mr. WONG Hak Kun
Mr. LI Shipeng
Mr. WU Qi

These nine Directors compose the 11th session of the Board of the Company. The term of the 11th 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 June 2022. Each of the Directors has entered into a service contract with the Company.

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

DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and Supervisors of the Company and the senior management of the Group are set out on pages 14 to 21 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 publish of the Company's 2024 interim report.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

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

PERMITTED INDEMNITY

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

DIRECTORS' REMUNERATION

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

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

As authorized by the shareholders of the Company at the 2023 AGM, the Board adjusted the allowances of the Non-executive Directors from RMB320,000 per year before tax to the following:

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, SUPERVISORS AND CEO IN SHARES AND UNDERLYING SHARES

At 31 December 2024, the interests and short positions of the Directors, Supervisors and chief executive in the share capital and underlying shares ("Share(s)") of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions in shares of the Company:

Names	Positions	Class of Shares 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	1,050,444	Beneficial owner	0.0168%	0.0112%
		H Share	812,145	Beneficial owner	0.0284%	0.0087%
Mr. GONG Wei	Executive Director, Vice President and Chief Financial Officer	A Share	2,072,527	Beneficial owner	0.0331%	0.0221%
Ms. SHAO Xinzhi	Vice Chairman of the Board, Non-executive Director	A Share	25,457	Beneficial owner	0.0004%	0.0003%
		H Share	1,045,056	Beneficial owner	0.0366%	0.0111%
Mr. YU Hon To, David	Non-executive Director	H Share	810,000	Beneficial owner	0.0283%	0.0086%
Ms. Eva LI Kam Fun	Non-executive Director	H Share	355,200	Beneficial owner	0.0124%	0.0038%
Mr. LIU Dalin	Chairman of the Board of Supervisors	A Share	68,391	Beneficial owner	0.0011%	0.0007%
		H Share	21,355	Beneficial owner	0.0007%	0.0002%
Mr. YU Miao	Supervisor	A Share	13,648	Beneficial owner	0.0002%	0.0001%

* The percentage is calculated on the basis that the share capital of the Company as at 31 December 2024 totalling 9,382,913,334 comprise 6,254,501,095 A Shares, 271,013,973 D Shares and 2,857,398,266 H Shares, representing approximately 66.66%, 2.89% and 30.45% of the total share capital of the Company, respectively.

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

Long positions in shares of the Company: (continued)

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

Names	Positions	Class of Shares	Number of outstanding shares of ESOP (Year of granted)	Approximate percentage* of shareholding interest in the relevant class of Shares	Approximate percentage* of shareholding interest in the total share capital of the Company
Mr. LI Huagang	Chairman of the Board, Executive Director and CEO	A Share	48,282 (2022)	0.0008%	0.0005%
			158,899 (2023)	0.0025%	0.0017%
			282,743 (2024)	0.0045%	0.0030%
		H Share	54,143 (2022)	0.0019%	0.0006%
			163,921 (2023)	0.0057%	0.0017%
			285,268 (2024)	0.0100%	0.0030%
			322,886 (vested)	0.0113%	0.0034%
Mr. GONG Wei	Executive Director, Vice President and Chief Financial Officer	A Share	25,966 (2022)	0.0004%	0.0003%
			78,331 (2023)	0.0013%	0.0008%
			111,504 (2024)	0.0018%	0.0012%
		H Share	29,119 (2022)	0.0010%	0.0003%
			80,807 (2023)	0.0028%	0.0009%
			112,500 (2024)	0.0039%	0.0012%
			180,360 (vested)	0.0063%	0.0019%
Ms. SHAO Xinzhi	Vice Chairman of the Board, Non-executive Director	A Share	79,450 (2023)	0.0013%	0.0008%
			104,535 (2024)	0.0017%	0.0011%
		H Share	81,961 (2023)	0.0029%	0.0009%
			105,469 (2024)	0.0037%	0.0011%
			26,262 (vested)	0.0009%	0.0003%
Mr. LIU Dalin	Chairman of the Board of Supervisors	A Share	10,042 (2022)	0.0002%	0.0001%
			37,833 (2023)	0.0006%	0.0004%
			49,779 (2024)	0.0008%	0.0005%
Mr. YU Miao	Supervisor	A Share	1,838 (2022)	0.0000%	0.0000%
			12,634 (2023)	0.0002%	0.0001%
			16,593 (2024)	0.0003%	0.0002%

* The percentage is calculated on the basis that the share capital of the Company as at 31 December 2024 totalling 9,382,913,334 comprise 6,254,501,095 A Shares, 271,013,973 D Shares and 2,857,398,266 H Shares, representing approximately 66.66%, 2.89% and 30.45% of the total share capital of the Company, respectively.

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

Long positions in shares of the Company: (continued)

On 11 January 2022, the Company entered into a placing agreement with a placing agent for a placing of new H Shares of the Company under general mandate. A total of 41,413,600 H Shares have been placed to five placees, who and whose ultimate beneficial owners are third parties independent of and not connected with the Company and/or its connected persons. The placing price is HK$28.00 per H Share. The following directors and supervisor of the Company have invested indirectly in the structured notes issued by Golden Sunflower, one of the placees, through the trusts and asset management schemes. The details of their capital contribution remaining as at 31 December 2024 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	Executive Director, Vice President and Chief Financial Officer	3.67	131,061	0.0046%	0.0014%
Ms. SHAO Xinzhi	Vice Chairman of the Board, Non-executive Director	7.34	262,122	0.0092%	0.0028%
Mr. LIU Dalin	Supervisor	2.44	87,314	0.0031%	0.0009%

* The percentage is calculated on the basis that the share capital of the Company as at 31 December 2024 totalling 9,382,913,334 comprise 6,254,501,095 A Shares, 271,013,973 D Shares and 2,857,398,266 H Shares, representing approximately 66.66%, 2.89% and 30.45% of the total share capital of the Company, respectively.

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

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

Names	Positions	Class of Shares	Number of share options granted and not yet exercised	Approximate percentage* of shareholding interest in the relevant class of Shares upon exercise of share options	Approximate percentage* of shareholding interest in the total share capital of the Company upon exercise of share options
Mr. LI Huagang	Chairman of the Board, Executive Director and CEO	A Share	365,576	0.0058%	0.0039%
Mr. GONG Wei	Executive Director, Vice President and Chief Financial Officer	A Share	182,788	0.0029%	0.0019%

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 2024 totalling 9,382,913,334 comprise 6,254,501,095 A Shares, 271,013,973 D Shares and 2,857,398,266 H Shares, representing approximately 66.66%, 2.89% and 30.45% of the total share capital of the Company, respectively.

Save as disclosed above, as at 31 December 2024, none of the Directors and chief executive had any interests or short positions in the shares or underlying shares of the Company or its associated corporation (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

SHARE AWARD SCHEMES

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 are authorized to make adjustments. Also, the Board or its delegatee may, from time to time, select any eligible person to be a selected participant in accordance with the RSU Scheme Rules.

A Share ESOP and H Share ESOP

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

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

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

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 IoT smart home brand strategy, the Company introduced the A Share Core Employee Stock Ownership Plan (2024) and the H Share Core Employees Ownership Plan (2024) upon the approval at the 10th Meeting of the 11th session of the Board of Directors of the Company convened on 29 April 2024, with the subsequent authorization at the 2023 AGM of the Company.

A Share ESOP (2022)

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

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

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

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

SHARE 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 (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.

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.

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 2024	Granted during the year	Vested during the year (Note)	Cancelled during the year	Lapsed during the year	On 31 December 2024	Date of grant of A Share ESOP	Vesting period for A Share ESOP
Directors								
Mr. LI Huagang	30,037	–	–	30,037	–	–	30/07/2021	30/07/2021–30/07/2023
	125,104	–	76,822	–	–	48,282	10/08/2022	10/08/2022–30/07/2024
	212,811	–	53,912	–	–	158,899	28/07/2023	28/07/2023–30/07/2025
	–	282,743	–	–	–	282,743	12/07/2024	12/07/2024–30/07/2026
	367,952	282,743	130,734	30,037	–	489,924		
Mr. GONG Wei	18,195	–	–	18,195	–	–	30/07/2021	30/07/2021–30/07/2023
	67,193	–	41,227	–	–	25,966	10/08/2022	10/08/2022–30/07/2024
	104,907	–	26,576	–	–	78,331	28/07/2023	28/07/2023–30/07/2025
	–	111,504	–	–	–	111,504	12/07/2024	12/07/2024–30/07/2026
	190,295	111,504	67,803	18,195	–	215,801		
Ms. SHAO Xinzhi	104,907	–	25,457	–	–	79,450	28/07/2023	28/07/2023–30/07/2025
	–	104,535	–	–	–	104,535	12/07/2024	12/07/2024–30/07/2026
	104,907	104,535	25,457	–	–	183,985		
Subtotal	663,154	498,782	223,994	48,232	–	889,710		
Supervisors*								
Mr. LIU Dalin	6,500	–	–	6,500	–	–	30/07/2021	30/07/2021–30/07/2023
	29,634	–	19,592	–	–	10,042	10/08/2022	10/08/2022–30/07/2024
	49,956	–	12,123	–	–	37,833	28/07/2023	28/07/2023–30/07/2025
	–	49,779	–	–	–	49,779	12/07/2024	12/07/2024–30/07/2026
	86,090	49,779	31,715	6,500	–	97,654		
Mr. YU Miao	1,461	–	–	1,461	–	–	30/07/2021	30/07/2021–30/07/2023
	5,032	–	3,194	–	–	1,838	10/08/2022	10/08/2022–30/07/2024
	16,652	–	4,018	–	–	12,634	28/07/2023	28/07/2023–30/07/2025
	–	16,593	–	–	–	16,593	12/07/2024	12/07/2024–30/07/2026
	23,145	16,593	7,212	1,461	–	31,065		
Subtotal	109,235	66,372	38,927	7,961	–	128,719		
Other employees								
In aggregate	1,468	–	–	1,468	–	–	30/07/2021	30/07/2021–30/07/2023
	20,305,646	–	11,054,269	9,251,377	–	–	10/08/2022	10/08/2022–30/07/2024
	24,627,767	–	7,805,497	–	–	16,822,270	28/07/2023	28/07/2023–30/07/2025
	–	30,701,454	–	–	–	30,701,454	12/07/2024	12/07/2024–30/07/2026
	44,934,881	30,701,454	18,859,766	9,252,845	–	47,523,724		
Total	45,707,270	31,266,608	19,122,687	9,309,038	–	48,542,153		
The five highest paid employees among the Participants are as follows:								
In aggregate	30,037	–	–	30,037	–	–	30/07/2021	30/07/2021–30/07/2023
	438,549	–	297,943	92,324	–	48,282	10/08/2022	10/08/2022–30/07/2024
	787,855	–	266,523	–	–	521,332	28/07/2023	28/07/2023–30/07/2025
	–	855,751	–	–	–	855,751	12/07/2024	12/07/2024–30/07/2026
Total	1,256,441	855,751	564,466	122,361	–	1,425,365		

* Ms. MA Yingie retired from her position as a supervisor on 20 June 2024. She has 20,401 A Shares ESOP outstanding on 1 January 2024, of which 1,468 shares in the A Shares ESOP were cancelled during the year. Thus, she has 18,933 shares in the A Shares ESOP outstanding on 20 June 2024.

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 RMB26.94 per share. The fair values of the A Share ESOP granted on 12 July 2024 is RMB860 million. The weighted average closing price of the share immediately before the vesting date of the A Share ESOP was RMB26.6 per share. 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 RMB25.35 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 2024, 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 criteria under the A Share and H Share ESOP (2022) ("2022 ESOP") are as follows:

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

   b. Where the participants under the 2022 ESOP are the persons other than those mentioned in item a above, 40% and 60% of the interests of the underlying shares under the 2022 ESOP shall be vested respectively if the results of the Management Committee's assessment in 2022 and 2023 are up to the standard.

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 (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.

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%

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 (2023) ("2023 ESOP") are as follows: (continued)

   a. (continued)

      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)

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

   1. 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)

3. 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)

H Share ESOP (2022)

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

The source of shares of the 2022 ESOP were the H shares of the Company purchased from the secondary market through the Shanghai-Hong Kong Stock Connect. The Company entrusted an asset management company to purchase a total of 2,653,200 H Shares of the Company in the secondary market through the Hong Kong Stock Connect, with an average transaction price of HKD25.663 per share and a transaction amount of approximately HK$68 million. The lock-up period shall be 12 months, calculated from the date when the Company announces that the underlying shares purchased in the last time are recorded in the 2022 ESOP.

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

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

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.

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) (continued)

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.

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.

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

Name or category of Participants	On 1 January 2024	Granted during the year	Vested during the year (Note)	Cancelled during the year	Lapsed during the year	On 31 December 2024	Date of grant of H Share ESOP	Vesting period for H Share ESOP
Directors								
Mr. LI Huagang	32,554	–	–	32,554	–	–	30/07/2021	30/07/2021–30/07/2023
	140,292	–	86,149	–	–	54,143	10/08/2022	10/08/2022–30/07/2024
	219,537	–	55,616	–	–	163,921	28/07/2023	28/07/2023–30/07/2025
	–	285,268	–	–	–	285,268	26/07/2024	26/07/2024–30/07/2026
	392,383	285,268	141,765	32,554	–	503,332		
Mr. GONG Wei	21,136	–	–	21,136	–	–	30/07/2021	30/07/2021–30/07/2023
	75,351	–	46,232	–	–	29,119	10/08/2022	10/08/2022–30/07/2024
	108,223	–	27,416	–	–	80,807	28/07/2023	28/07/2023–30/07/2025
	–	112,500	–	–	–	112,500	26/07/2024	26/07/2024–30/07/2026
	204,710	112,500	73,648	21,136	–	222,426		
Ms. SHAO Xinzhi	108,223	–	26,262	–	–	81,961	28/07/2023	28/07/2023–30/07/2025
	–	105,469	–	–	–	105,469	26/07/2024	26/07/2024–30/07/2026
	108,223	105,469	26,262	–	–	187,430		
Subtotal	705,316	503,237	241,675	53,690	–	913,188		
Other employees								
In aggregate	1,802,441	–	1,068,506	733,935	–	–	10/08/2022	10/08/2022–30/07/2024
	2,794,417	–	781,099	–	–	2,013,318	28/07/2023	28/07/2023–30/07/2025
	–	2,532,163	–	–	–	2,532,163	26/07/2024	26/07/2024–30/07/2026
	4,596,858	2,532,163	1,849,605	733,935	–	4,545,481		
Total	5,302,174	3,035,400	2,091,280	787,625	–	5,458,669		
The five highest paid employees among the Participants are as follows:								
In aggregate	32,554	–	–	32,554	–	–	30/07/2021	30/07/2021–30/07/2023
	491,793	–	334,117	103,533	–	54,143	10/08/2022	10/08/2022–30/07/2024
	812,758	–	274,948	–	–	537,810	28/07/2023	28/07/2023–30/07/2025
	–	863,393	–	–	–	863,393	26/07/2024	26/07/2024–30/07/2026
Total	1,337,105	863,393	609,065	136,087	–	1,455,346		

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 closing price of the Company's H Share immediately before the grant date of the H Share ESOP was HK$24.6 per share. The fair values of the H Share ESOP granted on 26 July 2024 is RMB72 million, the Group recognised a total A and H Share ESOP expense of RMB674 million during year ended 31 December 2024. The weighted average closing price of the shares immediately before the vesting date of the H Share ESOP was HK$23.7 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$25.84 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 2024, 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 (2021, 2022, 2023 and 2024)

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

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

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

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

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 (2021, 2022, 2023 and 2024) (continued)

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.

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, 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.

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 (2021, 2022, 2023 and 2024) (continued)

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

	Number of H Share RSU							
Name or category of Participants	On 1 January 2024	Granted during the year	Vested during the year	Cancelled during the year	Lapsed during the year	On 31 December 2024	Date of grant of RSU	Vesting period for RSU
Non-director employees								
In aggregate	3,129,861	–	1,965,744	901,821	262,296	–	30/7/2021, 1/9/2021, 15/12/2021	30/7/2021–1/8/2024, 1/9/2021–1/8/2024, 15/12/2021–1/8/2024
In aggregate	4,864,026	–	176,968	49,409	685,993	3,951,656	25/5/2022	25/5/2022–15/3/2024
							23/6/2022, 9/9/2022	23/6/2022–1/7/2025, 9/9/2022–1/7/2025
In aggregate	6,091,662	–	135,221	–	780,066	5,176,375	23/06/2023, 1/11/2023	23/6/2023–1/7/2026, 1/11/2023–1/7/2026
In aggregate	–	4,689,425	–	–	183,505	4,505,920	24/6/2024, 22/11/2024	24/6/2024–1/7/2027, 22/11/2024–1/7/2027
	14,085,549	4,689,425	2,277,933	951,230	1,911,860	13,633,951		

The closing prices of the Company's H Share immediately before the grant date of the RSU on 24 June 2024 and 22 November 2024 were HK$27.55 and HK$26.95 per share respectively. The fair values of the RSU granted on 24 June 2024 and 22 November 2024 were RMB109 million and RMB11 million respectively, the Group recognised a total restricted share expense of RMB22 million during year ended 31 December 2024. The weighted average closing price of the shares immediately before the vesting date of the H Share RSU was HK$25.7 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$27.28 per share.

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 (2021, 2022, 2023 and 2024) (continued)

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 2024, 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 13,633,951 H Share RSU outstanding under the RSU Scheme, which represented approximately 0.48% 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.

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.

A-SHARE OPTION SCHEME (continued)

2021 A Share Option Incentive Scheme (continued)

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

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

2022 A Share Option Incentive Scheme

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

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

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

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

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

A-SHARE OPTION SCHEME (continued)

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

	Number of A-Share options								
Name or category of Participants	On 1 January 2024	Granted during the year	Exercised during the year	Cancelled during the year (note 3)	Lapsed during the year	On 31 December 2024	Date of grant of share options (note 1)	Exercise period of share options	Exercise price of share options per share (note 2) RMB
Executive directors									
Mr. LI Huagang	548,364	–	–	182,788	–	365,576	15/09/2021	15/09/2022 to 15/09/2027	25.63
Mr. GONG Wei	274,182	–	–	91,394	–	182,788	15/09/2021	15/09/2022 to 15/09/2027	25.63
Other employees									
In aggregate	26,318,610	–	–	8,161,578	1,833,876	16,323,156	15/09/2021	15/09/2022 to 15/09/2027	25.63
In aggregate	2,084,955	–	–	594,985	300,000	1,189,970	15/12/2021	15/12/2022 to 15/12/2027	25.63
In aggregate	76,821,909	–	–	24,405,183	3,606,360	48,810,366	28/06/2022	28/06/2023 to 28/06/2027	23.86
	106,048,020	–	–	33,435,928	5,740,236	66,871,856			

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 2024, the number of share options available for grant under the A Share option schemes was nil.

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 are RMB25.63 and RMB23.86.

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 2024 represented 1.08% of the weighted average number of shares of the A Shares in issue (excluding treasury shares) for the year 2024. The total number of A Shares available for issue under the A-share option scheme is 66,871,856 as at 31 December 2024, representing approximately 0.72% of the total share capital (excluding treasury shares) as at 31 December 2024 and approximately 0.72% of the total share capital (excluding treasury shares) as at 29 April 2025 (the date of publication of 2024 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 2024 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 2024.

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 2024.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 December 2024, 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	42.17%	28.11%
	H Share	538,560,000	Interest in controlled corporation	18.85%	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	20.12%	13.41%
HCH (HK) Investment Management Co., Limited[Note 3]	H Share	538,560,000	Beneficial owner	18.85%	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 2024 totalling 9,382,913,334 comprise 6,254,501,095 A Shares, 271,013,973 D Shares and 2,857,398,266 H Shares, representing approximately 66.66%, 2.89% and 30.45% 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 230,200,473 H Shares, representing approximately 8.05% of the total number of H Shares. BlackRock, Inc. held 165,367,450 H Shares, representing approximately 5.79% of the total number of H Shares.

6. Silk Road Fund Co., Ltd. held 54,007,663 D Shares, representing approximately 19.93% of the total number of D Shares.

Short positions and Lending pools:

JPMorgan Chase & Co. had a short position of 19,493,275 H Shares, representing approximately 0.68% of the total number of H Shares; and had a lending pool of 58,883,124 H Shares, representing approximately 2.06% of the total number of H Shares. BlackRock, Inc. had a short position of 401,000 H Shares, representing approximately 0.01% of the total number of H Shares.

Save as disclosed above, as at 31 December 2024, no person, other than the Directors, Supervisors and CEO of the Company, whose interests are set out in the section "Interests and short positions of directors, supervisors and CEO in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

CONNECTED TRANSACTIONS

Haier Group directly and indirectly owns 34.47% 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

Entering into of the Voting Rights Entrustment Agreement

The Company is pushing forward its retail transformation and reform in the PRC and upgrading its localization capabilities in terms of overseas brands, thereby building its overall competitive edge to achieve sustainable and quality growth in the future. In particular, building an integrated logistics capacity covering the entire process of warehousing, distribution and delivery is crucial to the implementation of such reform. In view of the strategic goal, the Company intends to achieve its control over Gooday Supply Chain Technologies Co., Ltd. ("Gooday") by way of voting rights entrustment, so as to put the logistics services function of the Company's home appliances business under the control of a single entity and team who shares the same goal, opening up full connection between our business function and logistic function both in terms of personnel, system and data interface. This will serve to fully realize the goal of enhancing operational efficiency, accelerating the transformation of the Company's business model, and creating new driver of business growth.

On 29 October 2024, Bingji (Shanghai) Enterprise Management Co., Ltd. ("Bingji"), a subsidiary of Haier Group, entered into the Voting Rights Entrustment Agreement with Guanmei (Shanghai) Enterprise Management Co., Ltd. ("Guanmei"), an indirectly wholly-owned subsidiary of the Company, pursuant to which Bingji shall irrevocably, exclusively and solely entrust to Guanmei the exercise of all voting rights in respect of all equity interests in Youjin (Shanghai) Corporate Management Co., Ltd. ("Youjin") held by Bingji on or after the date of signing of that agreement, which, as at 29 October 2024, representing 55% of the current total registered capital of Youjin. The voting rights entrustment does not involve a consideration payment arrangement, which is determined after arm's length negotiation between the parties. As at 29 October 2024, Bingji and Guanmei hold 55% and 45% of the equity interests in Youjin respectively. The Voting Rights Entrustment Agreement has been effective since 20 December 2024 (date of an extraordinary general meeting convened), Guanmei has effectively controlled 100% of the voting rights of Youjin, and Goodaymart (Shanghai) Investment Co., Ltd. ("Goodaymart (Shanghai)"), Gooday and their controlled subsidiaries, which are both under the control of Youjin, and become entities under the effective control of the Company. Youjin, Goodaymart (Shanghai), Gooday and their controlled subsidiaries will be included within the scope of the Company's consolidated statements.

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.

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) have been renewed during 2022 shall remain in force up to 31 December 2025. 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:

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.

During the year ended 31 December 2024, the Group had the following material transactions with Haier Group:

		Cap Amounts	Transaction Amounts	
		2024	**2024**	2023
	Notes	**RMB'000**	**RMB'000**	RMB'000
Services Supply Framework Agreement	(i)	**500,000**	**288,000**	69,000
Services Procurement Framework Agreement	(ii)	**8,190,000**	**706,000**	6,322,000
Products and Materials Sales Framework Agreement	(iii)	**3,720,000**	**2,341,000**	2,515,000
Products and Materials Procurement Framework Agreement	(iv)	**20,040,000**	**13,046,000**	14,801,000
Financial Services Framework Agreement	(v)			

CONNECTED TRANSACTIONS (continued)

Continuing Connected Transactions (continued)

	Notes	Cap Amounts 2024 RMB'000	Transaction Amounts 2024 RMB'000	Transaction Amounts 2023 RMB'000
Deposit Services	(v)			
(a) Maximum daily outstanding balance		**34,000,000**	**33,993,000**	33,987,000
(b) Interest income		**1,020,000**	**874,000**	766,000
Loan Services	(v)			
(a) Maximum daily outstanding balance		**10,000,000**	**196,000**	60,000
(b) Interest expense		**400,000**	**2,000**	—
Other Financial Services	(v)			
(a) Maximum daily trading balance of Foreign exchange derivative products		**5,500,000**	**400,000**	3,054,000
(b) Service fee		**80,000**	**8,000**	24,000

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 RMB4.83 million.

TAXATION POLICIES FOR DIVIDEND

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

SUFFICIENCY OF PUBLIC FLOAT

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

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events of the Group after the reporting period are set out in note 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 2024 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 2024 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
27 March 2025

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 159 to 311, which comprise the consolidated statement of financial position as at 31 December 2024, 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 and other explanatory 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 2024, 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**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter

Provision for impairment of goodwill and other intangible assets

Refer to Notes 2.3, 3, 17 and 18 to the consolidated financial statements

The Group had goodwill and other intangible assets with carrying amounts of approximately RMB27,384 million and RMB10,749 million respectively as at 31 December 2024.

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 2024 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.

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 2024.

Our procedures in relation to the management's impairment assessment included but not limited to:

- 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.

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

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Provision for obsolete and slow-moving inventories	
Refer to Notes 2.3, 3 and 24 to the consolidated financial statements	
As at 31 December 2024, the Group had inventories of approximately RMB43,044 million and recognised provision for obsolete and slow-moving inventories of approximately RMB958 million to consolidated statement of profit or loss during the year ended 31 December 2024. 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.

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 HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

- 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.

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 director on the audit resulting in this independent auditors' report is Yau Wai Ip.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Yau Wai Ip
Practising Certificate Number: P07849

Hong Kong, 27 March 2025

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

	Notes	2024 RMB'M	2023 RMB'M (Restated)
REVENUE	5	**285,971**	274,198
Cost of sales		**(208,128)**	(200,557)
Gross profit		**77,843**	73,641
Other gains, net	5	**3,889**	3,691
Selling and distribution expenses		**(33,586)**	(32,727)
Administrative expenses		**(24,524)**	(23,804)
Finance costs	7	**(2,705)**	(2,165)
Share of profits and losses of associates		**1,816**	1,575
PROFIT BEFORE TAX	6	**22,733**	20,211
Income tax expenses	10	**(3,157)**	(3,123)
PROFIT FOR THE YEAR		**19,576**	17,088
OTHER COMPREHENSIVE (LOSS)/INCOME			
Items that may be reclassified to profit or loss in subsequently periods:			
Share of other comprehensive loss of associates		**(17)**	(104)
Effective portion of changes in fair value of hedging instrument for cash flow hedges, net of tax		**(27)**	(99)
Exchange differences on translating foreign operations		**(847)**	(336)
		(891)	(539)
Items that will not be reclassified to profit or loss in subsequent periods:			
Changes arising from re-measurement of defined benefit plans		**(1)**	40
Change in fair value of equity investments designated at fair value through other comprehensive income ("**FVTOCI**"), net of tax		**(283)**	463
		(284)	503
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		**(1,175)**	(36)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**18,401**	17,052

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2024

	Notes	**2024** **RMB'M**	2023 RMB'M (Restated)
Profit for the year attributable to:			
Owners of the Company		**18,741**	16,597
Non-controlling interests		**835**	491
		19,576	17,088
Total comprehensive income attributable to:			
Owners of the Company		**17,564**	16,576
Non-controlling interests		**837**	476
		18,401	17,052
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
— Basic (RMB per share)	12	**2.02**	1.79
— Diluted (RMB per share)	12	**2.02**	1.78

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	Notes	2024 RMB'M	2023 RMB'M (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	14	**43,603**	39,871
Investment properties	15	**246**	99
Right-of-use assets	16(a)	**9,127**	8,072
Goodwill	17	**27,384**	24,483
Other intangible assets	18	**10,749**	9,159
Interests in associates	19	**20,932**	20,196
Equity investments designated at FVTOCI	20	**5,987**	6,404
Financial assets measured at amortised cost	22	**15,699**	9,468
Long-term prepayments	27	**1,381**	1,747
Deferred tax assets	35	**2,477**	1,849
Other non-current assets		**839**	806
Total non-current assets		**138,424**	122,154
CURRENT ASSETS			
Inventories	24	**43,044**	39,525
Trade and bills receivables	25	**38,592**	31,473
Receivables at FVTOCI	26	**360**	200
Contract assets	31(a)	**988**	261
Prepayments, deposits and other receivables	27	**9,812**	7,644
Financial assets measured at fair value through profit or loss ("**FVTPL**")	21	**1,236**	957
Financial assets measured at amortised cost	22	**1,931**	1,530
Derivative financial instruments	23	**143**	68
Pledged deposits	28	**533**	475
Other deposit with limited use	28	**70**	98
Cash and cash equivalents	28	**54,981**	56,683
Total current assets		**151,690**	138,914
CURRENT LIABILITIES			
Trade and bills payables	29	**75,737**	72,179
Other payables and accruals	30	**32,224**	27,277
Contract liabilities	31(b)	**10,852**	7,849
Interest-bearing borrowings	32	**24,127**	10,999
Lease liabilities	16(b)	**1,351**	1,339
Tax payables		**2,650**	1,586
Provisions	33	**2,710**	2,532
Derivative financial instruments	23	**71**	169
Total current liabilities		**149,722**	123,930

Consolidated Statement of Financial Position

As at 31 December 2024

	Notes	2024 RMB'M	2023 RMB'M (Restated)
NET CURRENT ASSETS		**1,968**	14,984
TOTAL ASSETS LESS CURRENT LIABILITIES		**140,392**	137,138
NON-CURRENT LIABILITIES			
Interest-bearing borrowings	32	**9,666**	18,417
Lease liabilities	16(b)	**4,481**	3,430
Deferred income	34	**1,081**	1,122
Deferred tax liabilities	35	**1,542**	1,528
Provisions for pensions and similar obligations	44	**2,562**	1,085
Provisions	33	**2,386**	1,935
Other payables and accruals	30	**—**	1,977
Other non-current liabilities		**285**	114
Total non-current liabilities		**22,003**	29,608
Net assets		**118,389**	107,530
EQUITY			
Share capital	36	**9,383**	9,438
Reserves	38	**101,983**	91,828
Equity attributable to owners of the Company		**111,366**	101,266
Non-controlling interests		**7,023**	6,264
Total equity		**118,389**	107,530

The consolidated financial statements were approved and authorised for issue by the board of directors on 27 March 2025 and signed on its behalf by:

Mr. Li Huagang	**Mr. Gong Wei**
Chairman	*Executive Director*

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 31 December 2023

	Attributable to owners of the Company														Non-controlling interests RMB'M	Total equity RMB'M
		Reserves														
	Issued equity RMB'M	Capital reserve RMB'M	Share-based payments reserve RMB'M	Remeasurement of defined benefits plans reserve RMB'M	Cash flow hedges reserve RMB'M	FVTOCI reserve RMB'M	Equity method investments reserve RMB'M	Reserve funds (Note 38(i)) RMB'M	Retained profits RMB'M	Exchange differences on translation reserve (Note 38(ii)) RMB'M	Other reserves RMB'M	Treasury shares reserve (Note 38(v)) RMB'M	Total reverses RMB'M	Total RMB'M		
At 1 January 2023	9,447	22,321	1,174	106	5	870	(241)	4,013	57,985	1,248	389	(3,858)	84,012	93,459	1,291	94,750
Effect of business combination under common control	–	(2,225)	–	–	–	–	–	–	–	(1)	–	–	(2,226)	(2,226)	3,584	1,358
At 1 January 2023 (restated)	9,447	20,096	1,174	106	5	870	(241)	4,013	57,985	1,247	389	(3,858)	81,786	91,233	4,875	96,108
Profit for the year	–	–	–	–	–	–	–	–	16,597	–	–	–	16,597	16,597	491	17,088
Other comprehensive income/(loss) for the year																
– Share of other comprehensive loss of associates	–	–	–	–	–	–	(104)	–	–	–	–	–	(104)	(104)	–	(104)
– Effective portion of changes in fair value of hedging instrument for cashflow hedges, net of tax	–	–	–	–	(98)	–	–	–	–	–	–	–	(98)	(98)	(1)	(99)
– Exchange differences on translating foreign operations	–	–	–	–	–	–	–	–	–	(322)	–	–	(322)	(322)	(14)	(336)
– Changes arising from re-measurement of defined benefit plans	–	–	–	40	–	–	–	–	–	–	–	–	40	40	–	40
– Change in fair value of equity investments designated at FVTOCI	–	–	–	–	–	463	–	–	–	–	–	–	463	463	–	463
Total comprehensive income/(loss) for the year	–	–	–	40	(98)	463	(104)	–	16,597	(322)	–	–	16,576	16,576	476	17,052
Dividend payable to owners of the Company (Note 39(b))	–	–	–	–	–	–	–	–	(5,254)	–	–	–	(5,254)	(5,254)	–	(5,254)
Dividend payable to non-controlling interests (Note 39(b))	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(25)	(25)
Transfer to reserves fund	–	–	–	–	–	–	–	828	(828)	–	–	–	–	–	–	–
Recognition of equity settled share-based payment	–	–	611	–	–	–	–	–	–	–	–	–	611	611	–	611
Changes in ownership interests in subsidiaries that do not result in a loss of control	–	(53)	–	–	–	–	–	–	–	–	–	–	(53)	(53)	938	885
Business combination under common control	–	(95)	–	–	–	–	–	–	–	–	–	–	(95)	(95)	–	(95)
Purchase of treasury shares	–	–	–	–	–	–	–	–	–	–	–	(1,802)	(1,802)	(1,802)	–	(1,802)
Share repurchased and cancelled (Note 36)	(9)	(173)	–	–	–	–	–	–	–	–	–	182	9	–	–	–
Other changes	–	(53)	–	–	–	–	–	–	38	–	(379)	444	50	50	–	50
At 31 December 2023	9,438	19,722	1,785	146	(93)	1,333	(345)	4,841	68,538	925	10	(5,034)	91,828	101,266	6,264	107,530

Consolidated Statement of Changes in Equity

As at 31 December 2024

	Attributable to owners of the Company														Non-controlling interests RMB'M	Total equity RMB'M
		Reserves														
	Issued equity RMB'M	Capital reserve RMB'M	Share-based payments reserve RMB'M	Remeasurement of defined benefits plans reserve RMB'M	Cash flow hedges reserve RMB'M	FVTOCI reserve RMB'M	Equity method investments reserve RMB'M	Reserve funds (Note 38(i)) RMB'M	Retained profits RMB'M	Exchange differences on translation reserve (Note 38(ii)) RMB'M	Other reserves RMB'M	Treasury shares reserve (Note 38(v)) RMB'M	Total reverses RMB'M	Total RMB'M		
At 1 January 2024	9,438	21,969	1,785	146	(93)	1,333	(345)	4,841	68,538	926	10	(5,034)	94,076	103,514	2,398	105,912
Effect of business combination under common control	–	(2,247)	–	–	–	–	–	–	–	(1)	–	–	(2,248)	(2,248)	3,866	1,618
At 1 January 2024 (restated)	9,438	19,722	1,785	146	(93)	1,333	(345)	4,841	68,538	925	10	(5,034)	91,828	101,266	6,264	107,530
Profit for the year	–	–	–	–	–	–	–	–	18,741	–	–	–	18,741	18,741	835	19,576
Other comprehensive income/(loss) for the year																
– Share of other comprehensive loss of associates	–	–	–	–	–	–	(17)	–	–	–	–	–	(17)	(17)	–	(17)
– Effective portion of changes in fair value of hedging instrument for cashflow hedges, net of tax	–	–	–	–	(28)	–	–	–	–	–	–	–	(28)	(28)	1	(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	–	–	–	–	–	(284)	–	–	–	–	–	–	(284)	(284)	1	(283)
Total comprehensive income/(loss) for the year	–	–	–	(1)	(28)	(284)	(17)	–	18,741	(847)	–	–	17,564	17,564	837	18,401
Dividend payable to owners of the Company (Note 39(b))	–	–	–	–	–	–	–	–	(7,444)	–	–	–	(7,444)	(7,444)	–	(7,444)
Dividend payable to non-controlling interests (Note 39(b))	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(108)	(108)
Transfer to reserves fund	–	–	–	–	–	–	–	454	(454)	–	–	–	–	–	–	–
Recognition of equity settled share-based payment	–	–	374	–	–	–	–	–	–	–	–	–	374	374	–	374
Changes in ownership interests in subsidiaries that do not result in a loss of control	–	161	–	–	–	–	–	–	–	–	–	–	161	161	31	192
Purchase of treasury shares	–	–	–	–	–	–	–	–	–	–	–	(559)	(559)	(559)	–	(559)
Share repurchased and cancelled (Note 36)	(55)	(1,465)	–	–	–	–	–	–	–	–	–	1,520	55	–	–	–
Other changes	–	7	(476)	–	–	–	–	–	(90)	–	–	563	4	4	(1)	3
At 31 December 2024	9,383	18,425	1,683	145	(121)	1,049	(362)	5,295	79,291	78	10	(3,510)	101,983	111,366	7,023	118,389

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	Notes	2024 RMB'M	2023 RMB'M (Restated)
Cash flows from operating activities			
Profit before tax		**22,733**	20,211
Adjustments for:			
Finance costs	7	**2,705**	2,165
Interest income	5	**(1,968)**	(1,603)
Share of profits and losses of associates		**(1,816)**	(1,575)
Dividends income from equity investment designated at FVTOCI	5	**(54)**	(59)
Loss/(gain) on disposal of financial assets/liabilities measured at FVTPL, net	5	**1**	(1)
Loss/(gain) on disposal of associates and subsidiaries	5	**27**	(14)
Loss on disposal of non-current assets, net	5	**50**	108
Fair value gain on financial assets/liabilities measured at FVTPL, net	5	**(47)**	(17)
Depreciation of property, plant and equipment	6	**5,091**	4,677
Depreciation of right-of-use assets and investment properties	6	**1,592**	1,680
Amortisation of other intangible assets and other non-current assets	6	**1,397**	1,285
Provision for obsolete and slow-moving inventories, net	6	**958**	1,091
Impairment of trade and bills receivables, prepayments, deposits and other receivables and long-term prepayments, net	6	**546**	586
Impairment of property, plant and equipment, interests in associates, other intangible assets and contract assets, net	6	**45**	88
Equity-settled share-based expense	6	**374**	611
Operating cash inflow before movements in working capital		**31,634**	29,233
(Increase)/decrease in inventories		**(3,607)**	982
Increase in trade and bills receivables, prepayments, deposits and other receivables and contract assets		**(7,730)**	(4,009)
Increase in trade and bills payables, other payable and accruals and contract liabilities		**7,788**	2,930
Change in other working capital		**(6)**	89
Cash generated from operations		**28,079**	29,225
Interest received		**1,308**	1,153
Income tax paid		**(2,844)**	(3,842)
Net cash generated from operating activities		**26,543**	26,536

Consolidated Statement of Cash Flows

For the year ended 31 December 2024

	Notes	2024 RMB'M	2023 RMB'M (Restated)
Cash flows from investing activities			
Payment for purchases of non-current assets		**(10,071)**	(10,542)
Proceeds from disposals of non-current assets		**42**	171
Payments for and proceeds from acquisition and disposals of subsidiaries, net		**(4,409)**	(156)
Payment for acquisition of associates		**(3)**	(111)
Proceeds from disposal of associates		**68**	71
Payment for purchases of equity investments designated at FVTOCI		**(7)**	—
Proceeds from disposals of equity investments designated at FVTOCI		**38**	7
Payment for purchases of financial assets measured at amortised cost and financial assets at FVTPL		**(23,612)**	(16,975)
Proceeds from disposals of financial assets measured at amortised cost and financial assets at FVTPL		**17,114**	9,367
Dividends received from associates		**579**	684
Dividends and interest received from equity investment designated at FVTOCI, financial assets measured at amortised cost and financial assets at FVTPL		**187**	144
Net cash used in investing activities		**(20,074)**	(17,340)
Cash flows from financing activities			
Repurchases of shares		**(559)**	(1,802)
Proceeds from borrowings		**13,647**	20,942
Repayments of borrowings		**(9,569)**	(18,854)
Dividends paid to shareholders		**(7,444)**	(5,254)
Dividends paid to non-controlling interests		**(93)**	(30)
Lease payments		**(1,691)**	(1,729)
Interest paid for borrowings		**(2,444)**	(1,983)
Capital contribution from non-controlling interest		**255**	911
Other financing cash flows		**(16)**	(122)
Net cash used in financing activities		**(7,914)**	(7,921)

Consolidated Statement of Cash Flows

For the year ended 31 December 2024

	Notes	2024 RMB'M	2023 RMB'M (Restated)
Net (decrease)/increase in cash and cash equivalents		**(1,445)**	1,275
Cash and cash equivalents at beginning of the year		**56,683**	55,157
Effect of foreign exchange rate changes, net		**(257)**	251
Cash and cash equivalents at end of the year		**54,981**	56,683
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Non-pledged cash and bank balances		**34,092**	32,276
Time deposits		**20,889**	24,407
Cash and cash equivalents as stated in the Statement of financial position		**54,981**	56,683

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

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.

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 2024 Direct	2024 Indirect	2023 Direct	2023 Indirect	Principal activities	Type of legal status
Wonder Global (BVI) Investment Limited	British Virgin Islands ("**BVI**")/BVI	RMB18,596	–	100	–	100	Manufacture and sale of household appliances and logistics service	Limited liability company
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
Fisher & Paykel Appliances Limited	New Zealand/ New Zealand	NSD246	–	100	–	100	Research, development, manufacture, sale and distribution of home appliance business	Limited liability company
CO2OLtec Commercial Refrigeration B.V. (formerly known as Carrier Refrigeration Benelux B.V.) ("**CCR**")	Netherlands/ Netherlands	EUR0.057	–	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	–	–	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
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

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 2024 Direct	2024 Indirect	2023 Direct	2023 Indirect	Principal activities	Type of legal status
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

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 2024 Direct	2024 Indirect	2023 Direct	2023 Indirect	Principal activities	Type of legal status
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
Zhongshan Haier HV Equipment Co., Ltd.	Mainland China/ Mainland China	RMB20	**–**	**100**	–	100	Sales of home appliances	Limited liability company
Qingdao Haier HV Equipment Technology Co., Ltd.	Mainland China/ Mainland China	RMB10	**–**	**100**	–	100	Manufacturing and sales of air-conditioning equipment	Limited liability company

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 2024 Direct	2024 Indirect	2023 Direct	2023 Indirect	Principal activities	Type of legal status
Qingdao Haier Smart Dishwasher Co., Ltd.	Mainland China/ Mainland China	RMB50	**–**	**100**	–	100	Manufacture, R&D and sales of home appliances	Limited liability company
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

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 2024 Direct	2024 Indirect	2023 Direct	2023 Indirect	Principal activities	Type of legal status
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 (Dalina) 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

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 2024 Direct	2024 Indirect	2023 Direct	2023 Indirect	Principal activities	Type of legal status
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 chuangke 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

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 2024 Direct	2024 Indirect	2023 Direct	2023 Indirect	Principal activities	Type of legal status
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

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 2024 Direct	2024 Indirect	2023 Direct	2023 Indirect	Principal activities	Type of legal status
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

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 2024		2023		Principal activities	Type of legal status
			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

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 2024 Direct	2024 Indirect	2023 Direct	2023 Indirect	Principal activities	Type of legal status
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 Haixiangmian Technology Co., Ltd.	Mainland China/ Mainland China	RMB30	–	**100**	–	100	Sale of food and daily necessities	Limited liability company
Qingdao Haier Kitchen IoT Technology Co., Ltd.	Mainland China/ Mainland China	RMB2	–	**100**	–	100	Technology service and sale of daily necessities	Limited liability company
Tibet Haifeng Intelligent Innovation Technology Co., Ltd.	Mainland China/ Mainland China	RMB5	–	**100**	–	100	Development of software and medical equipment	Limited liability company
Qingdao Haixiangzhi Technology Co., Ltd.	Mainland China/ Mainland China	RMB5	–	**100**	–	100	Manufacture of home appliances	Limited liability company
Qingdao Haier Refrigeration Appliances Co., Ltd.	Mainland China/ Mainland China	RMB300	–	**100**	–	100	Manufacture of home appliances	Limited liability company
Chongqing Haier Wasting Appliances Co., Ltd.	Mainland China/ Mainland China	RMB135	–	**100**	–	100	Manufacture of home appliances	Limited liability company
Tongfang Energy Technology Development Co., Ltd	Mainland China/ Mainland China	RMB183	–	**84.32**	–	84.32	Technology development service	Limited liability company
Qingdao Haier Youyang Technology Co., Ltd	Mainland China/ Mainland China	RMB50	–	**51**	–	51	Technology development service	Limited liability company
Qingdao Haier Yikang Technology Co., Ltd	Mainland China/ Mainland China	RMB100	–	**100**	–	100	Technology development service	Limited liability company

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 2024 Direct	2024 Indirect	2023 Direct	2023 Indirect	Principal activities	Type of legal status
Qingdao Haier Smart Dishwasher Co., Ltd.	Mainland China/ Mainland China	RMB50	–	100	–	–	Manufacture of home appliance	Limited liability
Zhongshan Haier HV Equipment Co., Ltd.	Mainland China/ Mainland China	RMB20	–	100	–	–	Sales of home appliance	Limited liability
Qingdao Haier HV Equipment Technology Co., Ltd.	Mainland China/ Mainland China	RMB100	–	100	–	–	Manufacturing and sales of air-conditioning equipment	Limited liability
Jingzhou Haier Environment Protection Material Technology Co., Ltd.	Mainland China/ Mainland China	RMB250	–	100	–	–	Renewable Energy Recycling	Limited liability
Jingzhou Haizhi Cycle Technology Co., Ltd.	Mainland China/ Mainland China	RMB100	–	100	–	–	Renewable Energy Recycling	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.

2.1 APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS

Amendments to IFRS Accounting Standards that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRS Accounting Standards issued by the IASB for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2024 for the preparation of the consolidated financial statements:

Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

The application of the amendments to IFRS Accounting Standards 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.

2.1 APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS (continued)

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[3]
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity[3]
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[3]
Amendments to IAS 21	Lack of Exchangeability[2]
IFRS 18	Presentation and Disclosure in Financial Statements[4]
IFRS 19	Subsidiaries without Public Accountability Disclosure[4]

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 2025.
3 Effective for annual periods beginning on or after 1 January 2026.
4 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.

2.2 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

2.2 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

Merger accounting for business combination involving business under common control

On 29 October 2024, Bingji (Shanghai) Enterprise Management Co., Ltd. ("**Bingji**"), a subsidiary of Haier Group, entered into the voting rights entrustment agreement with Guanmei (Shanghai) Enterprise Management Co., Ltd. ("**Guanmei**"), an indirectly wholly-owned subsidiary of the Company, pursuant to which Bingji shall irrevocably, exclusively and solely entrust to Guanmei the exercise of all voting rights in respect of all equity interests in Youjin (Shanghai) Corporate Management Co., Ltd. ("**Youjin**") held by Bingji on or after the date of signing of that agreement, which representing 55% of the current total registered capital of Youjin. Bingji and Guanmei hold 55% and 45% of the equity interests in Youjin respectively. Upon the voting rights entrustment agreement effective on 20 December 2024, Guanmei is effectively control 100% of the voting rights of Youjin, and Goodaymart (Shanghai) Investment Co., Ltd., Gooday Supply Chain Technologies Co., Ltd. and their controlled subsidiaries, which are both under the control of Youjin, become entities under the effective control of the Company. The voting rights entrustment does not involve a consideration payment arrangement, which is determined after arm's length negotiations between the parties. Youjin is an investment holding company and its subsidiaries are principally engaged in the provision of logistics services.

Since the Company and Youjin were ultimately controlled by Haier Group both before and after the completion of the voting rights entrustment agreement, the acquisition of the Youjin 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 2024 and 2023 include the results, changes in equity and cash flows of all companies then comprising the Group and Youjin, as if the corporate structure of the Group immediately after the completion of the voting rights entrustment agreement had been in existence throughout the year ended 31 December 2024 and 2023, 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 2023 has been prepared to present the state of affairs of the Group and Youjin as if the corporate structure of the Group immediately after the completion of the voting rights entrustment agreement 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 2023. 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.

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 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 item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 Financial Instruments or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations or asset acquisitions

Optional concentration test

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Asset acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to 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.

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

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.

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.

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.

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. 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 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.

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.

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).

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).

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.

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 or another systematic basis over the lease term.

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Leases (continued)

The Group as lessee (continued)

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

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.

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.

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.

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).

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.

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 2024 and 2023.

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).

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 expense or income; and

- remeasurement.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

Discretionary contributions made by employees or third parties reduce service cost upon payment of these contributions to the plan.

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.

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 requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another IFRS requires or permits their inclusion in the cost of an asset.

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 granted are vested, the amount will recognised in share-based payments reserve will be transferred to other reserve.

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.

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.

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.

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.

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.

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.

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.

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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

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.

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.

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments (continued)

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 that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

2.3 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. 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.

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 both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and contract assets without significant financing component.

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.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

2.3 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 aforegoing, 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.

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.

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 and forward looking information 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.

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.

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 acquired principally for the purpose of repurchasing it in the near term; or

- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. For financial liabilities that contain embedded derivatives, 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.

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 noncontrolling 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.

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

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.

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 2024 and 2023. As at 31 December 2024, the carrying amount of goodwill was approximately RMB27,384 million (2023: RMB24,483 million (restated)). Further details are given in note 17 to the consolidated financial statements.

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 2024, the net carrying amounts of inventories (after provision) were approximately RMB43,044 million (2023: RMB39,525 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 2024, the product warranty amounted to approximately RMB4,320 million (2023: RMB3,809 million). Further details are included in note 33 to consolidated financial statements.

4. OPERATING SEGMENT INFORMATION

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

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

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

(a) 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

(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 of 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.

4. OPERATING SEGMENT INFORMATION (continued)

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

For the year ended 31 December 2024

	Household Food Storage and Cooking Solutions						
	Refrigerators/ Freezers RMB'M	Kitchen Appliances RMB'M	Air Solutions RMB'M	Household Laundry Management Solutions RMB'M	Household Water Solutions RMB'M	Other Business RMB'M	Total RMB'M
Segment revenue							
Segment revenue from external customers	83,344	41,119	49,301	63,134	16,014	33,059	285,971
Inter-segment revenue	212	65	316	186	161	85,159	86,099
Total	83,556	41,184	49,617	63,320	16,175	118,218	372,070
Reconciliation:							
Inter-segment eliminations							(86,099)
Total							285,971
Segments results	5,974	3,179	2,304	6,499	2,221	418	20,595
Reconciliation:							
Elimination of inter-segment results							7
							20,602
Corporate and other unallocated income and gains or losses							3,509
Corporate and other unallocated expenses							(489)
Finance costs							(2,705)
Share of profits and losses of associates							1,816
Profit before taxation							22,733

4. OPERATING SEGMENT INFORMATION (continued)

For the year ended 31 December 2023 (Restated)

	Household Food Storage and Cooking Solutions						
	Refrigerators/ Freezers RMB'M	Kitchen Appliances RMB'M	Air Solutions RMB'M	Household Laundry Management Solutions RMB'M	Household Water Solutions RMB'M	Other Business RMB'M	Total RMB'M
Segment revenue							
Segment revenue from external customers	81,731	41,594	45,810	61,312	15,170	28,581	274,198
Inter-segment revenue	179	60	294	180	166	81,689	82,568
Total	81,910	41,654	46,104	61,492	15,336	110,270	356,766
Reconciliation:							
Inter-segment eliminations							(82,568)
Total							274,198
Segments results	5,152	2,958	1,904	5,649	1,838	345	17,846
Reconciliation:							
Elimination of inter-segment results							80
							17,926
Corporate and other unallocated income and gains or losses							3,226
Corporate and other unallocated expenses							(351)
Finance costs							(2,165)
Share of profits and losses of associates							1,575
Profit before taxation							20,211

4. OPERATING SEGMENT INFORMATION (continued)

As at 31 December 2024

	Household Food Storage and Cooking Solutions						
	Refrigerators/ Freezers RMB'M	Kitchen Appliances RMB'M	Air Solutions RMB'M	Household Laundry Management Solutions RMB'M	Household Water Solutions RMB'M	Other Business RMB'M	Total RMB'M
Segment assets	**50,543**	**21,840**	**32,729**	**37,335**	**11,353**	**97,865**	**251,665**
Reconciliation:							
Elimination of segment assets							**(96,864)**
Goodwill							**27,384**
Interests in associates							**20,932**
Equity investments designated at FVTOCI							**5,987**
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							**54,981**
Other receivables							**3,940**
Total assets							**290,114**
Segment liabilities	**71,520**	**14,943**	**29,805**	**27,393**	**4,228**	**78,917**	**226,806**
Reconciliation:							
Elimination of segment liabilities							**(96,725)**
Tax payable							**2,650**
Other payable							**3,303**
Derivative financial instruments							**71**
Interest-bearing borrowings							**33,793**
Deferred tax liabilities							**1,542**
Other non-current liabilities							**285**
Total liabilities							**171,725**

4. OPERATING SEGMENT INFORMATION (continued)

As at 31 December 2023 (Restated)

	Household Food Storage and Cooking Solutions						
	Refrigerators/ Freezers RMB'M	Kitchen Appliances RMB'M	Air Solutions RMB'M	Household Laundry Management Solutions RMB'M	Household Water Solutions RMB'M	Other Business RMB'M	Total RMB'M
Segment assets	47,692	21,251	23,814	31,675	7,189	78,983	210,604
Reconciliation:							
Elimination of segment assets							(75,050)
Goodwill							24,483
Interests in associates							20,196
Equity investments designated at FVTOCI							6,404
Deferred tax assets							1,849
Financial assets measured at FVTPL							957
Financial assets measured at amortised cost							10,998
Derivative financial instruments							68
Pledged deposits							475
Other deposits with limited use							98
Cash and cash equivalents							56,683
Other receivables							3,303
Total assets							261,068
Segment liabilities	62,419	12,953	22,843	18,786	6,071	69,224	192,296
Reconciliation:							
Elimination of segment liabilities							(74,905)
Tax payable							1,586
Other payable							3,334
Derivative financial instruments							169
Interest-bearing borrowings							29,416
Deferred tax liabilities							1,528
Other non-current liabilities							114
Total liabilities							153,538

4. OPERATING SEGMENT INFORMATION (continued)

For the year ended 31 December 2024

	Household Food Storage and Cooking Solutions						
	Refrigerators/ Freezers RMB'M	Kitchen Appliances RMB'M	Air Solutions RMB'M	Household Laundry Management Solutions RMB'M	Household Water Solutions RMB'M	Other Business RMB'M	Total 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**	**78**	**257**	**192**	**101**	**73**	**958**
Allowance for/(reversal of) expected credit loss in respect of trade and bills receivable, net	**43**	**33**	**38**	**74**	**(4)**	**122**	**306**
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/write off of non-current assets, net	**15**	**13**	**12**	**9**	**4**	**(3)**	**50**
Depreciation and amortisation	**2,093**	**1,440**	**789**	**1,792**	**446**	**1,520**	**8,080**

For the year ended 31 December 2023 (Restated)

	Household Food Storage and Cooking Solutions						
	Refrigerators/ Freezers RMB'M	Kitchen Appliances RMB'M	Air Solutions RMB'M	Household Laundry Management Solutions RMB'M	Household Water Solutions RMB'M	Other Business RMB'M	Total RMB'M
Other segment information:							
Product warranty provisions	2,201	650	1,244	1,608	641	—	6,344
Provision for obsolete and slow-moving inventories, net	300	262	78	202	80	169	1,091
Allowance for/(reversal of) expected credit loss in respect of trade and bills receivable, net	111	(1)	114	122	30	(80)	296
Allowance for/(reversal of) expected credit losses in respect of prepayments, deposits and other receivables and long term prepayments, net	155	4	(12)	(45)	53	135	290
Loss/(gain) on disposal/write off of non-current assets, net	38	44	(2)	35	1	(8)	108
Depreciation and amortisation	2,010	1,379	692	1,576	322	1,663	7,642

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	2024 RMB'M	2023 RMB'M (Restated)
Mainland China	**142,157**	137,786
North America	**79,529**	79,751
Europe	**32,089**	28,544
South Asia	**11,525**	9,521
Australia and New Zealand	**6,642**	6,142
Southeast Asia	**6,633**	5,780
Japan	**3,426**	3,662
Middle East and Africa	**2,674**	1,935
Other countries/regions	**1,296**	1,077
	285,971	274,198

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.

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information (continued)

(b) Non-current assets

	2024 RMB'M	2023 RMB'M (Restated)
Mainland China	**30,089**	28,602
Other countries/regions	**35,856**	31,152
	65,945	59,754
Interests in associates	**20,932**	20,196
Goodwill	**27,384**	24,483
Equity investments designated at FVTOCI	**5,987**	6,404
Financial assets measured at amortised cost	**15,699**	9,468
Deferred tax assets	**2,477**	1,849
	138,424	122,154

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 2024 and 2023.

5. REVENUE AND OTHER GAINS, NET

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

	2024 RMB'M	2023 RMB'M (Restated)
Sale of goods	**272,898**	261,278
Rendering of services	**13,073**	12,920
	285,971	274,198

	2024 RMB'M	2023 RMB'M (Restated)
Sale of goods		
— Point in time	**272,898**	261,278
Rendering of service		
— Point in time	**83**	64
— Over time	**12,990**	12,856
	285,971	274,198

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

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

Sale of goods

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

5. REVENUE 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. As permitted under practical expedient of IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

An analysis of other gains, net is as follows:

	2024 RMB'M	2023 RMB'M (Restated)
Treasury and investment income:		
Interest income from		
— Bank	**1,858**	1,514
— Wealth management products	**70**	50
— Other	**40**	39
Purchase payment discounts	**123**	124
Dividend income from equity investment designated at FVTOCI	**54**	59
	2,145	1,786
Compensation received from suppliers	**44**	37
(Loss)/gain on disposal of		
— Non-current assets, net	**(50)**	(108)
— Financial assets/liabilities measured at FVTPL, net	**(1)**	1
— Associates and subsidiaries	**(27)**	14
Government grants (Note (a))	**1,704**	1,716
Rental income from investment properties (Note (b))	**10**	6
Net fair value gain on financial assets/liabilities measured at FVTPL	**47**	17
Net foreign exchange (loss)/gain	**(120)**	133
Sundry income	**137**	89
	3,889	3,691

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 2024 and 2023 amounted to approximately RMB10 million and RMB6 million respectively.

6. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	2024 RMB'M	2023 RMB'M (Restated)
Cost of inventories sold	**188,592**	181,029
Provision for product warranty	**6,403**	6,344
Provision for obsolete and slow-moving inventories, net (Note (a))	**958**	1,091
Cost of services	**12,175**	12,093
	208,128	200,557
Depreciation of property, plant and equipment	**5,091**	4,677
Depreciation of right-of-use assets and investment properties	**1,592**	1,680
Amortisation of other intangible assets	**1,319**	1,225
Amortisation of other non-current assets	**78**	60
	8,080	7,642
Employee benefit expense: (including directors', chief executive and supervisors' remuneration — Note 8):		
Salaries, bonuses, allowances and benefits in kind	**29,934**	29,561
Pension scheme contributions	**2,049**	1,982
Equity-settled share-based expense	**374**	611
	32,357	32,154

6. PROFIT BEFORE TAX (continued)

Profit before tax has been arrived at after charging:

	2024 RMB'M	2023 RMB'M (Restated)
Impairment of trade and bills receivables, net (Note (b))	**306**	296
Impairment of prepayments, deposits and other receivables and long term prepayments, net (Note (b))	**240**	290
Impairment of property, plant and equipment, interest in associates, other intangible assets and contract assets, net (Note (b))	**45**	88
	591	674
Research and development costs	**10,740**	10,380
Auditors' remuneration	**13**	13
Expenses relating to short-term leases and low value leases	**978**	999
Variable lease payments not included in the measurement of lease liabilities	**86**	177

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:

	2024 RMB'M	2023 RMB'M (Restated)
Interest on borrowings	**1,676**	1,469
Interest on lease liabilities	**222**	168
Other finance costs	**807**	528
	2,705	2,165

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:

	2024 **RMB'000**	2023 RMB'000
Fees	**2,040**	1,920
Other emoluments:		
Salaries, allowances and benefits in kind	**2,169**	2,150
Discretionary bonuses	**4,404**	3,053
Equity-settled share-based expense (Note)	**22,188**	16,268
Pension scheme contributions	**547**	533
	29,308	22,004
	31,348	23,924

Note:

During the year, certain directors were granted share award/options, in respect of their services to the Group under the share award/option of the Company. Details of the share award/option are set out in note 37 to the consolidated financial statements.

8. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' REMUNERATION (continued)

(a) Independent non-executive directors

The remuneration of independent non-executive directors during the years ended 31 December 2024 and 2023 is as follows:

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
CHIEN Da-chun	**340**	**–**	**–**	**–**	**–**	**340**
WONG Hak Kun	**340**	**–**	**–**	**–**	**–**	**340**
LI Shipeng	**340**	**–**	**–**	**–**	**–**	**340**
WU Qi	**340**	**–**	**–**	**–**	**–**	**340**
	1,360	**–**	**–**	**–**	**–**	**1,360**

2023

	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
CHIEN Da-chun	320	–	–	–	–	320
WONG Hak Kun	320	–	–	–	–	320
LI Shipeng	320	–	–	–	–	320
WU Qi	320	–	–	–	–	320
	1,280	–	–	–	–	1,280

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 2024 and 2023 are as follows:

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
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**

2023

	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
LI Huagang (chief executive)	–	900	1,666	8,728	148	11,442
GONG Wei	–	650	1,300	4,643	148	6,741
	–	1,550	2,966	13,371	296	18,183

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 2024 and 2023 are as follows:

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

2023

	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	–	–	–	1,447	–	1,447
YU Hon To, David	320	–	–	–	–	320
Eva LI Kam Fun	320	–	–	–	–	320
	640	–	–	1,447	–	2,087

8. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' REMUNERATION (continued)

(d) Supervisors

The remuneration of supervisors during the years ended 31 December 2024 and 2023 are as follows:

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	(i)	–	103	240	183	53	579
LIU Yongfei	(ii)	–	166	21	–	66	253
		–	619	367	1,597	241	2,824

2023

	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	55	226	115	746
LIU Dalin		–	–	–	995	–	995
MA Yingjie	(i)	–	250	32	229	122	633
		–	600	87	1,450	237	2,374

Notes:

(i) MA Yingjie retired on 20 June 2024.

(ii) LIU Yongfei was appointed on 21 June 2024.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one director (2023: 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 four (2023: four) highest paid non-director employee who are neither a director nor chief executive of the Company are as follows:

	2024	2023
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**28,071**	4,451
Discretionary bonuses	**1,591**	5,057
Equity-settled share-based expense	**25,147**	21,771
Pension scheme contributions	**600**	568
	55,409	31,847

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	
	2024	2023
HK$8,000,001 to HK$8,500,000	**–**	2
HK$8,500,001 to HK$9,000,000	**–**	1
HK$9,500,001 to HK$10,000,000	**–**	1
HK$10,000,001 to HK$10,500,000	**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	**4**	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 2024 and 2023 are included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

10. INCOME TAX EXPENSES

	2024 RMB'M	2023 RMB'M (Restated)
Current tax		
Charge for the year	**4,027**	3,690
Deferred income tax (Note 35)	**(870)**	(567)
Total tax charge for the year	**3,157**	3,123

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 2024 and 2023.

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:

	2024 RMB'M	2023 RMB'M (Restated)
Profit before tax	**22,733**	20,211
Tax at the statutory tax rate	**5,683**	5,053
Lower tax rates enacted by local authorities	**(1,709)**	(1,092)
Adjustments in respect of current tax of previous periods	**(274)**	(170)
Tax effect of share of profits or losses to associates	**(421)**	(376)
Tax effect of income not taxable for tax purpose	**(106)**	(46)
Tax effect of expenses not deductible for tax purpose	**377**	307
Tax effect of temporary differences not recognised	**(35)**	(206)
Other amounts	**(358)**	(347)
Total tax charge for the year	**3,157**	3,123

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 2024, 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

	2024 **RMB'M**	2023 RMB'M
Proposed final dividend	**8,997**	7,471
Dividend paid during the year	**7,444**	5,254

	2024 **RMB**	2023 RMB
Dividend proposed per share*	**0.965**	0.804

* The amount represents RMB9.65 for every 10 shares in 2024 (2023: RMB8.04 for every 10 shares). With regards to the payment of final dividend for the year ended 31 December 2023, as the total share capital of the Company changed before the registration date on 19 July 2024 and the Company maintained the total distribution of RMB7,471 million (tax inclusive) unchanged, the Company adjusted the distribution ratio per share from RMB8.04 (tax inclusive) per 10 shares to RMB8.0131 (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 year, excluding ordinary shares held for share award schemes.

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:

	2024 **RMB'M**	2023 RMB'M
Earnings		
Profit attributable to ordinary equity holders of the Company	**18,741**	16,597
Less: Dividend payable to expected vested share award	**(70)**	—
Profit attributable to ordinary equity holders of the Company used in calculating basic earnings per share	**18,671**	16,597
Profit attributable to ordinary equity holders of the Company used in calculating diluted earnings per share	**18,741**	16,597

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:

	2024	2023
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**9,223,578,468**	9,272,589,918
Effect of dilutive potential ordinary shares:		
Share award	**63,134,874**	62,441,014
Share options	**6,702,593**	—
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation	**9,293,415,935**	9,335,030,932

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 award and exercise of share options. The computation of diluted earnings per share does not assume the exercise of the Company's options because the exercise price of those options was higher than the average market price for shares in 2023.

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	2024 RMR'M	2023 RMB'M (Restated)
Associates	Sale of goods and services	**2,581**	2,842
	Purchase of goods and services	**18,879**	18,940
	Interest income	**874**	766
	Interest expenses	**2**	—
	Service fee	**8**	24
Haier Affiliates (Note (i))	Sale of goods and services	**998**	1,172
	Purchase of goods and services	**11,325**	12,239
	Other service fee expenses	**105**	99

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.

13. RELATED PARTY TRANSACTIONS (continued)

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

	2024	2023
	RMB'000	RMB'000
Short term employee benefits	**15,998**	15,295
Post-employment benefits	**1,316**	1,259
Share-based payment	**48,235**	39,104
Total compensation paid to key management personnel	**65,549**	55,658

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	
	2024	2023
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$5,500,001 — HK$6,000,000	**—**	1
HK$6,000,001 — HK$6,500,000	**1**	—
HK$6,500,001 — HK$7,000,000	**—**	2
HK$7,500,001 — HK$8,000,000	**2**	1
HK$8,000,001 — HK$8,500,000	**—**	3
HK$8,500,001 — HK$9,000,000	**2**	1
HK$9,000,001 — HK$9,500,000	**1**	—
HK$9,500,001 — HK$10,000,000	**1**	—
HK$10,000,001 — HK$10,500,000	**1**	—
Total	**9**	9

(c) For the transactions constituting connected transactions under Listing Rules, please refer to "Connected Transactions" under "Report of the Directors".

14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RMB'M	Leasehold improvement RMB'M	Machinery and equipment RMB'M	Motor vehicles RMB'M	Furniture fixture and equipment RMB'M	Construction in progress RMB'M	Total RMB'M
Cost:							
As at 1 January 2023 (restated)	17,954	1,408	30,894	211	3,446	4,817	58,730
Additions	126	334	1,484	6	115	6,584	8,649
Acquisition of subsidiaries	–	–	26	–	–	33	59
Disposal/write-off	(115)	(13)	(902)	(22)	(173)	–	(1,225)
Transfer from construction in progress	1,758	–	3,092	34	501	(5,385)	–
Exchange realignment	72	2	447	(4)	60	(73)	504
As at 31 December 2023 and 1 January 2024 (restated)	**19,795**	**1,731**	**35,041**	**225**	**3,949**	**5,976**	**66,717**
Additions	**295**	**274**	**1,580**	**28**	**166**	**6,289**	**8,632**
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**	**–**	**3,082**	**24**	**663**	**(6,546)**	**–**
Transfer from investment property	**27**	**–**	**–**	**–**	**–**	**–**	**27**
Transfer to investment property	**–**	**–**	**–**	**–**	**–**	**(96)**	**(96)**
Exchange realignment	**(260)**	**(3)**	**(319)**	**(8)**	**(51)**	**10**	**(631)**
As at 31 December 2024	**23,154**	**2,024**	**38,854**	**260**	**4,543**	**5,707**	**74,542**
Accumulated depreciation and impairment:							
As at 1 January 2023 (restated)	4,871	799	15,415	126	1,664	1	22,876
Depreciation provided for the year	878	450	2,818	26	505	–	4,677
Disposals/write-off	(37)	(13)	(753)	(16)	(158)	–	(977)
Impairment provided for the year	–	–	3	–	–	22	25
Exchange realignment	42	1	139	–	63	–	245
As at 31 December 2023 and 1 January 2024 (restated)	**5,754**	**1,237**	**17,622**	**136**	**2,074**	**23**	**26,846**
Depreciation provided for the year	**1,020**	**389**	**3,126**	**27**	**529**	**–**	**5,091**
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	**6,694**	**1,618**	**20,050**	**142**	**2,408**	**27**	**30,939**
Carrying amounts							
As at 31 December 2024	**16,460**	**406**	**18,804**	**118**	**2,135**	**5,680**	**43,603**
As at 31 December 2023 (Restated)	14,041	494	17,419	89	1,875	5,953	39,871

At 31 December 2024, 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 RMB396 million (2023: RMB408 million). At the same date, certain of these land and buildings with net book value of RMB396 million (2023: RMB408 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.

15. INVESTMENT PROPERTIES

	RMB'M
Cost:	
As at 1 January 2023	123
Exchange realignment	1
As at 31 December 2023 and 1 January 2024	**124**
Transfer from property, plant and equipment and right-of-use assets	**175**
Transfer to property, plant and equipment	**(27)**
Exchange realignment	**–**
As at 31 December 2024	**272**
Accumulated depreciation:	
As at 1 January 2023	20
Depreciation provided for the year	5
As at 31 December 2023 and 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	**26**
Carrying amounts	
As at 31 December 2024	**246**
As at 31 December 2023	99

The Group's investment properties consist of three industrial properties in Mainland China as at 31 December 2024 (2023: one commercial property in Hong Kong and three industrial properties in Mainland China).

15. INVESTMENT PROPERTIES (continued)

The fair value of the Group's investment properties as at 31 December 2024 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 form property investors to reflect factors specific to the Group's investment properties. There has been no change from the valuation technique used in the prior year.

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:

	2024		2023	
	Carrying amount RMB'M	**Fair value at Level 3 hierarchy RMB'M**	Carrying amount RMB'M	Fair value at Level 3 hierarchy RMB'M
Investment properties in Hong Kong	**–**	**–**	17	18
Investment properties outside Hong Kong	**246**	**309**	82	131

The above investment properties are depreciated on a straight-line basis at the following rates per annum:

Investment property	2% to 5%

16. LEASES

The Group as a lessee

The Group has lease contracts for various items of land use rights, buildings, machinery and equipment, furniture, fixtures and equipment and motor vehicles used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of buildings and plant 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 2023 (restated)	2,797	4,046	18	88	299	7,248
Acquisition of subsidiaries	—	7	—	—	—	7
Additions	566	1,278	283	115	524	2,766
Disposal	—	(314)	—	(1)	—	(315)
Depreciation provided for the year	(76)	(1,356)	(31)	(73)	(139)	(1,675)
Exchange realignment	9	13	(8)	10	17	41
As at 31 December 2023 and 1 January 2024 (restated)	**3,296**	**3,674**	**262**	**139**	**701**	**8,072**
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)**	**(1,226)**	**(44)**	**(79)**	**(152)**	**(1,584)**
Exchange realignment	**(26)**	**(58)**	**4**	**(5)**	**11**	**(74)**
As at 31 December 2024	**3,285**	**4,686**	**352**	**147**	**657**	**9,127**

16. LEASES (continued)

The Group as a lessee (continued)

(b) Lease liabilities

The carrying amount of lease liabilities are as follows:

	2024 RMB'M	2023 RMB'M (Restated)
Lease liabilities payable:		
Within one year	**1,536**	1,445
Within a period of more than one year but not exceeding two years	**1,186**	991
Within a period more than two years but not exceeding five years	**2,609**	1,627
Within a period of more than five years	**1,812**	1,155
Total minimum lease payment	**7,143**	5,218
Less: total future interest expenses	**(1,311)**	(449)
	5,832	4,769
Less: Amount due for settlement with 12 months shown under current liabilities	**(1,351)**	(1,339)
Amount due for settlement after 12 months shown under non-current liabilities	**4,481**	3,430

The weighted average incremental borrowing rates applied to lease liabilities range from 0.01% to 28.25% (2023: 0.01% to 13.64%).

16. LEASES (continued)

The Group as a lessee (continued)

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2024 RMB'M	2023 RMB'M (Restated)
Interest on lease liabilities	**222**	168
Depreciation charge of right-of-use assets	**1,584**	1,675
Expense relating to:		
Short-term leases	**937**	955
Lease of low value assets	**41**	44
Variable lease payments not included in the measurement of lease liabilities	**86**	177
Total amount recognised in profit or loss	**2,870**	3,019

(d) The total cash outflow for leases is disclosed in Note 39(c) to consolidated financial statements.

16. LEASES (continued)

The Group as a lessor

The Group leases its investment properties (Note 15) consisting 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 2024 (2023: two industrial properties in Dalian, the Mainland China and one industrial property in Zhengzhou, the Mainland China and one industrial property in Hong Kong). Rental income recognised by the Group was approximately RMB10 million (2023: RMB6 million) for the year ended 31 December 2024, 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:

	2024 RMB'M	2023 RMB'M
Within one year	**12**	5
In the second year	**11**	3
In the third year	**10**	—
In the fourth year	**10**	—
In the fifth year	**10**	—
After five years	**132**	—
	185	8

17. GOODWILL

	2024 RMB'M	2023 RMB'M (Restated)
Cost:		
At 1 January	**24,702**	24,056
Acquisition of subsidiaries	**2,808**	173
Exchange realignment	**93**	473
	27,603	24,702
Less: Impairment loss	**(219)**	(219)
Net carrying amount	**27,384**	24,483

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 shave 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	
	2024	2023	**2024**	2023
	RMB'M	RMB'M	**RMB'M**	RMB'M
		(Restated)		(Restated)
GE Appliances (Note)	**21,361**	21,047	**683**	673
HNZ (Note)	**443**	487	**518**	558
Candy (Note)	**1,946**	2,043	**1,395**	1,457
CCR (Note)	**2,142**	—	**68**	—
Other	**1,492**	906	**73**	33
Net carrying amount	**27,384**	24,483	**2,737**	2,721

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). CCR operates under several key trademarks, including Profroid and Green&Cool and Celsior.

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.

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 2024 and 2023. 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 2024	**12.63%**	**2.58%**	**2%**	**RMB55,351**	**RMB19,825**
As at 31 December 2023	12.79%	2.33%	2%	RMB46,746	RMB11,693

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 2024	**14.9%**	**3.99%**	**2%**	**RMB2,724**	**RMB352**
As at 31 December 2023	15%	4.24%	2%	RMB2,933	RMB421

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 2024	**11.81%**	**8.64%**	**1.5%**	**RMB11,262**	**RMB3,221**
As at 31 December 2023	10.64%	5.32%	1%	RMB11,172	RMB2,693

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 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 2024 and 2023, 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 RMB3,221 million. If the pre-tax discount rate was changed to 15.25% or the budgeted sales covering 5-year period were reduced by 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 RMB316 million. If the pre-tax discount rate was changed to 10.66% or the budgeted sales covering 5-year period were reduced by 0.25%, while other parameters remain constant, the recoverable amount of CCR would equal its carrying amount.

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 2023 (restated)	868	3,629	2,621	21	2,064	9,203
Additions	127	3	–	–	858	988
Acquisition of subsidiaries	–	–	–	–	113	113
Disposals	–	(28)	–	–	(63)	(91)
Amortisation provided for the year	(197)	(157)	(5)	(8)	(858)	(1,225)
Impairment loss	–	(66)	–	–	–	(66)
Exchange realignment	15	194	105	1	(78)	237
As at 31 December 2023 and 1 January 2024 (restated)	**813**	**3,575**	**2,721**	**14**	**2,036**	**9,159**
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)**	**(901)**	**(1,319)**
Exchange realignment	**(51)**	**186**	**(96)**	**(57)**	**(180)**	**(198)**
As at 31 December 2024	**689**	**3,598**	**2,737**	**1,451**	**2,274**	**10,749**

There was no impairment loss recognised for trademarks with indefinite useful lives during the years ended 31 December 2024 and 2023. Details are set out in Note 17 to consolidated financial statements.

The Group's other intangible assets amounting to RMB97 million (31 December 2023: RMB55 (restated)) 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:

	2024 RMB'M	2023 RMB'M (Restated)
Cost of investments in associates	**14,054**	14,504
Share of post-acquisition profits and other comprehensive income, net of dividends received	**6,979**	5,803
Impairments loss	**(101)**	(111)
	20,932	20,196

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 2024	2023	Principal activity	Type of legal activity
Haier Group Finance Co., Ltd	Mainland China/ Mainland China	RMB7,000	**42.00%**	42.00%	Financing	Limited liability company

The following table illustrates summarised financial position of Haier Group Finance Co., Ltd information as at 31 December 2024 and 2023 and summarised financial performance information for the years ended 31 December 2024 and 2023 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")

	2024 RMB'M	2023 RMB'M
Current assets	**55,207**	58,472
Non-Current assets	**20,913**	17,216
Current liabilities	**(55,910)**	(56,268)
Non-current liabilities	**(639)**	(583)
Net assets	**19,571**	18,837
Proportion of the Group's ownership	**42.00%**	42.00%
The Group's share of net assets of Haier Finance	**8,220**	7,912
Revenue	**1,983**	1,699
Profit for the year	**1,294**	1,418
Other comprehensive loss	**—**	(23)
Total comprehensive income for the year	**1,294**	1,395
Reconciliation of carrying amount of Haier Finance:		
Share of net assets as at 1 January	**7,912**	7,561
Dividends received	**(235)**	(235)
Share of results of Haier Finance	**543**	586
Carrying amount as at 31 December	**8,220**	7,912

19. INTERESTS IN ASSOCIATES (continued)

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2024 RMB'M	2023 RMB'M (Restated)
Share of results of the associates for the year	**1,266**	965
Share of the associates' other comprehensive loss	**(43)**	(100)
Share of the associates' total comprehensive income	**1,223**	865

	2024 RMB'M	2023 RMB'M (Restated)
Aggregate carrying amount of the Group's investments in the associates	**12,813**	12,395

20. EQUITY INVESTMENTS DESIGNATED AT FVTOCI

	2024 RMB'M	2023 RMB'M
Listed equity investments, at fair value:		
— Qingdao East Soft Communication Technology Co., Ltd	**15**	12
— Other	**11**	8
Unlisted equity investments, at fair value:		
— SINOPEC Fuel Oil Sales Corporation Limited	**1,674**	1,986
— Haier COSMO IOT Ecosystem Technology Co., Ltd. ("**COSMO**")	**2,786**	2,817
— Other	**1,501**	1,581
	5,987	6,404

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 2024, the Group received dividends in the amount of approximately RMB54 million (2023: RMB59 million) from the above investments.

21. FINANCIAL ASSETS MEASURED AT FVTPL

	2024	2023
	RMB'M	RMB'M
		(Restated)
Current		
Wealth management products	**746**	491
Investment funds	**295**	223
Investment in other equity instruments	**195**	243
	1,236	957

As at 31 December 2024 and 2023, 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

	2024	2023
	RMB'M	RMB'M
		(Restated)
Current		
Wealth management products	**—**	1,530
Time deposits	**1,931**	—
	1,931	1,530
Non-current		
Time deposits	**15,475**	9,118
Long-term receivables	**224**	350
	15,699	9,468
Total	**17,630**	10,998

As at 31 December 2024 and 2023, included in the Group's wealth management products and time deposits were products with fixed returns which were stated at amortised cost. All wealth management products are principal protected. The time deposits with carrying amounts of RMB13,846 million (2023: RMB7,464 million) are placed with Haier Finance as at 31 December 2024. Certain time deposits are unsecured, interest on 2.6%–3.4% per annum (2023: 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.

23. DERIVATIVE FINANCIAL INSTRUMENTS

	2024 RMB'M	2023 RMB'M
Derivatives that are designated and effective as hedging instruments carried at fair value:		
Current assets		
Foreign currency forward contracts	**139**	68
Cross currency interest rate swap contracts	**4**	—
	143	68
Current liabilities		
Foreign currency forward contracts	**71**	167
Forward commodity contract	**—**	2
	71	169

24. INVENTORIES

	2024 RMB'M	2023 RMB'M (Restated)
Raw material	**6,691**	5,665
Work in progress	**222**	48
Finished goods	**36,131**	33,812
	43,044	39,525

25. TRADE AND BILLS RECEIVABLES

	2024 RMB'M	2023 RMB'M (Restated)
Trade receivables	**27,528**	24,152
Less: Allowance for expected credit losses ("**ECL**")	**(1,055)**	(1,469)
Trade receivables, net	**26,473**	22,683
Bills receivables	**12,120**	8,795
Less: Allowance for ECL	**(1)**	(5)
Bills receivables, net	**12,119**	8,790
Total	**38,592**	31,473

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

	2024 **RMB'M**	2023 RMB'M (Restated)
Bank acceptance bills	**10,321**	8,614
Commercial acceptance bills	**1,799**	181
Less: Allowance for ECL	**(1)**	(5)
Total	**12,119**	8,790

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:

	2024 **RMB'M**	2023 RMB'M (Restated)
1 to 3 months	**24,078**	20,178
3 months to 1 year	**1,635**	1,912
1 to 2 years	**559**	415
2 to 3 years	**120**	122
Over 3 years	**81**	56
	26,473	22,683

25. TRADE AND BILLS RECEIVABLES (continued)

The movements in the ECL allowance of trade and bills receivables are as follows:

	2024 **RMB'M**	2023 RMB'M (Restated)
As at 1 January	**1,474**	1,284
Acquisition of subsidiaries	**—**	4
Impairment losses, net (Note 6)	**306**	296
Amount written off as uncollectible	**(714)**	(103)
Exchange realignment	**(10)**	(7)
As at 31 December	**1,056**	1,474

As at 31 December 2024 and 2023, 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 2024

	Less than 1 year	**1 to 2 years**	**2 to 3 years**	**Over 3 years**	**Individual assessment**	**Total**
Average loss rate	**1.48%**	**15.31%**	**33.70%**	**62.15%**	**98.16%**	**3.83%**
Gross carrying amount (RMB'M)	**26,099**	**653**	**181**	**214**	**381**	**27,528**
Expected credit loss (RMB'M)	**387**	**100**	**61**	**133**	**374**	**1,055**

As at 31 December 2023 (Restated)

	Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years	Individual assessment	Total
Average loss rate	1.38%	14.32%	38.38%	69.06%	99.66%	6.08%
Gross carrying amount (RMB'M)	22,397	482	198	181	894	24,152
Expected credit loss (RMB'M)	308	69	76	125	891	1,469

25. TRADE AND BILLS RECEIVABLES (continued)

Included in the Group's trade and bills receivables are amounts due from Haier Affiliates approximately RMB324 million (2023: RMB588 million (restated)) and amounts due from associates approximately RMB555 million (2023: RMB1,276 million (restated)) as at 31 December 2024. 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 2024, the Group's bills receivables of approximately RMB5,068 million (2023: RMB4,357 million) were pledged to secure the Group's bills payable. The Groups' bills receivables of approximately RMB47 million (2023: RMB157 million (restated)) and trade receivables of approximately RMBNil million (2023: RMB1 million) were pledged to secured of the Group's loan.

26. RECEIVABLES AT FVTOCI

	2024 **RMB'M**	2023 RMB'M (Restated)
Bills receivables at FVTOCI	**183**	159
Trade receivables at FVTOCI	**177**	41
Total	**360**	200

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 2024 and 2023, all bills are bank acceptance bills and with a maturity period of less than one year.

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2024 RMB'M	2023 RMB'M (Restated)
Current		
Interest receivables	**772**	748
Taxes recoverable	**3,606**	2,611
Prepayments	**2,392**	1,402
Deposits	**111**	85
Other receivables	**2,704**	2,560
Miscellaneous receivables	**566**	671
	10,151	8,077
Less: Allowance for ECL	**(339)**	(433)
	9,812	7,644
Non-current		
Long-term prepayments	**1,381**	1,747
	11,193	9,391

Notes:

Included in the Group's prepayments, deposits and other receivables are amounts due from Haier Affiliates of approximately RMB446 million (2023: RMB64 million (restated)) and amounts due from associates of approximately RMB1,721 million (2023: RMB716 million (restated)) as at 31 December 2024. All of these amounts are unsecured, interest-free and recoverable on demand.

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 RMB13 million (2023: RMB9 million) as at 31 December 2024. The amounts are unsecured, interest-free and recoverable on demand.

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

The movements in the ECL of prepayments, deposits and other receivables are as follows:

	2024 RMB'M	2023 RMB'M (Restated)
As at 1 January	**433**	445
Impairment losses, net (Note 6)	**240**	290
Amount written off as uncollectible	**(334)**	(303)
Exchange realignment	**–**	1
As at 31 December	**339**	433

28. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	2024 RMB'M	2023 RMB'M (Restated)
Cash and bank balances	**34,695**	32,849
Time deposits	**20,889**	24,407
	55,584	57,256
Less: Cash and bank balances and time deposits pledged for:		
Bills payables (Note 29)	**(484)**	(434)
Bank guarantees	**(49)**	(41)
Pledged deposits	**(533)**	(475)
Other deposit with limited use	**(70)**	(98)
Cash and cash equivalents	**54,981**	56,683

28. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS (continued)

As at 31 December 2024, the cash and bank balances and time deposits of the Group, denominated in RMB, amounted to approximately RMB34,209 million (2023: RMB40,856 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 0.10% to 3.50% per annum (2023: 0.30% to 3.50% per annum) for the year ended 31 December 2024. The pledged deposits carry an interest rate which ranges from 0.2% to 2.05% per annum (2023: 0.39% to 3.4% per annum) for the year ended 31 December 2024. 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 RMB484 million (2023: RMB434 million (restated)) have been pledged to secure bills payables as at 31 December 2024 and classified as current assets.

Included in the Group's cash and cash equivalents are deposits of approximately RMB20,565 million (2023: RMB26,279 million (restated)) placed with Haier Finance as at 31 December 2024 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 0.00012% to 4.10% per annum (2023: 0.00012% to 5.32% per annum) for the year ended 31 December 2024. 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

	2024 **RMB'M**	2023 RMB'M (Restated)
Trade payables	**54,588**	49,918
Bills payables	**21,149**	22,261
	75,737	72,179

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:

	2024 RMB'M	2023 RMB'M (Restated)
Within 1 year	**74,848**	71,516
1 to 2 years	**520**	304
2 to 3 years	**135**	166
Over 3 years	**234**	193
	75,737	72,179

(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 RMB1,149 million (2023: RMB1,486 million (restated)) and amounts due to associates of approximately RMB1,202 million (2023: RMB1,457 million) as at 31 December 2024. Further details of the purchases from these related parties are set out in Note 13 to consolidated financial statements.

(c) As at 31 December 2024, the Group's bills payable are secured by the pledge of the Group's bank deposits amounting to approximately RMB484 million (2023: RMB434 million (restated)) (Note 28) and the Group's bills receivables amounting to approximately RMB5,068 million (2023: RMB4,357 million). As at 31 December 2024, the Group's bills payables are guaranteed by Haier Group, amounting to approximately RMB2,182 million (2023: RMB2,639 million).

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.

	2024 RMB'M
Carrying amount of financial liabilities that are part of the supplier finance arrangements included in:	
Trade and bills payables	**8,503**
Of which suppliers have received payments	**4,675**
Carrying amount of financial liabilities that are part of the supplier finance arrangements included in:	
Interest-bearing borrowings	**98**
Of which suppliers have received payments	**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.

30. OTHER PAYABLES AND ACCRUALS

	2024 RMB'M	2023 RMB'M (Restated)
Other payables and accruals	**21,065**	18,239
Payables for employee benefits	**5,041**	5,152
Other tax payables	**1,265**	1,356
Put option liabilities	**2,024**	1,977
Refund liabilities:		
Volume rebate	**1,960**	1,683
Sales return	**578**	639
Deferred income (Note 34)	**151**	115
Interest payable	**140**	93
	32,224	29,254

	2024 RMB'M	2023 RMB'M (Restated)
Current	**32,224**	27,277
Non-current	**–**	1,977
	32,224	29,254

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 RMB275 million (2023: RMB370 million (restated)), amounts due to associates of approximately RMB3 million (2023: RMB45 million) as at 31 December 2024. 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 (2023: RMB1,977 million (restated)).

31. CONTRACT ASSETS/CONTRACT LIABILITIES

(a) Contract assets

	2024 RMB'M	2023 RMB'M
Retention for rendering service	**1,079**	328
Less: Allowance for expected credit loss	**(91)**	(67)
	988	261

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.

31. CONTRACT ASSETS/CONTRACT LIABILITIES (continued)

(b) Contract liabilities (continued)

The Group's contract liabilities are analysed as follows:

	2024 RMB'M	2023 RMB'M (Restated)
Sale of goods	**10,737**	7,724
Rendering of services	**115**	125
As at 31 December	**10,852**	7,849

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.

	2024 RMB'M	2023 RMB'M (Restated)
Contract liabilities		
As at 1 January	**7,849**	9,470
Less: Revenue recognised during the year	**(6,649)**	(8,831)
Consideration received from customers over the amounts of revenue recognised	**9,652**	7,210
As at 31 December	**10,852**	7,849

32. INTEREST-BEARING BORROWINGS

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

	2024 RMB'M	2023 RMB'M (Restated)
Current		
Bank loans — unsecured	**23,599**	10,679
Bank loans — secured	**528**	320
	24,127	10,999
Non-current		
Bank loans — unsecured	**9,557**	18,402
Bank loans — secured	**109**	15
	9,666	18,417
	33,793	29,416
Unsecured	**33,156**	29,081
Secured	**637**	335
	33,793	29,416
Analysed into:		
Loans repayable:		
Within one year or on demand	**24,127**	10,999
In the second year	**2,274**	13,443
In the third to fifth years, inclusive	**6,832**	4,876
Over five years	**560**	98
	33,793	29,416
Effective interest rate		
Current		
Bank loans — unsecured	**0.75% to 13.0%**	0.7% to 9.2%
Bank loans — secured	**1.1% to 7.6%**	1.7% to 4.7%
Non-current		
Bank loans — unsecured	**1.3% to 5.4%**	1.2% to 7.0%
Bank loans — secured	**1.6% to 5.1%**	4.3% to 4.6%

32. INTEREST-BEARING BORROWINGS (continued)

As at 31 December 2024 and 2023, the Group's interest-bearing borrowings were denominated in the following currencies:

	2024 RMB'M	2023 RMB'M (Restated)
USD	**13,864**	11,618
EUR	**5,292**	7,292
RMB	**9,527**	5,690
Other currencies	**5,110**	4,816
	33,793	29,416

Included in the Group's interest-bearing borrowings are borrowings of approximately RMB196 million (2023: Nil) 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 4.4% to 4.9% per annum (2023: Nil) for the year ended 31 December 2024. 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 RMB320 million as at 31 December 2024 (2023: RMBNil million); and

The Group's loans are secured by:

(i) the pledge of the Group's trade and bills receivables with carrying amount of approximately RMB47 million as at 31 December 2024 (2023: RMB158 million (restated)); and

(ii) the pledge of the Group's other intangible assets with carrying amount of approximately RMB93 million as at 31 December 2024 (2023: RMB55 million (restated)).

33. PROVISIONS

	2024 RMB'M	2023 RMB'M
Product warranties	**4,320**	3,809
Legal claim	**224**	242
Others	**552**	416
	5,096	4,467
Portion classified as current liabilities	**(2,710)**	(2,532)
Non-current portion	**2,386**	1,935

The movements in product warranties are as follows:

	2024 RMB'M	2023 RMB'M
As at 1 January	**3,809**	3,502
Additional provision (Note 6)	**6,403**	6,344
Acquisition of subsidiaries	**202**	71
Amounts utilised during the year	**(6,053)**	(6,135)
Exchange realignment	**(41)**	27
As at 31 December	**4,320**	3,809

The Group provides installation services and warranties of three to eight years to its customers for refrigerators, freezers, kitchen conditioners, air-appliances, laundry appliances, water appliances and smart home business overseas 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.

34. DEFERRED INCOME

The movement of deferred income is set out below:

	2024 RMB'M	2023 RMB'M (Restated)
As at 1 January	**1,237**	1,146
Compensation received during the year	**153**	233
Credit to profit or loss	**(158)**	(142)
As at 31 December	**1,232**	1,237
Less: Current portion included in other payables and accruals (Note 30)	**(151)**	(115)
Non-current portion	**1,081**	1,122

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.

35. DEFERRED TAX

The movements in deferred tax assets and deferred tax liabilities during the years ended 31 December 2024 and 2023 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 2023 (restated)	498	2,538	849	219	615	380	5,099
Deferred tax (charged)/credited to the statement of profit or loss during the year, net	(11)	179	(141)	9	542	41	619
Acquisition of subsidiaries	1	1	–	–	–	–	2
Exchange realignment	(5)	18	–	4	14	(98)	(67)
As at 31 December 2023 and 1 January 2024 (restated)	**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	**602**	**3,016**	**887**	**248**	**1,524**	**621**	**6,898**

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 2023 (restated)	94	4,024	374	293	401	5,186
Deferred tax charged/(credited) to the statement of profit or loss during the year, net	–	109	–	–	(57)	52
Deferred tax charged to the statement of other comprehensive income during the year	–	–	–	13	65	78
Acquisition of subsidiaries	–	9	–	–	–	9
Exchange realignment	–	18	–	–	(11)	7
As at 31 December 2023 and 1 January 2024 (restated)	**94**	**4,160**	**374**	**306**	**398**	**5,332**
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)**	**(54)**	**(59)**
Acquisition of subsidiaries	**–**	**671**	**–**	**–**	**116**	**787**
Exchange realignment	**–**	**(35)**	**–**	**1**	**16**	**(18)**
As at 31 December 2024	**94**	**4,823**	**374**	**302**	**370**	**5,963**

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:

	2024 RMB'M	2023 RMB'M (Restated)
Net deferred tax assets recognised in the consolidated statement of financial position	**2,477**	1,849
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(1,542)**	(1,528)
Net deferred tax assets	**935**	321

36. SHARE CAPITAL

The movements of the Company's issued share capital during the years ended 31 December 2024 and 2023 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 2023	2,867	271	6,309	9,447	9,447
Share repurchased and cancelled (Note a)	(9)	—	—	(9)	(9)
As at 31 December 2023 and 1 January 2024	**2,858**	**271**	**6,309**	**9,438**	**9,438**
Share repurchased and cancelled (Note b)	**(1)**	**—**	**—**	**(1)**	**(1)**
Treasury shares cancelled (Note c)	**—**	**—**	**(54)**	**(54)**	**(54)**
As at 31 December 2024	**2,857**	**271**	**6,255**	**9,383**	**9,383**

Notes:

(a) During the year ended 31 December 2023, the Company repurchased a total of 8,483,600 H shares at a consideration of approximately HKD199 million which were subsequently cancelled.

(b) 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.

(c) 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, RMB1,495 million in treasury shares and RMB1,441 million in reserves.

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

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 2024 and 2023 were as follows:

	2024		2023	
	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	**23.6**	**45,649,609**	23.5	44,637,782
Grant during the year	**27.5**	**31,266,608**	24.5	25,117,000
Vested during the year	**23.4**	**(19,122,687)**	23.9	(14,854,383)
Cancelled during the year	**22.6**	**(9,337,505)**	24.9	(9,250,790)
Outstanding as at 31 December	**26.4**	**48,456,025**	23.6	45,649,609

37. SHARE-BASED PAYMENTS TRANSACTIONS (continued)

(a) A and H Share ESOP (continued)

A Share ESOP (continued)

During the year ended 31 December 2024, the Company granted A Share ESOP on 12 July 2024 (2023: 28 July 2023) with an estimated fair value of RMB860 million (2023: RMB614 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 2024 and 2023 were as follows:

	2024		2023	
	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	**21.5**	**5,248,484**	20.7	5,117,851
Grant during the year	**23.8**	**3,035,400**	22.7	3,230,400
Vested during the year	**21.0**	**(2,091,280)**	20.8	(1,469,399)
Cancelled during the year	**19.7**	**(817,197)**	21.6	(1,630,368)
Outstanding as at 31 December	**23.3**	**5,375,407**	21.5	5,248,484

37. SHARE-BASED PAYMENTS TRANSACTIONS (continued)

(a) A and H Share ESOP (continued)

H Share ESOP (continued)

During the year ended 31 December 2024, the Company granted H Share ESOP on 26 July 2024 (2023: 28 July 2023) with an estimated fair value of RMB72 million (2023: RMB73 million).

The Group recognised a total expense of RMB674 million (2023: RMB407 million) for the year ended 31 December 2024 in relation to A and H Share ESOP granted by the Company. During the year ended 31 December 2024, 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 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 2024 and 2023 were as follows:

	2024		2023	
	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	**21.7**	**14,085,549**	22.0	8,765,875
Grant during the year	**25.4**	**4,689,425**	21.4	6,158,959
Vested during the year	**21.6**	**(2,277,933)**	22.0	(536,428)
Cancelled during the year	**21.6**	**(951,230)**	21.6	(23,427)
Lapsed during the year	**22.1**	**(1,911,860)**	22.5	(279,430)
Outstanding as at 31 December	**23.0**	**13,633,951**	21.7	14,085,549

37. SHARE-BASED PAYMENTS TRANSACTIONS (continued)

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

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.

During the year ended 31 December 2023, H Share RSU were granted on 23 June 2023 and 1 November 2023. The estimated fair values of the H Share RSU granted on those dates are RMB131 million and RMB1 million respectively.

The Group recognised a total expense of RMB22 million (2023: RMB43 million) for the year ended 31 December 2024 in relation to H Share RSU granted by the Company. During the year ended 31 December 2024, 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 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.

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 2024 and 2023 were as follows:

	2024		2023	
	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**	**106,048,020**	24.4	155,282,110
Cancelled during the year	**24.3**	**(33,435,928)**	24.6	(45,132,648)
Lapsed during the year	**24.5**	**(5,740,236)**	24.6	(4,101,442)
Outstanding as at 31 December	**24.3**	**66,871,856**	24.3	106,048,020

The weighted average remaining contract life for outstanding share options was 2 years in 2024 (2023: 2.6 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 RMB195 million (2023: RMB161 million) for the year ended 31 December 2024 in relation to share options granted by the Company. During the year ended 31 December 2024, 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 RMB251 million is adjusted in profit or loss.

38. RESERVES

Reserves

The amounts of the Group's reserves and the movements therein for the years ended 31 December 2024 and 2023 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 2024, the Company had outstanding treasury shares of 149,470,502 (31 December 2023: 205,596,375) shares.

39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

(i) During the year ended 31 December 2024, the Group had non-cash additions to right-of-use assets of approximately RMB2,746 million (2023: RMB2,371 million) and lease liabilities of approximately RMB2,631 million (2023: RMB1,806 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 2024, the Group reclassified trade payables of approximately RMB148 million (2023: RMB196 million (restated)) 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 2023 (restated)	146	26,518	4,432
Changes from financing cash flows	(7,267)	2,088	(1,729)
Foreign exchange movement	38	682	34
New leases	–	–	2,200
Acquisition of subsidiaries	–	18	7
Liabilities under supplier finance arrangement transferred from trade and bills payables	–	196	–
Early termination	–	–	(343)
Interest payable	1,997	–	168
Others changes	–	(86)	–
Dividends payable to shareholders	5,254	–	–
Dividends payable to non-controlling interests	25	–	–
As at 31 December 2023 and 1 January 2024 (restated)	**193**	**29,416**	**4,769**
Changes from financing cash flows	**(9,981)**	**4,078**	**(1,691)**
Foreign exchange movement	**5**	**228**	**(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	**2,483**	**–**	**222**
Others changes	**–**	**(77)**	**–**
Dividends payable to shareholders	**7,444**	**–**	**–**
Dividends payable to non-controlling interests	**108**	**–**	**–**
As at 31 December 2024	**252**	**33,793**	**5,832**

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:

	2024 **RMB'M**	2023 RMB'M (Restated)
Debt (i)	**39,625**	34,185
Equity (ii)	**118,389**	107,530
Net debt to equity ratio	**33.5%**	31.8%

(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.

41. FINANCIAL INSTRUMENTS BY CATEGORY

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

Financial assets

31 December 2024

	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	–	5,987	–	–	5,987
Trade and bills receivables	–	–	–	38,592	38,592
Receivables at FVTOCI	–	360	–	–	360
Financial assets included in deposit and other receivables	–	–	–	3,814	3,814
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	–	–	–	54,981	54,981
	1,236	6,347	143	115,620	123,346

31 December 2023 (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	–	6,404	–	–	6,404
Trade and bills receivables	–	–	–	31,473	31,473
Receivables at FVTOCI	–	200	–	–	200
Financial assets included in deposit and other receivables	–	–	–	3,631	3,631
Financial assets measured at FVTPL	957	–	–	–	957
Financial assets measured at amortised cost	–	–	–	10,998	10,998
Derivative financial instruments	–	–	68	–	68
Pledged deposits	–	–	–	475	475
Other deposits with limited use	–	–	–	98	98
Cash and cash equivalents	–	–	–	56,683	56,683
	957	6,604	68	103,358	110,987

41. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial liabilities

31 December 2024

	Derivative designated as hedges RMB'M	Financial liabilities measured at amortised cost RMB'M	Total RMB'M
Trade and bills payables	**—**	**75,737**	**75,737**
Financial liabilities included other payables and accruals	**—**	**28,270**	**28,270**
Derivative financial instruments	**71**	**—**	**71**
Interest-bearing borrowings	**—**	**33,793**	**33,793**
Other non-current liabilities	**—**	**285**	**285**
Lease liabilities	**—**	**5,832**	**5,832**
	71	**143,917**	**143,988**

31 December 2023 (Restated)

	Derivative designated as hedges RMB'M	Financial liabilities measured at amortised cost RMB'M	Total RMB'M
Trade and bills payables	—	72,179	72,179
Financial liabilities included other payables and accruals	—	25,461	25,461
Derivative financial instruments	169	—	169
Interest-bearing borrowings	—	29,416	29,416
Other non-current liabilities	—	114	114
Lease liabilities	—	4,769	4,769
	169	131,939	132,108

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.

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.

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.

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 2024 and 2023.

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

Assets measured at fair value

31 December 2024

	Level 1 RMB'M	Level 2 RMB'M	Level 3 RMB'M	Total RMB'M
Equity investments designated at FVTOCI	**26**	**—**	**5,961**	**5,987**
Receivables at FVTOCI	**—**	**360**	**—**	**360**
Financial assets measured at FVTPL	**382**	**746**	**108**	**1,236**
Derivative financial instruments	**—**	**143**	**—**	**143**
	408	**1,249**	**6,069**	**7,726**

31 December 2023 (Restated)

	Level 1 RMB'M	Level 2 RMB'M	Level 3 RMB'M	Total RMB'M
Equity investments designated at FVTOCI	20	—	6,384	6,404
Receivables at FVTOCI	—	200	—	200
Financial assets measured at FVTPL	370	491	96	957
Derivative financial instruments	—	68	—	68
	390	759	6,480	7,629

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

Liabilities measured at fair value

31 December 2024

	Level 1 RMB'M	Level 2 RMB'M	Level 3 RMB'M	Total RMB'M
Derivative financial instruments	**—**	**71**	**—**	**71**

31 December 2023

	Level 1 RMB'M	Level 2 RMB'M	Level 3 RMB'M	Total RMB'M
Derivative financial instruments	—	169	—	169

Financial assets	Fair value as at 31/12/2024	Fair value as at 31/12/2023	Fair value hierarchy	Valuation technique	Range	Significant unobservable input(s)	Sensitivity of fair value
Equity Investment designated at FVTOCI — SINOPEC Fuel Oil Sales Corporation Limited	**RMB1,674 million**	RMB1,986 million	Level 3	Market approach	2024: 43.59–44.47 2023: 37.38–38.14	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 2024: RMB16.8 million (RMB16.8 million) 2023: RMB19.9 million (RMB19.9 million)
					2024: 25%–27% 2023: 25%–27%	Discount for lack of marketability	1% increase (decrease) in the lack of marketability would result in decrease (increase) in fair value by 2024: RMB22.5 million (RMB22.5 million) 2023: RMB26.9 million (RMB26.9 million)
Equity Investment designated at FVTOCI — COSMO	**RMB2,786 million**	RMB2,817 million	Level 3	Market approach	2024: 3.51–3.59 2023: 2.93–2.99	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 2024: RMB22.1 million (RMB22.1 million) 2023: RMB21.3 million (RMB21.3 million)
					2024: 32%–34% 2023: 27%–29%	Discount for lack of marketability	1% increase (decrease) in the lack of marketability would result in decrease (increase) in fair value by 2024: RMB32.9 million (RMB32.9 million) 2023: RMB29.4 million (RMB29.4 million)

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

Financial assets/ Financial liabilities	Fair value as at 31/12/2024	Fair value as at 31/12/2023 (restated)	Value hierarchy	Valuation technique
Receivables at FVTOCI	**Assets — RMB360 million**	Assets — RMB200 million	Level 2	Discounted cash flow
Financial assets measured at FVTPL — Wealth management products	**Assets — RMB746 million**	Assets — RMB491 million	Level 2	Discounted cash flow
Derivative financial Instruments — Foreign currency forward contracts	**Assets — RMB139 million**	Assets — RMB68 million	Level 2	Discounted cash flow
	Liabilities — RMB71 million	Liabilities — RMB167 million		
Derivative financial Instruments — Cross currency interest rate swap contracts	**Assets — RMB4 million**	N/A	Level 2	Discounted cash flow
Derivative financial Instruments — Forwards commodity contract	**N/A**	Liabilities — RMB2 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	Derivative financial instruments RMB'M	Total RMB'M
At 1 January 2023	4,808	109	(17)	4,900
Total gains or losses:				
— in profit or loss	—	(12)	—	(12)
— in other comprehensive income	547	—	—	547
Transfers into level 3 (Note)	1,028	—	—	1,028
Additions	24	—	—	24
Disposal	(23)	(1)	17	(7)
At 31 December 2023 and 1 January 2024	**6,384**	**96**	**—**	**6,480**
Total gains or losses:				
— in profit or loss	**—**	**13**	**—**	**13**
— in other comprehensive income	**(294)**	**—**	**—**	**(294)**
Additions	**11**	**—**	**—**	**11**
Disposal	**(140)**	**(1)**	**—**	**(141)**
At 31 December 2024	**5,961**	**108**	**—**	**6,069**

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

Note: During the year ended 31 December 2023, COSMO is classified as equity investment designated at FVTOCI and is measured at fair value at each reporting date. The fair value of the investment as at 31 December 2023 was measured using a valuation technique with significant unobservable inputs and hence was classified as Level 3 of the fair value hierarchy.

Except for equity investment designated at FVTOCI as described above, there were no transfers between Level 1 and 2 during the years ended 31 December 2024 and 2023.

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 2024 RMB'M	31 Dec 2023 RMB'M	**31 Dec 2024 RMB'M**	31 Dec 2023 RMB'M
USD	**26,422**	20,156	**29,756**	26,168
Japanese yen	**394**	472	**301**	486
HKD	**500**	321	**2,343**	2,356
EUR	**6,088**	5,152	**11,307**	12,312
Other	**8,261**	7,251	**7,231**	6,885

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in USD and EUR 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.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

	2024		2023	
	Increase/ (decrease) in exchange rates	**Increase/ (decrease) in profit before tax**	Increase/ (decrease) in exchange rates	Increase/ (decrease) in profit before tax
	%	**RMB'M**	%	RMB'M
If RMB strengthens against USD	**5**	**159**	5	286
If RMB weakens against USD	**(5)**	**(159)**	(5)	(286)
If RMB strengthens against the EUR	**5**	**249**	5	341
If RMB weakens against the EUR	**(5)**	**(249)**	(5)	(341)

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 2024 and 2023, 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.

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 2024 was 3.34% (2023: 5.36% (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.

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% (2023: 1%) (reasonably possible change), then the post-tax profit for the year ended 31 December 2024 would decrease/increase by RMB253 million (2023: RMB218 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.

The exposure of the Group's borrowings to interest rate changes at the end of the reporting period are as follows:

	2024 RMB'M	**% of total loans**	2023 RMB'M (Restated)	% of total loans (Restated)
Variable rate borrowings	**30,976**	**92%**	26,765	91%
Fixed rate borrowings	**2,817**	**8%**	2,651	9%
	33,793	**100%**	29,416	100%

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 2024, the Group has available unutilised overdraft and short-term bank loan facilities of RMB141,505 million (2023: RMB105,079 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 2024

	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	75,737	–	75,737	75,737
Other payables and accruals	28,270	–	28,270	28,270
Interest-bearing borrowings	24,961	10,279	35,240	33,793
Derivative financial instruments	71	–	71	71
Other non-current liabilities	–	285	285	285
Lease liabilities	1,536	5,607	7,143	5,832
	130,575	16,171	146,746	143,988

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

31 December 2023 (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	72,179	—	72,179	72,179
Other payables and accruals	23,484	2,109	25,593	25,461
Interest-bearing borrowings	12,172	19,262	31,434	29,416
Derivative financial instruments	169	—	169	169
Other non-current liabilities	—	114	114	114
Lease liabilities	1,445	3,773	5,218	4,769
	109,449	25,258	134,707	132,108

Transferred financial assets that are derecognised in their entirety

At 31 December 2024, 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 RMB243 million (2023: RMB232 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 2024, the Group transferred accounts receivable of RMB6,095 million (2023: RMB6,412 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.

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.

44. DEFINED BENEFIT OBLIGATIONS (continued)

	2024 Current RMB'M	2024 Non-current RMB'M	2024 Total RMB'M	2023 Current RMB'M	2023 Non-current RMB'M	2023 Total RMB'M
Defined pension benefit (Note (a))	**37**	**1,766**	**1,803**	33	364	397
Termination benefits	**—**	**542**	**542**	—	575	575
Provision for work-related injury compensation	**—**	**154**	**154**	—	146	146
Other	**—**	**100**	**100**	—	—	—
Total	**37**	**2,562**	**2,599**	33	1,085	1,118

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:

	2024 RMB'M	2023 RMB'M
Haier U.S. Appliances Solutions, Inc. post retirement plan	**138**	166
CCR pension plans	**1,373**	—
Total net liabilities of the defined pension obligations in United States and Europe	**1,511**	166
Others	**292**	231
	1,803	397

The summary net liabilities of the defined pension obligations at United States and Europe are as follows:

	2024 RMB'M	2023 RMB'M
Presents value of defined benefit obligation	**1,562**	166
Fair value of plan assets	**(51)**	—
	1,511	166

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 2024 and 2023 are as follows:

(1) Haier U.S. Appliance Solutions, Inc. post-retirement plan

	2024	2023
Discount rates	**5.51%**	5.19%

Movements in the present value of the defined benefit obligations during the years ended 31 December 2024 and 2023 were as follows:

	2024 **RMB'M**	2023 RMB'M
As at 1 January	**166**	195
Interest cost	**7**	9
Actuarial gain	**(18)**	(22)
Exchange realignment	**2**	3
Benefits paid	**(19)**	(19)
As at 31 December	**138**	166

The net liability of the defined benefit obligations are as follows:

	2024 **RMB'M**	2023 RMB'M
As at 1 January	**166**	195
Components of defined benefit cost recognised in profit or loss	**7**	9
Components of defined benefit cost recognised in other comprehensive income	**(18)**	(22)
Other reconciling items	**(17)**	(16)
As at 31 December	**138**	166

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 2024 by Jason Wilhite, a Fellow of the Society of Actuaries and an Enrolled Actuary, Justin Dietz, a Fellow of the Society of Actuaries and a Member of the American Academy of Actuaries and John D. Morrison, Jr., a Fellow of the Society of Actuaries and an Enrolled Actuary, of Willis Towers Watson. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Cost Method.

Significant actuarial assumption for the determination of the defined benefit obligation is discount rate. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate is 1% higher or lower, the defined benefit obligation would decrease by 5.1% or increase by 5.8% (2023: decrease by 5.3% or increase by 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.

44. DEFINED BENEFIT OBLIGATIONS (continued)

(2) CCR pension plans

	2024
Discount rates	**3.30%**

Movements in the present value of the defined benefit obligations during the years ended 31 December 2024 were as follows:

	2024 RMB'M
Acquisition of subsidiaries	**1,438**
Current service cost	**2**
Interest cost	**12**
Actuarial gains	**44**
Benefits paid	**(10)**
Exchange realignment	**(62)**
As at 31 December	**1,424**

Movements in the fair value of the plan assets during the year ended 31 December 2024 were as follows:

	2024 RMB'M
Acquisition of subsidiaries	**53**
Return on plan assets (excluding amounts included in net interest income and interest expense)	**(1)**
Contributions from the employer	**1**
Exchange realignment	**(2)**
As at 31 December	**51**

44. DEFINED BENEFIT OBLIGATIONS (continued)

(2) CCR pension plans (continued)

The net liability of the defined benefit obligations are as follows:

	2024 RMB'M
Acquisition of subsidiaries	**1,385**
Components of defined benefit cost recognised in profit or loss	**14**
Components of defined benefit cost recognised in other comprehensive income	**44**
Other reconciling items	**(70)**
As at 31 December	**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 2024 by Tobias Tausch. 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 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.

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 CO_2 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.

45. BUSINESS COMBINATIONS (continued)

(1) CCR (continued)

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

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.

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.

47. COMMITMENTS

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

	2024 RMB'M	2023 RMB'M (Restated)
Contracted, but not provided for:		
Property, plant and equipment	**5,916**	3,927

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:

	2024 RMB'M	2023 RMB'M (Restated)
Trade and bills receivables	**5,115**	4,515
Pledged bank deposits	**533**	475
Other intangible assets	**97**	55

49. STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the year ended are as follows:

	2024 **RMB'M**	2023 RMB'M
NON-CURRENT ASSETS		
Property, plant and equipment	**132**	155
Right-of-use assets	**2**	2
Other intangible assets	**34**	39
Interests in associates	**3,178**	3,012
Investments in subsidiaries	**59,016**	52,817
Equity investments designated at FVTOCI	**1,603**	1,619
Financial assets measured at amortised cost	**7,244**	2,884
Long-term prepayment	**—**	3
Other non-current assets	**1,740**	1,503
Total non-current assets	**72,949**	62,034
CURRENT ASSETS		
Inventories	**9**	5
Prepayments, deposits and other receivables	**6,944**	6,800
Amounts due from subsidiaries	**30,462**	18,479
Financial assets measured at amortised cost	**1,276**	1,530
Cash and cash equivalents	**8,721**	7,580
Total current assets	**47,412**	34,394
CURRENT LIABILITIES		
Other payables and accruals	**327**	270
Amounts due to subsidiaries	**64,242**	45,908
Contract liabilities	**—**	23
Interest-bearing borrowings	**3,499**	137
Total current liabilities	**68,068**	46,338
NET CURRENT LIABILITIES	**(20,656)**	(11,944)
TOTAL ASSETS LESS CURRENT LIABILITIES	**52,293**	50,090

49. STATEMENTS OF FINANCIAL POSITION OF THE COMPANY (continued)

	2024 RMB'M	2023 RMB'M
NON-CURRENT LIABILITIES		
Interest-bearing borrowings	**3,292**	3,780
Deferred income	**14**	12
Deferred tax liabilities	**394**	420
Total non-current liabilities	**3,700**	4,212
Net assets	**48,593**	45,878
EQUITY		
Share capital (Note 36)	**9,383**	9,438
Reserves (Note)	**39,210**	36,440
Total equity	**48,593**	45,878

Note: A summary of the Company's reserves is as follows:

	Contributed surplus RMB'M	Capital redemption reserve RMB'M	Reserve funds RMB'M	Retained profits RMB'M	Other comprehensive income reserve RMB'M	Treasury shares reserve RMB'M	Total reserve RMB'M
As at 1 January 2023	26,159	1,141	3,409	5,329	602	(2,308)	34,332
Transfer to reserve funds	–	–	828	(828)	–	–	–
Total comprehensive income for the year	–	–	–	8,281	29	–	8,310
Purchase of treasury shares	–	–	–	–	–	(1,050)	(1,050)
Cancellation of treasury shares	(173)	–	–	–	–	182	9
Dividend payable	–	–	–	(5,298)	–	–	(5,298)
Other changes	137	–	–	–	–	–	137
As at 31 December 2023 and 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	**24,539**	**1,141**	**4,691**	**9,687**	**619**	**(1,467)**	**39,210**

The Company's contributed surplus represents the excess of the fair value of the shares of the subsidiaries acquired, over the nominal value of the Company's shares issued.

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 13th meeting of the 11th session of the Board of Directors of the Company held on 27 March 2025, 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 RMB9.65 (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 2024

A summary of the results and of the assets, liabilities and non-controlling interests of the Group is set out below.

	Year ended 31 December				
	2024	2023	2022	2021	2020
	RMB'M	RMB'M	RMB'M	RMB'M	RMB'M
		(Restated)	(Restated)	(Restated)	(Restated)
RESULTS					
REVENUE	**285,971**	274,198	243,550	227,081	209,701
Cost of sales	**(208,128)**	(200,557)	(168,960)	(157,528)	(148,867)
Gross profit	**77,843**	73,641	74,590	69,553	60,834
Other gains or losses	**3,889**	3,691	2,913	2,059	3,994
Selling and distribution expenses	**(33,586)**	(32,727)	(38,601)	(36,584)	(33,641)
Administrative expenses	**(24,524)**	(23,804)	(21,696)	(20,265)	(17,924)
Finance costs	**(2,705)**	(2,165)	(997)	(714)	(1,321)
Share of profits and losses of associates	**1,816**	1,575	1,582	1,888	1,620
PROFIT BEFORE TAX	**22,733**	20,211	17,791	15,937	13,562
Income tax expenses	**(3,157)**	(3,123)	(3,058)	(2,705)	(2,233)
PROFIT FOR THE YEAR	**19,576**	17,088	14,733	13,232	11,329
Attributable to:					
Owners of the Company	**18,741**	16,597	14,712	13,079	8,883
Non-controlling interests	**835**	491	21	153	2,446
	19,576	17,088	14,733	13,232	11,329

	As at 31 December				
	2024	2023	2022	2021	2020
	RMB'M	RMB'M	RMB'M	RMB'M	RMB'M
		(Restated)	(Restated)	(Restated)	(Restated)
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
TOTAL ASSETS	**290,114**	261,068	236,018	217,741	203,498
TOTAL LIABILITIES	**(171,725)**	(153,538)	(141,268)	(136,466)	(135,365)
NON-CONTROLLING INTERESTS	**(7,023)**	(6,264)	(1,291)	(1,290)	(1,295)
	111,366	101,266	93,459	79,985	66,838

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