

Stock Code: 600690

Short Name: Qingdao Haier

Qingdao Haier Co., Ltd 2018 Interim Report



Important Notice

I. The Board of Directors, the Board of Supervisors, directors, supervisors and senior management of Qingdao Haier Co., Ltd. (“the Company”) hereby assure that the content set out in the interim report is true, accurate and complete, and free from any false record, misleading representation or material omission, and are individually and collectively responsible for the content set out therein.

II. All directors of the Company have attended the Board meeting.

III. The interim report is unaudited.

IV. Liang Haishan (legal representative of the Company), Gong Wei (chief financial officer of the Company) and Ying Ke (the person in charge of accounting department) hereby certify that the financial report set out in the interim report is true, accurate and complete.

V. Proposal of profit distribution and proposal of capitalizing capital reserves for the reporting period examined and reviewed by the Board

Not Applicable

VI. Disclaimer in respect of forward-looking statements

Applicable Not Applicable

Forward-looking statements such as future plans, development strategies as set out in this report do not constitute our substantial commitment to investors. Investors are advised to pay attention to investment risks.

VII. Is there any fund occupation by controlling shareholders and their related parties for non-operational purposes?

No

VIII. Is there any provision of external guarantee in violation of prescribed decision-making procedures?

No

IX. Important Risk Warnings

For the possible risks which the Company may encounter, please refer to the relevant information set out in the section of “DISCUSSION AND ANALYSIS ON OPERATIONS” in this report.

X. Others

Applicable Not Applicable

Chairman: Liang Haishan

Qingdao Haier Co., Ltd

30 August 2018

Note: This Report and its abstract have been prepared in both Chinese and English. Should there be any discrepancies or misunderstandings between the two versions, the Chinese version shall prevail.

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SECTION I DEFINITIONS

Unless otherwise stated in context, the following terms should have the following meanings in this report:

CSRC	China Securities Regulatory Commission
MOFCOM	Ministry of Commerce of the People's Republic of China
SSE	Shanghai Stock Exchange
The Company, Qingdao Haier	Qingdao Haier Co., Ltd.
Four Major Securities Newspapers	China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily
Haier Electrics, 1169	Haier Electronics Group Co., Ltd. (a company listed in Hong Kong, stock code: 01169.HK)
GEA	GE Appliances, household appliances assets and business of General Electric
FPA	Fisher & Paykel Appliances Holdings Limited (Chinese Name: 斐雪派克) was established in 1934 and is known as the national appliance brand of New Zealand, the global top-level kitchen appliance brand and the famous luxury brand of the world. It has products including ventilator, gas stove, oven, dishwasher, microwave oven, freezer, washing machine, clothes dryer and etc. Its business covers over 50 countries across of the world. The Company convened Board meeting and General meeting in April and May 2018, respectively, to approve relevant resolutions of the transfer of 100% equity interest in Haier New Zealand Investment Holding Company Limited, upon the completion of the transfer, FPA became a wholly-owned subsidiary of the company.
CMM	China Market Monitor Co., Ltd., established in 1994, has been focusing on research on retail sales in China consumption market for a long term and is the nationally recognized market research institute in terms of appliance area.
Euromonitor	Euromonitor, established in 1972, is the leading strategic market information supplier and owns over 40-years of experience in respect of publishing market report, commercial reference data and on-line database. They create data and analysis on thousands of products and services around the world.
The Stevenson Company	Based in Kentucky, the U.S., the firm is an institution specializing in market survey, research and analysis. The market research and analysis business of the Company started in 1995. Its "TraQline" product is a world-famous survey and research report on market share. The "TraQline" product offers customers with analysis based on global market share and consumer behaviors and supports the decision-making of various businesses.
IEC	The International Electrotechnical Commission. Founded in 1906, it is the world's first organization for the preparation and publication of international standards and is responsible for international standardization for electrical engineering and electronic engineering. The goals of the commission include: to ensure that the standards and conformity assessment programs are applied globally in a prioritized manner and to the greatest extent; to assess and improve the quality of products and services involved in its standards; to create conditions for the common use of complicated systems; to improve the effectiveness of the industrialization process; to improve human health and safety, and to protect the environment.
10 Interconnected Factories	Shenyang Refrigerator Interconnected Factory, Foshan Front-Loading Washing Machine Interconnected Factory, Zhengzhou Air-conditioner Interconnected Factory, Qingdao Mold Interconnected Factory, Qingdao Water Heater Interconnected Factory, Qingdao FPA Electrical Machine Interconnected Factory, Jiaozhou Air-Conditioner Interconnected Factory, Huangdao Central Air-Conditioner Interconnected Factory, Huangdao Smart

	Kitchen Appliance Range Hood Interconnected Factory, Huangdao Smart Kitchen Appliance Stove Interconnected Factory
“4+7+N” smart full-scene customized full set program	“4” refers to four physical spaces continuously and iteratively upgraded by Haier, including smart living room, smart kitchen, smart bathroom and smart bedroom. “7” represents seven whole-house solutions as whole-house air, whole-house water supply, whole-house cleaning, whole-house security, whole-house audio, whole-house health and whole-house information. N as a variable represents that users are free to customize smart living scenarios according to tier living habits, thus achieving possibilities with infinite changes.
The mode combining individual and goal	“Individual” means staff; “goal” means the need of users, rather than the “orders” in narrow sense. The mode “Combining individual and goal” encourages the integration of staff with users, and “win-win” means to realize every employees value while creating value for users.
IEEE	The Institute of Electrical and Electronics Engineers, an international association of electronic technology and information science engineers, is currently the largest non-profit professional technology society in the world. It committed to the development and research of electrical, electronic, computer engineering and science-related fields, it has now developed into an international academic organization with high influence in terms of the fields of space, computer, telecommunications, biomedicine, power and consumer electronics.

SECTION II GENERAL INFORMATION OF THE COMPANY AND KEY FINANCIAL INDICATORS

I. Information of the Company

Chinese Name	青岛海尔股份有限公司
Chinese Short Name	青岛海尔
English Name	QINGDAO HAIER CO.,LTD.
English Short Name	HAIER
Legal representative	梁海山

II. Contact Person and Contact Information

	Secretary to the Board	Representative of securities affairs
Name	Ming Guozhen	Liu Tao
Address	Department of Securities of Qingdao Haier Co., Ltd. Haier Information Industrial Park, No.1 Haier Road, Qingdao City	Department of Securities of Qingdao Haier Co., Ltd. Haier Information Industrial Park, No.1 Haier Road, Qingdao City
Tel	0532-88931670	0532-88931670
Fax	0532-88931689	0532-88931689
Email	finance@haier.com	finance@haier.com

III. Summary of the changes in general information

Registered address	Haier Industrial Park, Laoshan District, Qingdao City
Postal code	266101
Business address	Haier Information Industrial Park, Laoshan District, Qingdao City
Postal cod of Business address	266101
Website	http://www.haier.net/cn/
Email	9999@haier.com

IV. Movement of Place for Information Disclosure and Deposit

Designated newspaper for information disclosure	Shanghai Securities News, Securities Times, China Securities Journal, Securities Daily
Website for publishing interim report as designated by the CSRC	www.sse.com.cn
Deposit place of interim report	Department of Securities of Qingdao Haier Co., Ltd. Haier Information Industrial Park, No.1 Haier Road, Qingdao City

V. Summarized Information of Shares of the Company

Type of Shares	Stock Exchange of Shares Listed	Stock Short Name	Stock Code	Stock Short Name Before Variation
A shares	Shanghai Stock Exchange	Qingdao Haier	600690	/

VI. Other Related Information

Applicable Not Applicable

VII. Key Accounting Data and Financial Indicators of the Company

(I) Key accounting data

Unit and Currency: RMB

Key accounting data	For the reporting period (January - June)	The corresponding period of last year (January - June)		Increase/decrease for the reporting period compared with the corresponding period of last year (%)
		After adjustment	Before adjustment	
Operating revenue	88,591,626,626.07	77,585,007,913.93	77,575,749,980.10	14.19
Net profit attributable to shareholders of the Listed company	4,858,795,529.42	4,416,867,240.37	4,427,068,404.51	10.01
Net profit after deduction of non-recurring profit or loss attributable to shareholders of the Listed company	4,475,991,565.27	3,777,339,454.95	3,777,339,454.95	18.5
Net cash flows from operating activities	5,368,385,954.02	8,434,402,658.46	8,393,200,906.18	-36.35
	As at the end of the reporting period	As at the end of last year		Increase/decrease as at the end of the reporting period compared with the end of last year (%)
		After adjustment	Before adjustment	
Net assets attributable to shareholders of the Listed company	35,267,251,452.26	32,215,515,201.45	32,215,515,201.45	9.47
Total assets	157,465,352,921.46	151,463,110,707.63	151,463,110,707.63	3.96

(II) Key financial indicators

Key financial indicators	For the reporting period (January - June)	The corresponding period of last year (January - June)		Increase/decrease for the reporting period compared with the corresponding period of last year (%)
		After adjustment	Before adjustment	
Basic earnings per share (RMB per share)	0.797	0.724	0.726	10.08
Diluted earnings per share (RMB per share)	0.786	0.724	0.726	8.56
Basic earnings per share after deducting	0.734	0.619	0.619	18.58

non-recurring profit or loss (RMB per share)				
Weighted average return on net assets (%)	14.10	15.40	15.47	Decreased by 1.3 percentage points
Weighted average return on net assets after deducting non-recurring profit or loss (%)	12.99	13.20	13.20	Decreased by 0.21 percentage points

Explanation of the key accounting data and financial indicators of the Company

Applicable Not Applicable

Note: The income from January to June 2018 is RMB 88.592 billion, increased by 14.19% year-on-year; at prevailing exchange rates, while the income under constant exchange rates increased by 17.3% year-on-year. Due to lock exchange business, the net impact profit of two periods recognition fair value income was approximately RMB300 million, and after the restoration, the increase of net profit attributable to owners of the Parent company was 18.82%.

VIII. Differences in accounting data under domestic and overseas accounting standards

Applicable Not Applicable

IX. Non-recurring Profit or Loss Items and Amount

Applicable Not Applicable

Unit and Currency: RMB

Non-recurring profit or loss items	Amount
Profit or loss from disposal of non-current assets	23,934,860.63
Government grants included in current profit or loss, except that closely related to the normal operating business, complied with requirements of the national policies, continued to be granted with the amount and quantity determined under certain standards	137,147,498.76
In addition to the effective hedging business related to the normal operations of the Company, profit or loss of changes in fair value arising from holding of trading financial assets and trading financial liabilities, as well as investment gain realized from disposal of trading financial assets, trading financial liabilities and financial assets available for sale	193,260,601.21
Trust fee income from entrusted business	943,396.22
Other non-operating income and expenses except the aforementioned items	169,865,362.68
Effect of minority equity interests	-91,861,955.96
Effect of income tax	-50,485,799.39
Total	382,803,964.15

X. Others

Applicable Not Applicable

SECTION III SUMMARY OF THE COMPANY'S BUSINESS

I. Introduction of Major Business, Operating Mode and Industry Background

In the first half of 2018, the global economy continued its growth since 2017, but trade frictions, geopolitics and normalization of monetary policies in major economies have increased the uncertainty of the global economy and financial markets. In the first half of 2018, China's economy maintained steady growth, structural adjustments were further advanced and the economy performed at a good level.

(I) Domestic market of the Industry: In the first half of 2018, the retail sales of each sub-industry of white goods in the domestic market maintained a growth trend, but the performance was differentiated. According to the calculation of China Market Monitor Co., Ltd (CMM), ① the home-use air-conditioner industry grew rapidly with the retail volume increased by 16.6% and the retail value increased by 19.8%; ② in the refrigerator and washing machine market, replacement demand became the primary demand with weak sales growth, but the average prices were boosted by structural upgrading: retail volume in the refrigerator industry decreased by 1.7%, but the retail value increased by 7.9%; retail volume and retail value in the washing machine industry increased by 4.7% and 10.5% respectively.

With the continuous tightening of real estate control policies, the kitchen and bathroom industry is facing certain growth pressure. ①In the first half of 2018, the water heater industry recorded a negative growth of 0.4% in its retail volume and a growth of 4.8% in its retail value; ②the kitchen appliance market recorded a negative growth in its retail value, representing a decrease of 1% as compared with the corresponding period of last year, of which range hoods and stoves (two major sub-industries) recorded a decrease of 3.8% and 1.6% respectively in their retail value.

The trend of consumption upgrade continued, and brand, quality, design and technology became the major factors influencing the decision-making of consumers. Consumers are willing to pay a premium for "good products", and health, smart, artistic products with large capacity are increasingly favored. It has become the consensus of industry companies to promote the structural upgrading and increase the added value. According to the statistics of CMM, the share of retail sales of offline multi-door refrigerators in the first half of 2018 increased by 4.5 percentage points year-on-year to 28.3%.

Online channels maintained rapid growth with retail sales of refrigerators, washing machines, air conditioners, water heaters and kitchen appliances increasing by 29.2%, 36.3%, 54.8%, 36%, and 18.6%, respectively. The competition pattern was that the strong became stronger, the concentration of the leading brands was further strengthened, and the industry competition was intensified. Take the refrigerator industry as an example, the share of retail value of TOP5 brands reached 76.8% in the first half of 2018, representing an increase of 4.3 percentage points.

(II) Overseas markets of the Industry: Due to the level of economic development and market size in each region, the performance varies by market. ① US appliances industry declined by 1.1% in the first half of 2018, due to soft demand for large household appliances. ② In the major European markets, the UK and France markets recorded a flat growth, the German market fell by approximately 3% year-on-year, the Italian market fell by approximately 4% year-on-year, and the Russian market grew by approximately 6%. ③ The Japanese market recorded a slight growth with 3.4% for washing machines and approximately 2% for refrigerators & freezers. ④ The Australian market experienced a growth of 1.9%. ⑤ In the South Asia markets, the Pakistani market grew by 11% and the Indian market by 5%.

The rapid development of technologies such as the Internet of Things, big data, cloud computing and artificial intelligence has enhanced the connection between people and equipment, equipment and equipment, and equipment and ecological resources, and gradually changed our consumption habits of customers. The consumption trend reflected the characteristics of experience economy, community economy and sharing economy. Rapid product iteration and changes in industrial ecology has turned the focus of competition from pure product competition to user value and experience competition, forced enterprise transformation and business model reconstruction, and accelerated the transformation from selling products to selling services.

II. Explanation on significant change on major assets of the Company during the reporting period

Applicable Not Applicable

The overseas assets amounted to RMB 70,795.3591 million, representing 44.96% of the total assets.

III. Analysis on core competitiveness during the reporting period

Applicable Not Applicable

Since its foundation in 1984, the Company has always adhered to the principle of driving the sustainable and healthy development with innovation system focusing on the needs of users, and it has successfully turned itself from a debt-burdened collective small factory which was on the verge of shutdown into one of the largest home appliances manufacturers in the world. The Company is committed to realizing sustainable development across different cycles through continued innovations on development strategy and management mode, brand, research and development, intelligent manufacturing, construction of foreign and domestic market to achieve competitiveness adaptive to ever-changing conditions.

(I) World-renowned brand competitiveness and comprehensive brand layout

According to the data published by Euromonitor, Haier has been ranked No. 1 among global large home appliances brands for 9 consecutive years. In segments of refrigerators, washing machines, wine

cellars, freezers, the Company continues to be No. 1 in the world. To meet the personalized and diversified needs of users, we have broken down the global technical barriers in the household appliances industry and promoted the healthy development of the industry through the global strategic synergy among six brands of household appliances, namely Haier, GE Appliances in the U.S., Fisher & Paykel in New Zealand, AQUA in Japan, Casarte and Leader. Haier has built the largest household appliances industry cluster in the world, which covers global market and communities.

The share of high-end brand is far ahead. In the first half of 2018, the market share of Casarte air conditioners above RMB16,000 is 45%, the market share of Casarte drum washing machines above RMB10,000 is 73.8% and the market share of Casarte refrigerators above RMB10,000 is 36%; in 2017, the market share of MONOGRAM, the high-end household appliance brand of GEA, reached 20% in the US high-end market; the market share of Fisher & Paykel, the world's top household appliance brand, reached 36% in New Zealand's high-end market.

(II) Industry-leading R&D and technological competitiveness

1. Layout of R&D resources around the world: Relying on the world's top 10 R&D centers and N innovation centers that are connected in parallel according to the user's pain points, Haier has built a "10+N" open innovation system to form a global network of resources and users, and attracted world-class resources to participate in R&D with its "cooperation, win-win and sharing" mechanism, thus playing a leading role in the development of products and technologies in the industry, truly realizing the "where is the user needs and innovation resources where is the R&D" and providing excellent experience for its users.

2. Leadership in industrial standards. With its sustained innovation capacity, Haier has become a leader in the household appliances industry in China and worldwide. As of December 2017, Haier held a total of 66 expert seats in IEC and ISO. Haier also held 28 expert seats in UL standardization organization. Haier has participated in the preparation and revision of 56 international standards and has submitted 90 international standard revision proposals in the process of participation, is the household appliance enterprise with the most proposals for international standard revision in China. At the same time, Haier is also the household appliance enterprise leading the most industry standards in China, has led and participated in 445 national/industry standards revisions in total, of which 391 have been released and won 11 national standards innovation contribution awards. In terms of participation in international organizations, Haier is the only household appliance enterprise in China to enter the International Electrotechnical Commission's Market Strategy Bureau (IEC/MSB). It undertakes the work of the IEC/SC59A International Dishwasher Subcommittee Secretariat and is the only household appliance enterprise in China that undertakes the International Standards Technical Subcommittee; Haier took the lead in setting up the IEC TC59/SC59M WG4 Refrigerator Preservation International Standard Working Group, led the development of new international standards for refrigerator preservation and achieved international breakthroughs in the field of household appliances.

3. Up to the end of 2017, Haier has applied for more than 25,000 patents in total, including more than 15,000 invention patents, covering 25 countries and regions, which is the household appliance

enterprise with the most overseas invention patents in China. In 2017, Haier applied for more than 7,000 patents, the proportion of invention patents was higher than 60% and the quality of patents led the industry. In the 19th China Patent Awards in December 2017, Haier won the only patent gold award and 2 design gold awards in the household appliance industry, and won 5 patent excellence awards at the same time. In the previous China Patent Awards, Haier has won 5 gold awards in total and the total number of gold awards was the highest in the industry; Haier became the only household appliance enterprise that won the China Patent Gold Award 2 times in 29 years and created the highest record of winning three at a time. Haier has won 14 National Prize for Progress in Science and Technology, accounting for 2/3 of the industry.

4. Innovating the R&D mechanism through the HOPE platform. Through “HOPE”, its online open innovation platform, Haier has been facilitating the matching of resources from the source of innovation to the realization of innovation, producing cross-border and disruptive innovation continuously. As the leading open innovation platform, currently the platform can reach 3.8 million world-leading resources, more than 400,000 registered users, and offers over 6,000 creative ideas on average per year, thus supporting the maintenance of our leading position in products/technologies.

(III) Competitiveness of smart manufacturing that leads to change

1. The core competitiveness of Haier’s smart manufacturing lies in its commitment to long-term value for users through its user-oriented approach and the transition from large-scale manufacturing to large-scale customization. In practical operation, Haier has established 10 global-leading sample interconnected factories, as well as the interconnected capabilities and ecological system covering the whole process. Such businesses cover refrigerators, washing machines, air-conditioners, water heaters, kitchen appliances, electric motors, molds and other fields, meeting our user’s need for perfect experience in high-end personalized products and services. Such initiatives have produced notable effects: the orders from mass customization in which users are involved in the whole process accounted for up to 16% of the total, and the orders from mass customization in which customers are involved accounted for up to 52% of the total, achieving a breakthrough, which eliminated or shortened the period of the products in the warehouses. In addition, operational efficiency throughout the process has been enhanced (such as the R&D cycle of new products has been reduced by more than 50%).

2. COSMOplat - China’s first and global-leading industrial Internet platform with independent intellectual property rights was developed from interconnected factories, as well as best practices in digitalization and product formation. This platform, combined with existing capabilities such as smart equipment, smart control, mold and Smart Research Institute, has been in collaboration with relevant companies in seven major industries, and will be able to offer comprehensive solutions and value-added services featured by the union of software and hardware as well as the mix of virtual and real factors for the transformation and upgrading of smart manufacturing.

(IV) The layout of efficient and in-depth channel network and logistics network

1. Through our diversified channel system, we have achieved full coverage of the first, second, third and fourth-tier-domestic market and provided convenient shopping experience anywhere, anytime.

We have also maintained strong strategic cooperation relationship with professional chains for household appliances, such as Gome and Suning, as well as e-commerce platforms, such as Tmall and JD. In respect of our own channels, Haier has established more than 8,000 county-level stores, and more than 30,000 stores within town level network. In our comprehensive store channel, we have established a number of clubs, such as V58 and V140 Clubs, and maintained close cooperation with major enterprises engaging in regional distribution of household appliances. Relying on the advantage that the company's product line is complete, we will build a smart and full set of scene experience stores to realize the full set of market terminal displays, design, sales and services, and improve the channel stickiness.

2. The network of the warehouses of Gooday Logistics covers more than 100 cities and regions in China, with a total storage area of 3.60 million square meters, and 90,000 motor vehicles for deployment. Gooday Logistics offers around-the-clock service combining delivery and installation, and is dedicated to providing users with comprehensive, timely and care-free services.

(V) Excellent global operational capability

Focusing on “building our own brand independently”, the Company has completed its layout of trinity network comprising R&D, manufacturing and marketing in the major overseas market through organic growth and mergers and acquisitions, which can quickly understand and meet local consumers' demand, thus succeeding in transforming from a single-brand globalization to a multi-brand cross-industry cross-regional globalization, and has achieved a leap from "going out, going in" to "going up" through the integration and synergy of global resources. At the end of 2017, the Company's overseas production capacity (Americas, Europe, South Asia and other regions) has exceeded 20 million; the proportion of overseas revenue in the first half of 2018 is over 40% and nearly 100% from its own brands.

(VI) Integrity of corporate culture and the win-win management mode of *Individual and Goal Combination*

Credibility culture based on quality and service is the core driver of Haier's growth, and is also the essential source of constant success of Haier. Leveraging on credibility culture of “user-oriented” and “persistent honesty”, Haier has turned itself from a small collective factory which was on the verge of shutdown into one of the largest white goods manufacturers in the world, while keeping a leading position in world-wide innovation in the internet era. Haier upholds the concept of “always take the users as right and ourselves as wrong”. This concept stimulates the spirit of innovation, revolution and entrepreneurship of Haier and motivates it to follow the times and continuously improve and challenge itself, so as to seize development opportunities. The win-win model of combining individual and goal is the assurance of sustainable operation of Haier. In exploring the “*Individual and Goal Combination 2.0, Co-create and Win-win ecosystem*”, Haier endeavors to build a win-win ecosystem based on user value interaction in new stage of e-commerce era to make every employee his/her own CEO and realize their own value while creating value for users, so as to achieve win-win situation which is critical to parties in system.

SECTION IV DISCUSSION AND ANALYSIS ON OPERATIONS

I. Discussion and Analysis on Operations

In the first half of 2018, the Company focused on the strategic goal of “becoming a leading provider of smart home solutions in the era of Internet of Things”. Driven by the *Individual and Goal Combination* model, the Company provided diverse complete smart household appliance solutions for consumers through continuous product leadership, retail transformation and global operation, and realized high growth, high market share and high value in household appliances industry. Facing the opportunities in the era of Internet of Things, we will promote the creation of eco-brands in the era of Internet of Things, create and iterate the best experiences of users through interaction with users, achieve win-win value-added with stakeholders in the ecosystem and create new growth points such as ecological revenue.

In the first half of 2018, the Company recorded revenue of RMB88.592 billion, representing an increase of 14.19%. If the impact of exchange rate is taken into consideration, the revenue increased by 17.3% under constant exchange rate as compared with the corresponding period of last year. The overseas revenue of the Company was 35.8 billion, which accounted for 40.4%. The Company achieved net profit attributable to owners of the Parent company of 4.859 billion, a year-on-year growth of 10.01% and achieved net profit non-attributable to owners of the Parent company of 4.476 billion, a year-on-year growth of 18.50%. In the first half of the year, the overall gross profit margin of the Company was 28.97%, which decreased by 1.2 percentage points year-on-year, and the reason for the decrease was the reclassification of certain logistics freight in accordance with the new income criteria. In the absence of such criteria, the gross profit margin increased by 1.3 percentage points year-on-year.

The household appliance businesses of the Company realized a significant increase, thus expanding its leadership. ① Revenue of refrigerator business, air conditioner business, washing machine business, water heater business and kitchen appliance business in the household appliance industry (excluding GEA) increased by 17%, 25%, 20%, 21% and 30% respectively. ② In the first half of 2018, GEA’s sales in USD grew by 11%. Given the impact from RMB exchange rate, the corresponding sales in RMB grew by 3.4%

In terms of market share, ① in the China market, the business for refrigerators, washing machines and water heaters further expanded their leading, and the share of domestic retail value from January to June increased by 4.6, 4, and 1.3 percentage points, respectively. The share of retail sales of refrigerator and washing machine reached 34.88% and 32.94% respectively, being 3.1 times and 1.9 times of that of the second brand, thus further expanding the leadership and the share of retail sales of Haier water heater reached 17.84%; ② key growth businesses such as home-use air conditioners, range hoods and stoves further consolidated their development foundations, resulting in an increase of 0.5, 0.8, 0.8 percentage points in the share of retail sales respectively. ③ Per data from The Stevenson Company, GEA share increased in the first half of the year. Strong sales were boosted by continued growth in the kitchen and

laundry categories as well as an increased presence with national accounts for GEA room air conditioning products.

I. The Company's open innovation system of global 10+N layout constantly applies global first-class resources to enhance its strong product innovation capacity, so as to provide good life solutions for users and to lead the development trend in the industry.

1. Refrigerator/freezer business.

Based on consumers' demands for high-quality life on fresh-keeping, nutrition, health and safety of foods that are increasingly concerned about, the Company constantly improved its product solutions. ① The full-space fresh-keeping refrigerator includes world-leading air duct refrigeration technology to enable the refrigerating chamber to provide air supply on demand, together with precise cooling, humidity and oxygen control. The freezing chamber has a barrier against defrosting hot air, which achieves that refrigerated or frozen food does not face dehydration and achieves better preservation; ② The world's original MSA oxygen-control preservation technology reduces the oxygen concentration, so that the food reaches a low-oxygen dormancy state, maximizing the preservation time and nutrition of the food. The preservation effect is extended by more than 8 times through this technology.

The Company made innovations in industry categories, optimized structure and targets upward growth. ① The Company launched the new F+ refrigerator, a first in the industry. Casarte F+ free embedded refrigerator integrates the benefits of a super-large space French refrigerator and sorted storage of a T-door refrigerator. It realizes food preservation from temperature, humidity, speed, cleanliness and oxygen concentration, and its exclusive free embedded design achieves the integration of home furnishing and household appliance. The high-end market share has been promoted since the introduction of F+. In the first half of 2018, the Company's share in the ultra-high-end RMB15,000 price segment was 41.5%, increased by 22.2 percentage points year-on-year, of which the share in the multi-door refrigerator category reached 57%. ② Haier's full-space fresh-keeping series completed the layout of multi-door, side-by-side and T-type, and sales volume increased by 243% in the first half of 2018. The T-type "Feast (飨宴)" full-space fresh-keeping series separating dry and wet at a value of more than RMB10,000 was ranked on the list of best-selling models of CMM within three weeks upon its introduction. With world-class industrial design, the Casarte free embedded four-door French-style refrigerator BCD-633WICTU1, Casarte F+ multi-door refrigerator BCD-520WICTU1 and Haier T-type four-door refrigerator BCD-608WDPGUI were ranked on the winner list of the Germany IF Design Award released in March 2018. The Company ranked first in the global refrigerator industry in terms of its awards.

2. Home-use air conditioner business.

Based on the purpose of creating a user environment for healthy air respiration and ecological respiration, the Company enhanced its structure and brand recognition by emphasizing its technical innovation and continuous improvement. The Company continuously introduces intelligent, efficient and healthy products. In the first half of 2018, the share of high-end home-use air conditioners increased

significantly: the share of hanging air conditioners above RMB4,100 increased by 4 percentage points to 11.8%; the share of hanging air conditioners above RMB10,100 increased by 3 percentage points to 15.7%, of which the share of hanging air conditioners above RMB16,000 is 45%, ranking first in the industry and 2.5 times that of the second. According to the statistics of CMM, benefiting from the continuous optimization of product structure, our home-use air conditioner increased by 8.1% in offline average price and 11.4% in online average price, ranking top among mainstream brands in the first half of 2018.

The Company introduced Casarte TX air conditioners and Fresh Air cabinets in 2018. (1) Casarte TX air conditioners were equipped with various innovative technologies to intelligently identify the best apparent temperature of different users in the same room, realize partitioned and exclusive air supply for different demands. ① Temperature perception technology was used to measure and calculate the subjective comfort based on ambient temperature, body surface temperature, body convection radiation temperature and spatial distance. ② Multiple-temperature zone air supply technology: two independent fans with five air supply directions in a wide horizontal angle of 120° were equipped to supply air based on the region, location and comfort of human bodies, so as to make us comfortable by adjusting the air speed and temperature. ③ Dual-circulation soft air technology: the original twin vortex pressurization system realizes double circulation of soft air, with air supply smoother and less noise while air volume was increased by 10%. (2) Fresh Air cabinets include double-power constant-temperature technology of fresh air purification and dynamic dual-drive technology of balanced air supply to adjust indoor air environment to make us comfortable, and a smart App management was added to provide users with comfortable and healthy air experience and intelligent and convenient manipulation experience.

3. Central air conditioner business.

Based on the needs of users in different market segments, we launched a series of energy-saving, smart and healthy products, and seized market opportunities through personalized solutions to further enhance the brand reputation. According to industrial online statistics, in the first half of 2018, the share of Haier's central air-conditioning increased by 1.1% year-on-year, with a growth rate of 2.5 times the industry. According to the data of the central air-conditioning market, the share of Haier's magnetic levitation air conditioners which are widely used in medical, rail transit, integrated construction, data centers, hotels and other industries has doubled on top of ranking first in the industry.

In the first half of the year, we adhered to the product innovation strategy and focused on the needs of market segment users and iterative innovation. ① In response to the market demand for environmental products, we launched energy-saving and environmental air heaters with first-class energy-efficiency, which still had powerful heating capacity under the low-temperature environment 25°C to fulfill the heating task in winter. ② In response to the demand of high-end residential product upgrades, we introduced Casarte's household central air conditioner. The pioneered breeze panel technology achieves an accurate adjustment of indoor temperature, humidity, cleanliness, quietness, oxygen content and airflow distribution, and the brand-new industrial design created a new era

integrating art and industry, which further enhanced the user's experience. ③ At large industrial sites, we launched industry-leading VTT magnetic water machines of large cooling capacity with the maximum single cooling capacity up to 4,500 RT. ④ We introduced the E+ cloud service platform in the industry, to provide our clients with systematic comprehensive solutions integrating energy saving, efficiency enhancement and energy management. Such platform uploaded central air-conditioning equipment to the cloud to provide trouble-free operation monitoring and intelligent maintenance services. It can provide life-time energy-saving customized solutions for all users, save energy and reduce consumption during the whole life cycle to improve industrial efficiency.

4. Washing machine business.

Focusing on demands for washers for health, intelligence, comfort and energy conservation, the Company expanded its industry leading advantages through upgrading of technologies and modules including air wash, Internet of Things and direct drive motor. ① The difficulty that washing and drying of high-end clothing may cause chemical residues which damage the skin and clothes, we innovatively launched the air wash technology to wash and medical clothes, cashmere, silk and down clothes, and obtained a good market response through the shop laundry demonstration. ② The study and application of clothing recognition technologies including speech recognition and RFID automatic recognition helped washing machines to automatically recommend the best washing and caring procedure by clothing type, material and color, thus optimizing both laundry experience and laundry effect.

① Casarte Shuangziyunchang (卡萨帝双子云裳) platform launched the Casarte Shuangziyunchang Washing Machine, a partitioned washing machine with the largest capacity in the world (17kg) to meet the double demands of high-end users on both partitioned washing and caring and ultra-large capacity. The 17kg capacity achieves one-time washing for large clothes, which also shortens the washing and caring time; variable frequency motors using FPA direct drive technology and the Shuangzixingzhi (双子星智) balanced system achieves a silent washing with double barrels, and WiFi remote control provides real time understanding of the washing process. ② To solve the three problems of general ripple washing machines caused by high speed, i.e., vibration, riveted inner barrel fracture and abnormal flange wearing sound, the Company introduced the Vision Series ripple washing machine, which adopted a direct drive variable frequency and double-power cleaning-free technology with a speed of 1,000 rpm, representing an increase of 40% as compared to general ripple washing machines, realizing faster washing, cleaner rinsing and drier spinning. With a unique rain curtain feeding mode, centrifugal force technology, and 350 rpm low-speed dehydration technology, such washing machine preserved clothing fibers and was used to wash precious cashmere and high-end clothes in a professional manner.

In the first half of 2018, we continuously expanded our leadership in the domestic washing machine market with a market share of 1.8 times that of the second brand. We continue to lead the share in the high-end market. Casarte's share in the price segment of RMB8,000-10,000 is 45.8%, increased by 4.6

percentage points year-on-year and the Casarte drum washing machine share in the price segment above RMB10,000 is 73.8%, increased by more than 6 percentage points.

5. Water heater business.

Based on customer demands on safety, health and intelligence of bath, the Company introduced a brand-new generation of water solution including “safety gas water heater, instant heating electricity guard water heater and the future whole-house integrated smart water solution”.

Gas water heater. Casarte self-purification combustion series gas water heater realized triple purification through safety technology of actively eliminating carbon monoxide; precisely-controlled constant temperature technology realized a 10s top speed constant temperature which doubled the constant temperature speed. In the first half of 2018, the share of gas water heaters increased by 1.6 percentage points to 9.2%.

Electric water heater. The Company expanded its leading advantages through variable frequency instant heating washing technology and clean water washing 3.0 technology. ① Jingxiang (净享) PLUS9 series products adopts a unique dual drive submersible heating tube, 3D instant heating energy focusing ring, patented advection thermal power system and variable frequency technology to solve the difficulty of long waiting time. Scale, residual chlorine, impurities and bacteria in water affecting water quality were addressed through double-effect scale inhibition and level-III purification technology, thus providing bathing with clean water, where the scale-inhibition rate was 83.4% and the largest residual chlorine removal rate was 99.5%. ② Aiming at the difficulty of purchasing a complete set of water household appliances and lack of standard size, the Casarte Tianmu (天沐) products were launched, including a self-embedded electric water heater, hot water purifier and bacteriostatic water softener. In the first half of 2018, high-end electric water heaters resulted in a significant increase of 62% in the RMB4000+ segment.

Air energy water heater. ① Aiming at household users, we launched “intelligent control technology for full condition (全工况智能控制技术)”, where the best frequency was matched automatically according to the ambient temperature to achieve the best operation status. Hot water outflow quantity of Haier Tianmu POWER with such technology increased by 60% compared to the general heat pump, thus satisfying the water use demands in large-sized apartment. ② Aiming at the fact that it was difficult to satisfy the industrial demand of high-temperature water use and large water yield because the heating water temperature of commercial heat pump water heaters usually ranges from 60°C to 70°C, the Company introduced Haier Tianchi (海尔天炽) series products, which achieve an industry leading 90°C high-temperature for effluent water and could be used even if the air temperature is lowered to -25°C, and its coefficient of performance (COP) in -20°C is still as high as 2.1. According to online data, both overall sales volume and value of Haier air energy household heat pumps ranked 1st in the industry in the first half of 2018, being 7 times the industry growth.

Solar water heater: Traditional flat solar water heaters have low efficiency on cloudy and rainy days and only electric auxiliary water heater with low-efficiency heating can be used at night. Therefore the Company introduced an all-round fast heating technology, which can comprehensively absorb energy from sunshine, air or rain without being affected by weather, and achieves a heating speed of 2.5 times that of traditional products. The COP reaches 4.8, saving 80% power compared to the traditional heater. In this way, the Company provided users with a more energy-saving 24h hot water solution.

6. Kitchen appliance business.

We integrated FPA and GEA global leading technology platforms to accelerate the launch process of leading products and promote innovation of each product platform and to achieve a high-end complete intelligent kitchen solution for users. In the first half of 2018, under the negative growth of the kitchen appliance industry, we realized a revenue growth of 30% (excluding GEA) compared with the corresponding period of last year, while Casarte kitchen appliances recorded an increase of 215% as compared with the corresponding period of last year.

Gas stoves. ① To solve a safety problem that may be caused by pot burnout while forgetting to turn off the gas, the Company introduced dry burning-resistant gas stoves. The product turned off the gas after pot bottom burnout for 1 minute through intelligent NTC active heat source tracing technology; double-head 188-minute timing function and oil temperature control technology helped users to easily control cooking time and temperature. ② Because of China's new two child policy, the Company introduced special cooking utensils for baby food and line-styled three-head cooking utensils, to solve the problem that there was no stove available for baby food.

Ovens. Casarte steam energy oven launched with three core technologies including Vacuum Vent FPA cloud humidity control technology, Active Heat variable frequency and uniform temperature technology, and steam energy surrounding system to realize $\pm 1^{\circ}\text{C}$ accurate temperature control and improve preservation of food flavor and moisture.

Range hoods. To address lampblack diffusion, the Company introduced an air curtain 8° range hood. Such product formed an air curtain isolation between people and the range hood through rotary lampblack capture system to avoid lampblack diffusion; by integrating FPA resources, a direct drive motor system was matched and designed to realize operation with low noise and low energy consumption; to address the Chinese cooking environment, a DC variable frequency control system was optimized to realize 720 Pa air pressure and satisfy the demands of users in high-rise buildings.

Disinfection cabinets. Addressing the demands of infant & mom users, the Company developed the light-wave Pasteur infant & mom disinfection cabinet to disinfect tableware such as feeding bottle and nipple used by infants, thus enabling healthy eating for children. Such product became the only disinfection cabinet passing the infant & mom evaluation by CHEARI in the industry.

II. China: Focusing on the front-line channel competitiveness, the Company deepened the retail-oriented reform and enhanced its leading advantages over brand, network and mode.

The Company made significant achievements in its implementation “from product selling to scheme selling, from contact to conversion, from branch to contact, from price to value”. The Company maintained an increase of 20% for seven consecutive quarters since the fourth quarter of 2016 and its market share of whole line products kept increasing and ranked top in the industry. Revenue of refrigerators, washing machines, air conditioners, water heaters and kitchen appliances in the domestic market in the first half of the year increased by 18.3%, 21.5%, 27.2%, 18.2% and 22.4% year-on-year, respectively.

Transformation from product selling to scheme selling. The Company accelerated the implementation of smart integrated household experience store in front-end channels including home decoration materials and tooling works, and created a complete set of “one-stop, all-scenes, customized” smart home solution through complete design, sales and service offerings. In the first half of 2018, over 2,000 stores were constructed in the whole network. ① Complete design: Haier cloud design platform has the capability to design customized solutions for more than 20,000 model rooms with one click, and the on-site 3D/VR experience made it possible for users to visualize the design. ② Complete sales: transformation from single product selling to complete solution continues and traditional products displays were transformed into complete scene experience and traditional single product shopping guide was replaced with a complete household appliance consultant. ③ Complete service: network system and human resource system with complete service were established, and the service capability of pre-sale design + post-design installation was constructed to realize integrated service from design, delivery, commissioning, to the extension of warranty and replacement.

Transformation from branch to contact, and from transaction to interaction. Confronted with the daily integration of online and offline and the diversification of retail contacts, the Company expanded retail contacts through various channels, and planed different product combinations and adopted different training modes. This has increased the quantity of contacts and expanded product visibility. The continuous communication between contacts and users achieves a stronger interaction. The Company mastered feedback on products in a continuous and dynamic manner, and accelerated product iteration to realize the transformation from users to lifetime users. For example, by introducing the value of contact, social community and integrity platform and taking ‘1 brand, 1 website, and 1 ecology platform’ as breakthrough point, Shunguang Platform (顺逛平台) cumulatively achieved 1.25 million network contacts from household appliance to home decoration to home ecosystem in the first half year of 2018, of which 20,000 were offline O+O experience stores, 240,000 smart cloud shops to community and to village, and 1 million were WeChat shops. The Company introduced 41 products for the first time. In the first half of 2018, the large Shunguang platform realized a trading value of RMB 6.87 billion, representing an increase of 66.5% as compared to the corresponding period of last year.

Enhancement of quality of contacts through various measures: ① KA channel: the super store model was built, channel experience was upgraded, and high-end structure ratio was enhanced; ② Exclusive store channel: the Company accelerated the network construction of blank counties and enhanced the competitiveness of weak counties. The competitiveness of village and town network was enhanced by conveying the objectives, resources and services to towns through Jushanghui (巨商汇) and Yilihuo (易理货) to open up retail outlets. ③ Comprehensive store channel: the Company enhanced customer profitability by maintaining the top position, the largest share and the construction of a special Casarte hall. ④ E-commerce channel: the Company improved its operation capability and enhanced proportion of high-end products through differentiated new products. In the first half of 2018, E-commerce revenue recorded an increase of over 40%.

Transformation from contact to conversion. The Company achieved enhanced use interaction through activities at stores including free air wash of high-end clothes and half-cutting foods in refrigerators, creating a buying atmosphere that involved emotions in a social community and achieving positive feedback.

Transformation from price to value. Market competitiveness was improved through differentiated products and technologies. For example, Casarte was gradually recognized by the market and accelerated its high growth by constantly launching high-end classic products and strengthening services for the high-end community. Our revenue increased by 52% in the first half of 2018, with an increase of 54% in the second quarter. Our market share in the high-end market in China was far ahead, accounting for 39.2% of RMB10,000 share for refrigerators and 74% of RMB10,000 share for washing machines. Thus, our position in the industry was consolidated as Top1 high-end household appliance brand in China.

III. Overseas market: With the goal of localized branding and leadership, we continued to push ahead with the ‘triple strategy’ of “manufacturing, marketing and R&D”. We focused on competitiveness in channels, and promoted the transformation to high-end brands.

1. North America Market: Continued implementation of *Individual and Goal Combination* Management system, and delivered strong growth in a soft industry.

US home appliance shipments remained flat in the first half of 2018, and declined 5% in the second quarter. With 11% growth in USD sales in 1H2018, GEA achieved exceptional performance and far outpaced the industry growth.

Per data from The Stevenson Company, a third-party institution, GEA has grown its share in 1H2018.

During the reporting period, GEA continued to implement the *Individual and Goal Combination* business model, establish end-to-end collaboration operating system, adhere to the goal of becoming industry leader, improve response time to customers and be recognized. It also increased interaction with users and customers, promoted national marketing campaigns as well as customer-specific or

region-specific marketing campaigns to improve GEA brand awareness. Launch of leading products helped close product gaps, including brand new 27-inch Top Load Laundry, Front Control Free-Standing range, Door-in-Door Refrigerator, and Value French Door Refrigerator.

Continued efforts to promote global synergies: ① Procurement Synergy. Building global big data system, focused on exploration and execution of 16 design optimization and synergy opportunities with high priority. ② Supply Chain Synergy. Promoted best practice sharing of leading technologies and processes across the world through the global supply chain manufacturing platform, and utilizing Haier's global scale, industry experience and organizational talent. ③ Product Synergy. Filled product gaps in GEA's portfolio, and achieved sustained leading position, by utilizing Haier's leading product platform and integrating resources to develop products that meet US consumer needs. ④ Sales Synergy. Enriched product offerings to GEA China business: 60+ SKUs within 5 series had passed GEA safety review and qualified for China 3C Certification; 20+ SKUs were newly planned to strengthen product portfolio of contract channel. In total, 11 GEA branded experience stores were opened in China.

2. European market: Laid the foundation for continuous business growth through the launch of leading products, marketing and expansion of channels, as well as localization of supply chain. A growth of 22% was recorded in the first half of 2018.

(1) A leader in the launch of products. ① Launched Cube series refrigerator, 60 wide series drawer-type refrigerator to meet the demand of users for exquisite fashion appearance and large freezer space; full space fresh-keeping refrigerator providing users with scientific storage solutions for storing dried fruits and frozen meat. ② On the European market, the Hercules air-cooled magnetic levitation water machine unit made its debut, while products were upgraded to internet appliances for interconnection through the E+ cloud service platform, the first of its kind in the industry.

(2) Marketing and expansion of channels. Cooperated with core customers to invest in marketing resources to promote Haier's transformation to a high-end brand, and enhanced the harmony of in-store display: invested in construction of model stores, built a system of direct sales staff, and enhanced display image. For example, cooperation with the largest household appliance channel in the UK to achieve store training of multi-door refrigerators; made breakthrough in the D channel cooperation in the French market, making Haier the only brand equipped with direct sales staff in the D channel. Through the launch of highly-recognized channels, such as the Shanghai Home Expo, the Italian MCE Show and other official press conferences, the interaction with high-end customers was enhanced, providing opportunity for gaining deeper insight into the global industrial layout and capability of innovative products of Haier.

(3) Construction of localized supply chain. The Russian refrigerator factory was running at full capacity in the first half of 2018. The factory delivered an output of 100,000 units, an increase of 46% over the same period of last year, with production efficiency increasing by 25%. The factory took an

active approach to promote the localization of materials and reduce the exchange rate risk of the ruble while improving the gross profit. By the first half of the year, 68% of the materials had been procured locally. On May 28, the groundbreaking ceremony for the Haier Russian Industrial Park and washing machine factory was held in Cherne, Republic of Tatarstan, Russia. The Haier washing machine factory was the first European factory established by a player in the washing machine industry from China, promoting localization of Haier's "trinity" model in Russia to a new stage. Through such initiative, Haier will be capable of providing consumers in Russia and Europe with products based on local design and local manufacturing to improve the response speed of the local market.

3. South Asian market: Overall income in the first half of 2018 increased by 28% and leading the industry.

(1) Pakistan. The overall share of Haier brand reached 28%, ranking first in the industry, which was 1.5 times of the runner-up. ① **Leading Products:** We launched a full range of portfolio covering a number of efficient, healthy, intelligent and fashionable products, such as cleaning-free air-conditioner, UPS uninterrupted refrigeration series air-conditioner, "ONE TOUCH" automatic washing machine to drive the industrial growth. As a result, revenue from air conditioners increased by 43% and revenue from washing machines increased by 27.5%. ② **Branding leadership:** Promoted online and offline interaction to create a high-end brand image. In the online channel, intelligent leadership was used as a communication point, while the standardization of one thousand stores in one hundred cities was promoted through the offline channel. Standardized display, image and user shopping experience was created and made breakthrough in the establishment of high-end image stores, and opened 5 high-end flagship stores. ③ **Creation of channels:** transformed the policy-oriented commodity-stocking system to retail mechanism based on the iterative upgrading of user experience. Differentiated various type of networks and ensured a balanced development based on the Company's strategy and product line resources; strengthened the construction of channels, and changed the mode from paid by customers to paid by users, with a view to promote the transformation of retail business in a comprehensive manner.

(2) India. ① **Leading Products:** promoted the growth of mid- and high-end products and achieved leading position in the industry with top products, such as BM refrigerator, kitchen appliances and refrigerator, partitioned washing & variable frequency direct drive washing machine and intelligent air-conditioner. ② **Market network:** promoted retail transformation, regulated channel resources, while realizing horizontal expansion of network and vertical strengthening of stickiness through second sales and service. Focused on follow-up retail and display and enhanced competitiveness of terminals through training of direct sales staff and standardization of terminal display. Strengthened and standardized the intensity of regular training and the scheduling of training for regional marketing staff and direct sales staff, while enhancing the participation of the product lines, and conducted real-time assessment and publication. ③ **Branding and marketing:** Secured the relay baton of the India and Sri Lanka cricket tour for significantly enhanced brand awareness; leveraging the unique feature of differentiated products, we

had established a differentiated high-end product image by securing the TVC of BM&SCT during the IPL (Indian Premier League) event consecutively in April - May. ④ After-sales: We further expanded the direct and franchise service network, with over 450 full service networks; carried out training and certification of service engineers, ensured service capability in terms of breadth and depth as well as special work such as optimization and upgrading of internal standard system. A work order audit will be carried out to improve the service system and cost optimization. ⑤ Supply chain: Pune Industrial Park achieved the goal of production and sales budget in the first half of the year. For refrigerator products, a total of 850,000 units were produced and delivered in the first half of the year, representing a year-on-year growth of 200%. For air-conditioners and washing machines, the budgeted production set at the beginning of the year was achieved. The gradual improvement of the supply chain system has realized the order production basing on the market budget target, ensuring the timeliness and response speed of the terminal sales.

4. Japanese market.

Community washing has achieved a win-win situation in the eco-sphere, cross-border cooperation and overseas model replication continues to expand. ① Branding: Actively implemented multi-dimensional dual marketing activities online and offline to enhance brand awareness. ② Product strategy: We continued to transform high-end products and increase the proportion of large-volume and high-value products. The launch of the SV series of AQUA refrigerators with brand-new VBL appearance and the import of new products into residential washing machines continued to expand the portfolio of high-end products, such as machines integrating washing and drying functions and models with large capacity. ③ Channel strategy: focused on the development of mass merchandiser channels, and particularly strengthened cooperation with KS and BIC; for AQUA commercial washing, cross-industry cooperation was promoted, and cooperation with the Family Mart was progressing smoothly; developed introduction plan for Thailand and South Korea for the commercial washing platform of Internet of Things.

5. Southeast Asian market.

With the continued implementation of branding leadership strategy and *Individual and Goal Combination* business model, the Thailand and Malaysia market delivered outstanding performance, recording growth of 26% and 70%, respectively. ① Product strategy: We pushed ahead with the parallel combination of small and micro segments with headquarter resources, while introducing the full range of high-end differentiated products, thus realizing the simultaneous launch of leading product platforms and implementing high-end differentiated transformation. ② Channel strategy: We promoted the transformation of channel retail and increased the layout of networks. In the stores, we enhanced the retail performance by improving product image and sample materialization, strengthening training on knowledge of products, and by enhancing the channel experience, improving the efficiency of network and enhancing brand image; besides, we actively promoted in-depth cooperation with large channels of

chain stores. ③ Supply chain: The Thailand factory promoted product iteration and produced new refrigerator products with new glass door appearance; average cost reduction of 3% for key models was achieved; single-hour production of the refrigerator factory increased by 17%.

6. Latin American market.

To strengthen competitiveness of products and service through the *Individual and Goal Combination* model and small & micro-mechanism. ① R&D collaboration: We promoted collaboration with MABE, complete the development work of new products to over 200 which includes refrigerator, freezer, wash machine and air-conditioner, and realized the first shipment of more than 100 models for the first order. ② Market synergy: A new MABE product portfolio to be launched in the Latin American market in the year 2019.

7. Middle East and African market.

Facing the negative impact of changes in the political and economic environment of the market, we took a proactive approach to cope with the situation through the adjustment to products, as well as expansion of new business and new channels. In terms of products: In Saudi Arabia, we continued to promote high-end products such as door open/T-door refrigerators, large-capacity washing machines, and variable-frequency intelligent air-conditioners; in Israel, the T-door series refrigerators achieved rapid growth and maintained third place in terms of share of the channel market; in Nigeria, we promoted the transformation of high-end products.

IV. Smart home life platform: iterative platform technology solution with a focus on application for AI artificial intelligence scenes; Focusing on Haier's competitiveness in smart home market to create the "4+7+N" full scene solution.

To empower the ecology with platform, drive innovation with technologies. We released a strategy for upgrading of the U+ smart life platform to U+ smart life platform X.0 and promoted the implementation of "1+2+3N", namely a smart home operating system UHomeOS and "IOT+AI" dual engine to serve the three customizations, which are "customized interaction, scenarios and services ". During the reporting period, UHomeOS has passed the first phase of expert reviews as the only smart home operating system included in the 13th Five-Year Project for Core, High and Fundamental Technologies of the Ministry of Industry and Information Technology, which consolidated and compacted the advantages of IoT capability and product interconnection experience, network binding experience, and scene interaction experience.

To emphasize the way users interact and the value of solution delivered through the portal. With the insight into the trend of smart home human-computer interaction, completed the layout for distributed multi-modal user interaction portal, and form a variety of user interaction portals such as APP, voice and screen network. In the scenes of natural voice interaction, especially the smart home vertical scene, completed the deployment for key interaction technology of voice and semantics, thus providing strong support for future products and solutions. With the continued growth of data related to

user interaction behaviors, which amounted to more than 500 billion, the value of big data began to materialize in various applications, such as food recommendation, water heater energy saving, energy management for air-conditioners.

As part of its efforts in promoting smart homes on a large scale, the Company released the “4+7+N” full-scene solution, which provides a customizable one-stop packaged solution, covering the four physical areas of living, i.e. living room, kitchen, bedroom and bathroom, and seven major solutions including food, water, air, washing and care, security, entertainment, etc., and provides support for personalized scene-based customization. Smart home experience store provides users with offline channels for the experience and sales of products; meanwhile, greater efforts were made to expand the front-end installation market, including major customers from real estate industry, major customers from hotel industry, etc., thus extending our competitiveness from product to the channel as a whole; We have established the capabilities for delivery of a packaged solution – “packaged experience, design, sales and services”. Through these initiatives, we have promoted the implementation of smart home solutions for the user side in an effective manner. In the first half of the year, The activation rate of smart appliance increased by 32.8%, packaged solution increased by 134% year-on-year, the revenue of Internet of Things amounted to RMB1.26 billion, representing a increase of 13 times, the number of smart homes users increased by 30.4% year-on-year.

Promote the construction of ecological circles such as the Internet of Clothes and the Internet of Food. For example, Haier’s Internet of Clothing met the needs of users throughout the process of washing, purchasing, wearing, care and changing and formed the Internet of Clothing ecological circle based on the RFID chip technology for Internet of Things and by leveraging on the medium of clothing, as well as building parallel collaboration with other resources such as clothing brands, clothing associations and detergent brands. Users share with ecological partners through the cloud platform as they purchase products with the help of RFID smart solutions and by using the smart home appliances such as Haier washing machines and clothing care cabinets to share the data with the eco-partners through the cloud platform, while the enterprises in the eco-sphere providing solutions based on the dynamic needs of users. The Internet of Clothing ecology has attracted various manufacturers including Blue Moon, HLA, Mercury Household Textiles, WENSLI and EP with more than 1,800 ecological resources on the platform. In terms of the establishment of standards, in May 2018, GS1 China selected Haier’s Internet of Clothing Alliance to jointly develop national standards for clothing commodity coding rules, and jointly promoted the application of the standard in the apparel industry. The application for the clothing association standard submitted by the Company was also accepted by IEEE, the authoritative international standardization organization. Actively promote the globalization of the Internet of Clothing brand, from China to Japan, the United States, South Korea, Thailand and other countries. In the first half of the year, the ecological income of the Internet of Clothing increased by 15 times year-on-year.

The Internet of Food takes smart refrigerator, smart oven and smart ventilator and stove as the interaction portals to combine such data as eating habits, content of preferences, and habits generated

during the interactive process of smart kitchen scenes with the individual exercise data and health data in order to provide users with value-added services, including physical examination surveillance ,smart cooking, safe food purchases, monitoring pesticide residues in food ingredients, smart storage, and nutrition program formulation. The company took the lead in establishing the Internet of Food Alliance and setting up relevant standards, market share of the Company's smart refrigerator is 47.33%,representing 2.04 times of the runner-up; the Internet of Food collect seven modules with resources coming from 400 parties, the ecological income increased by 20 times year-on-year.

V. COSMOPlat Industrial Internet Platform empowers enterprises to transform from mass manufacturing to mass customization through reshaping the industrial value chain and ecological chain and building the new win-win industrial ecosystem engaging enterprises, users and resources.

Guided by the principle of “becoming a globally leading world-class branded platform in the industrial IOT ecosystem”, COSMOPlat is dedicated to enhance the production system. In the first half of 2018, it became the “Demonstration Platform for Integration Application of Industrial Internet-based Intelligent Manufacturing” and was shortlisted for the “Industrial Internet-based Innovation and Development Project 2018”. International standard organizations IEEE/ISO approved Haier to lead the development of international standards for the model of mass customization. This was the first time that a Chinese company took a leading role in developing international standards in relation to models of manufacturing. In the first half of the year, COSMOPlat recorded revenue of RMB 2.783 billion.

To date, 10 interconnected factories have been built within the Company. Iteration of product and user experience and the upgrade of users to lifetime users were achieved through the participation of users, R&D and supplier resources in the full life cycle of products. The non-stock rate of products reached 71%.

In terms of external services, COSMOPlat provided interconnection and interoperability with seven modules through the ecosystem, offering the IoT ecology in 15 industries such as ,the the Internet of Clothing , Internet of Food, agriculture, and RV, so as to provide customized social services of large-scale and promote enterprise transformation and upgrading. For example, the agricultural sub-platform, the model of Jinxiang garlic was created, realizing one-click customization of a healthy lifestyle online, while meeting the needs of users for iconic agricultural products from the place of origin through the offline channel; For the automobile platform, the first intelligent manufacturing interconnection plant in the auto industry was built for Compaks（康派斯）, with a view to solving the problem of fragmentation of parts procurement in the RV industry. In addition, the platform also provides value-added services to other companies by taking advantage of its centralized procurement system.

VI. Logistics service business.

In the first half of 2018, Gooday Logistics' business revenue maintained steady growth.

We continued to deepen the cooperation with major e-commerce platforms to provide high-quality regional distribution and last-mile service for large-sized household appliances of Tmall and Jingdong platforms. The share of Haier brand's Tmall order has maintained a high growth rate of 50% year-on-year, while the public praise (DSR) reached 4.93, much higher than the industrial average of 4.86 and that of peers. During the 618 E-commerce Shopping Festival, the punctuality rate of Gooday Logistics was as high as 99%, higher than the 97.5% level of the industry.

We continue to address the household market, and strive to provide Omni-channel logistics services for household customers. Relying on good reputation and advantages in the field of large-sized household appliances, the overall income of the household business increased by 11%. By further deepening cooperation with the Green hand, an income of 18 million was achieved. At the same time, we have further consolidated cooperation with major customers such as SLEEMON, DeRUCCI, MANWAH and YALAN.

Gooday Logistics continuously strengthened the platform network and actively deployed intelligent and automated warehouses to set a benchmark for the logistics industry of large-scale packages. At present, the total warehouse area is 3.57 million square meters, of which 1.22 million square meters are self-built warehouses and the proportion of self-built warehouses reaches 30%. In Hangzhou, the intelligent unmanned warehouse for small and medium-sized packages is deployed to realize intelligent management and the integration of warehouse and goods. Besides, the full scene visualization management in the warehouse is realized through the panoramic scanning and visual and monitoring equipment to accumulate experience for large-scale replication in the future. Smart warehouses are expected to improve the efficiency of goods storage, sorting and delivery, reduce labor costs and enhance the competitiveness of logistics in the field of intelligent warehouse management.

II. Development Plan for the Second Half of the Year

(I) Industry outlook

Domestic market: In the short-term, the demand for the refrigerator and washing machine industry is relatively stable and the unit price increase brought by the product upgrading is the main growth driver. The air-conditioning industry is facing a comparison with the high base in the second half of 2017. The impact of real estate control policies on real estate sales has suppressed the sales of front-end products such as kitchen appliances, water heaters and air conditioners. In the long run, the quality upgrade brought by consumers' longing for a better lifestyle will continue to promote the development of the industry.

Global market: Uncertainty of global economic growth was exacerbated with the looming global trade war. In particular, the accelerating decline in the export of emerging economies, depressed the

economic outlook. With US interest hikes, we may see increased instability of the global financial markets, which may have adverse impacts on the global economy.

(II) Development plan for the second half of the year

In response to the challenges brought by the external environment, the Company will adhere to its strategy of product leadership, retail transformation and globalized operations, and continue to enhance our competitiveness, expand leadership in the refrigerator, washing machines and water heater industries, while accelerating the pace of development of the air-conditioner industry and kitchen appliance industry, and to realize growth in our household appliances business against the economic backdrop; focus on the smart home business, continue to promote the business transformation of the Internet of Things, while promoting the formation of ecological circles, the creation of ecological brands, and the cultivation of ecological revenue.

Domestic market: (1) Improve the competitiveness of the network of contact points: ① Continuously promote the number of contact points to ensure that all users' needs are met and full coverage of blank/weak areas is achieved; ② In terms of the quality of the contact points, the stores were continued to upgrade through the upgrade certain stores to specialty stores. For small towns, from wholesale-to-town to service-to-town, we achieved the goal-to-town, market stability, price transparency and efficient operation of information tools. (2) Promote the rapid growth of the full set smart families: we continued to improve the portfolio, promoted the sales and service of the full set of products and targeted the front-end home improvement users through the construction of building materials and household channel stores, thus changed from selling products to selling solutions.

Overseas market: Continue Haier's focus on globalization for many years, adhering to the advantages accumulated through its own brand and strategy of localization, while speeding up the transformation of terminals across different regions, and increasing the proportion of high-end products while enhancing profitability. With the guarantee of the mechanism of parallel betting and open system, we will continue to promote the localization of *Individual and Goal Combination* model.

Smart Home Platform: We focused on the continuous improvement of market competitiveness and user experience of Haier Smart Home Solutions and effectively promoted the orderly implementation of U+ Smart Life X.0 strategy. Promoting the construction of the platform of Internet of Things (IoT) integrating Internet of Food and the Internet of Clothing to realize the globalization of eco-brands, internationalization of standards and the regionalization of ecological services, and achieving the full platform of services from solutions to ecological services, while building up users, data and capabilities of platform service.

COSMOPlat platform: Focusing on building an industrial ecosystem, we aim to drive the construction of the platform's universal capability system through the construction of an industry-level industrial Internet platform. ① Promote the output of relevant international standards; ② Internally, we enhanced the ability of interconnection in the entire process and opened the ecosystem to promote the replication of interconnected factories in global manufacturing bases; ③ Externally, gradually

addressing five industrial ecosystems such as clothing, RV, agriculture, molds and machinery promote the transformation and upgrading of enterprises in the economy and creating a new industrial ecology.

(I) Analysis of principal business

1 Table of movement analysis on the related items in financial statement

Unit and Currency: RMB

Items	Current period	Corresponding period of last year	Change (%)
Operating revenue	88,591,626,626.07	77,585,007,913.93	14.19
Operating cost	62,924,743,807.78	54,161,628,234.79	16.18
Sales expense	13,106,599,051.97	12,180,499,014.03	7.60
Administration expenses	5,951,531,296.20	5,393,556,967.87	10.35
Financial expenses	424,983,265.35	611,674,697.24	-30.52
Net cash flows generating from operating activities	5,368,385,954.02	8,434,402,658.46	-36.35
Net cash flows generating from investing activities	-2,849,012,025.94	-2,377,591,031.60	-19.83
Net cash flows generating from financing activities	-4,684,467,409.14	-503,568,975.15	-830.25
Development expenses	431,905,938.29	966,051,333.81	-55.29
Interests of changes on fair value	36,661,921.50	412,063,845.15	-91.10
Investment income	867,458,988.96	653,842,714.35	32.67
Income from disposal of assets	5,668,073.53	-7,148,339.24	179.29
Other income	224,292,412.02	134,742,567.52	66.46
Non-operating income expense	48,392,538.09	77,391,457.25	-37.47

Analysis of the reasons for the changes in the cash flow statement indicators with large changes:

(1) The net cash flow from operating activities decreased by 36.4% as compared with the corresponding period of last year, mainly due to the higher net cash flow and the larger base from operating activities during the same period of last year; the net cash flow from operating activities in the current period matches the profitability and achieves the goal;

(2) The net cash flow from financing activities decreased by 830.3% as compared with the corresponding period of last year, mainly due to the decrease in new external borrowings in the current period as compared with the corresponding period of last year.

2 Others

(1) Detailed explanation on the material changes in the composition of profit or resources of profit of the Company

√ Applicable □ Not Applicable

Analysis of the reasons for the changes in the profit statement indicators with large changes:

(1) The financial expenses decreased by 30.5% as compared with the corresponding period of last year, which was mainly attributable to the decrease in exchange losses during the current period as compared with the corresponding period of last year;

(2) The income of changes in fair value decreased by 91.1% as compared with the corresponding period of last year, which was mainly attributable to the influence of change in fair value of derivative financial instruments such as future exchange;

(3) Investment income increased by 32.7% as compared with the corresponding period of last year, which was mainly attributable to the increase in investment income from the disposal of financial assets at fair value through profit or loss for the current period;

(4) The profit and loss of asset disposal increased by 179.3% as compared with the corresponding period of last year, which was mainly attributable to the higher disposal expenses of daily assets during the corresponding period of last year;

(5) Other income increased by 66.5% as compared with the corresponding period of last year, which was mainly due to the increase in government grants related to daily operations and included in current profit or loss;

(6) Non-operating expenses decreased by 37.5% as compared with the corresponding period of last year, which was mainly due to the scrapping of some fixed assets in the corresponding period of last year and fewer occurrences for the period.

(2) Others

√ Applicable □ Not Applicable

Principle operating activities by products and regions

Unit and Currency: RMB0'000

Principle operating activities by products						
By product	Operating revenue	Operating cost	Gross profit margin (%)	Operating revenue increased/decreased yoy (%)	Operating cost increased/decreased yoy (%)	Gross profit margin increased/decreased yoy (%)
Air-conditioners	1,919,372.56	1,336,251.27	30.38	17.56	20.11	-1.48
Refrigerators	2,544,276.92	1,756,113.43	30.98	11.87	13.90	-1.23
Kitchen appliances	1,047,278.63	683,567.26	34.73	5.12	6.13	-0.62
Water heater	387,178.67	219,184.34	43.39	21.04	20.02	0.48
Washing machines	1,628,231.52	1,086,960.26	33.24	17.60	19.94	-1.30
Equipment components	124,808.42	108,921.32	12.73	-16.50	-13.66	-2.88
Channel integrated services business and others	1,182,019.42	1,086,269.36	8.10	22.11	21.19	0.69
Principle operating activities by regions						
By region	Operating revenue	Operating cost	Gross profit margin (%)	Operating revenue increased/decreased yoy (%)	Operating cost increased/decreased yoy (%)	Gross profit margin increased/decreased yoy (%)
Mainland China	5,272,148.08	3,589,477.61	31.92	24.46	23.22	0.68
Other countries/regions	3,561,018.06	2,687,789.62	24.52	2.06	7.65	-3.92

Note: Due to the reclassification of certain logistics freight according to the new income standard, the gross profit margin of the Company's refrigerators, washing machines, air conditioners and kitchen

appliances decreased year-on-year. After the restoration: ① The refrigerator (excluding GEA, the same below) increased by 1 percentage point, washing machine increased by 1 percentage point, air conditioning decreased by 1 percentage point, kitchen appliances increased by 0.3 percentage points, water heater increased by 0.5 percentage points; ② the gross profit margin of GEA business increased by 1.2 percentage points.

(II) **Explanation of non-operating business leading to significant changes in profit**

Applicable Not Applicable

(III) **Analysis of assets and liabilities**

Applicable Not Applicable

1. Assets and liabilities

Unit and Currency: RMB

Items	Amount as at the end of the period	Percentage of amount at the end of the period over total assets (%)	Amount as at the end of last period	Percentage of amount at the end of the previous period over total assets (%)	Percentage of change in amount from the end of previous period to current period (%)
Derivative financial assets	40,947,728.30	0.03	20,681,695.50	0.01	97.99
Accounts receivables	16,906,190,691.77	10.74	12,448,004,833.06	8.22	35.81
Assets held for sale	1,233,866,625.56	0.78		0.00	100.00
Construction in progress	2,582,745,338.39	1.64	1,530,390,130.25	1.01	68.76
Development expenses	431,905,938.29	0.27	966,051,333.81	0.64	-55.29
Derivative financial liabilities	4,440,154.26	0.00	2,524,569.45	0.00	75.88
Receipts in advance	3,485,578,719.92	2.21	5,833,552,815.05	3.85	-40.25
Dividends payable	529,822,661.11	0.34	153,756,315.64	0.10	244.59
Liabilities held for sale	296,505,653.77	0.19		0.00	100.00
Deferred income tax liabilities	162,602,680.85	0.10	279,114,620.35	0.18	-41.74
Other comprehensive income	270,306,171.37	0.17	-36,363,809.96	-0.02	843.34

Other explanations

Analysis of the reasons for the changes in the balance sheet indicators with large changes:

- (1) Derivative financial assets increased by 98.0% as compared with the beginning of the year, which was mainly due to the impact of changes in fair value of derivative financial instruments such as foreign exchange contracts during the period;
- (2) Accounts receivables increased by 35.8% as compared with the beginning of the year, which was mainly due to the growth of business;
- (3) Assets held for sale/ liabilities held for sale increased by 100% as compared with the beginning of the year, which was mainly due to the Company plans to dispose 58.08% of the equity of Shengfeng Logistics Group Co., Ltd. for business planning considerations;
- (4) Construction in progress increased by 68.8% as compared with the beginning of the year, which was mainly due to the Company expanded its industrial lines' production capacity and upgraded its industrial lines such as smart kitchens, air conditioners and refrigerators during the period;
- (5) Development expenses increased by 55.3% as compared with the beginning of the year, which was mainly due to the relevant development transferred to the intangible assets when it reaches the scheduled usable status in the current period;
- (6) Derivative financial liabilities increased by 75.9% as compared with the beginning of the year, which was mainly due to the impact of changes in fair value of derivative financial instruments such as foreign exchange contracts during the period;
- (7) Advances from customers decreased by 40.3% as compared with the beginning of the year, which was mainly due to the centralized take delivery of goods by customers during the middle of the year;
- (8) Dividends payable increased by 244.6% as compared with the beginning of the year, which was mainly due to the dividends payable by the Company's subsidiaries to minority shareholders;
- (9) Deferred income tax liabilities decreased by 41.7% as compared with the beginning of the year, which was mainly due to the decrease in the reserve of income tax of foreign companies due to the actual overseas dividends distributed by the subsidiaries of the Company;
- (10) Other comprehensive income increased by 843.3% as compared with the beginning of the year, which was mainly due to the increase in the share of other comprehensive income that will be reclassified into profit or loss and the change in foreign currency translation differences.

2. Restrictions on major assets at the end of reporting period

Applicable Not Applicable

(IV) Analysis on investment

1、Overall analysis on external equity investment

Applicable Not Applicable

During the reporting period, the external significant equity investment of the Company amounted to RMB 1.906 billion.

Name of investees	Major operating activities	Percentage of the equity interest of investees	Remark	Amount of investment (RMB 100 million)	Investment Amount (RMB 100 million)

		(%)			
Haier New Zealand Investment Holding Company Limited	investment holding, etc.	100	For details, please refer to the Announcement on the Transfer of the 100% Equity of Haier New Zealand Investment Holding Company Limited by Qingdao Haier Co., Ltd. and Connected Transaction disclosed on 26 April 2018 as well as relevant announcement of the Board.	19.06	0

Note: As of the date of disclosure of this periodic report, the above equity transfer has been completed.

(1) Significant equity investment

Applicable Not Applicable

Please refer to the content in “1.Overall analysis on external equity investment” as set out above..

(2) Significant non-equity investment

Applicable Not Applicable

(3) Financial assets measured at fair value

Applicable Not Applicable

Abbreviation of security	Initial cost of investment	Sources of funds	Current purchase / sale during the reporting period	Investment income during the reporting period	Changes in fair value during the reporting period
Bank of Communications (601328)	1,803,769.50	Own funds			-544,219.66
BAILIAN (600827)	154,770.00	Own funds			-110,148.54
Eastsoft (300183)	18,713,562.84	Own funds			-2,558,067.44
Others	1,284,739,184.31	Own funds	-10,334.91	75,454,104.49	153,067,058.21
Forward foreign exchange contract (Note)				156,598,679.71	17,520,754.03
Total	1,305,411,286.65		-10,334.91	232,052,784.20	167,375,376.60

Note: As of 30 June 2018, the aggregate balance of foreign exchange derivative transaction amounted to approximately US\$3.6 billion.

(V) Material Assets and Equity Disposal

Applicable Not Applicable

During the reporting period, the Company transferred its 22% of equity interests in Haier Medical and Laboratory Products Co., Ltd. to Haier BioMedical Holdings Co., Ltd. (青岛海尔生物医疗控股有限公司) with a consideration of RMB505 million. For details, please refer to the Announcement on the

Transfer of the 22% Equity of Haier Medical and Laboratory Products Co., Ltd. (青岛海尔特种电器有限公司) by Qingdao Haier Co., Ltd. and Connected Transaction disclosed on 22 June 2018 (No. L2018-037).

(VI) Analysis on Major Controlling Companies

Applicable Not Applicable

Unit: RMB0'000

Name of company	Scope of business	Total assets	Net assets	Net Profit
Haier Electronics Group Co., Ltd.	Production and sale of household appliances	4,390,206	2,436,017	179,361

Note: The financial data of Haier Electronics Group Co., Ltd. is determined in accordance with the accounting standards in the PRC and the accounting policies of the Company.

(VII) Information on the Main Structure Controlled by the Company

Applicable Not Applicable

II. Other disclosures

(I) Warning and explanation for any prediction of accumulated net loss from the beginning of the year to the end of the next reporting period or substantial change in accumulated net profit as compare to the same period last year

Applicable Not Applicable

(II) Potential risks

Applicable Not Applicable

1. Risk of soft demand due to a slowdown in macro-economic growth. As white home appliance products fall into the category of durable consumer electronic products, the income level and expectation on future income growth will have an effect on the purchase of white goods. In the event of a slowdown in the macro economic growth, which will decrease the purchasing power of consumers, growth of the industry will be adversely affected. In addition, uncertainties from the real estate market will have some negative effect on market demand, which will in turn have some indirect effect on demand for home appliance products.

2. Price war risk caused by intensifying industry competition. In a long run, the market concentration of white home appliance industry continues to rise, but in short-term, due to the imbalance between supply and demand caused by high capacity generated from industry expansion and decreasing of industry demand in recent years, the industry inventory amount rises. Under the background of product homogeneity, price war will become a short term approach to increase its market share.

3. Risk of rise in cost. Bulk raw materials such as copper, aluminum, steel plate, and oil-related plastic particles and foam materials account for a large proportion in the cost of white goods production. The Company will endure more cost pressure if price of raw material continues to rise.

4. Operating risk in oversea market. The Company has set up a dozen of production base, research and development center and marketing center in a number of countries around the world, leading to the continuous rise of oversea business. As the oversea market is more subject to the impact of local political and economic situation, legal system and supervisory system, significant changes of such factors would pose risks to the Company's operation locally.

5. Risk of fluctuation in foreign currency exchange rate. Significant fluctuations in exchange rates may not only have an adverse impact on the Company's exports, but may also result in an exchange loss and an increase financial costs.

(III) Other disclosures

Applicable Not Applicable

SECTION V SIGNIFICANT EVENTS

I. Introduction to the General Meeting of shareholders

Meeting	Date	Index for details of websites designated for publishing resolutions	Date of disclosure
First Extraordinary General Meeting in 2018	27 April 2018	For details, please refer to the Announcement on Resolutions Passed at the 2018 First Extraordinary General Meeting of Qingdao Haier Co., Ltd. (L2018-023) published by the Company on the website of Shanghai Stock Exchange and the four major securities newspapers.	28 April 2018
2017 Annual General Meeting	18 May 2018	For details, please refer to the Announcement on Resolutions Passed at the 2017 Annual General Meeting of Qingdao Haier Co., Ltd. (L2018-028) published by the Company on the website of Shanghai Stock Exchange and the four major securities newspapers.	19 May 2018

Explanation of Shareholders' general meeting

Applicable Not Applicable

(1) The 2018 First Extraordinary General Meeting of the Company (the "2018 first EGM") was held by way of on-site voting and network voting by poll at Room A108, Haier University, Haier Information Park, No.1 Haier Road, Qingdao, the PRC, in the afternoon on 27 April 2018. The Company's share capital in aggregate amounted to 6,097,402,727 shares. 96 shareholders and proxies attended the meeting, holding a total of 3,502,250,459 shares, representing 57.44% of the total number of shares of the Company with voting rights. The Directors, supervisors and senior management of the Company as well as the lawyers engaged by the Company also attended the meeting. The 2018 first EGM was convened by the Board of the Company. Vice Chairman Ms. Tan Lixia, presided over the 2018 first EGM. The Company had 9 Directors, of whom 2 Director attended the 2018 first EGM (Directors Liang Haishan, Wu Changqi, Peng Jianfeng, Zhou Hongbo, Liu Haifeng David, Wu Cheng and Dai Deming were unable to attend the 2018 first EGM due to personal engagement); the Company had 3 supervisors, 2 of whom attended the 2018 first EGM (supervisor Wang Yuqing was unable to attend the 2018 first EGM due to personal engagement). The secretary to the Board of the Company attended the 2018 first EGM and other members of senior management of the Company were invited to attend the 2018 first EGM.

(2) The 2017 Annual General Meeting of the Company (the "2017 AGM") was held by way of on-site voting and network voting by poll at Room A108, Haier University, Haier Information Park, No.1 Haier Road, Qingdao, the PRC, in the afternoon on 18 May 2018. The Company's share capital in aggregate amounted to 6,097,630,727 shares. 73 shareholders and proxies attended the meeting, holding a total of 3,485,550,588 shares, representing 57.16% of the total number of shares of the Company with voting rights. The Directors, supervisors and senior management of the Company as well as the lawyers engaged by the Company also attended the meeting. The 2017 AGM was convened by the Board of the

Company. Chairman Mr. Liang Haishan, presided over the 2017 AGM. The Company had 9 Directors, of whom 2 Director attended the 2017 AGM (Directors Tan Lixia , Wu Changqi, Peng Jianfeng, Zhou Hongbo, Liu Haifeng David, Wu Cheng and Shi Tiantao were unable to attend the 2017 AGM due to personal engagement); the Company had 3 supervisors, all of whom attended the 2017 AGM. The secretary to the Board of the Company attended the 2017 AGM and other members of senior management of the Company were invited to attend the 2017 AGM.

II. Proposal of Profit Distribution or Capitalization of Capital Reserve

(I) Proposal for Interim Profit Distribution and proposal for Capitalization of Capital Reserve

Whether distributed or converted	No
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III. Performance on Undertakings

(I) The undertakings made by the ultimate controller, shareholders, related parties, purchasers and the Company and others during or up to the reporting period

√Applicable □Not applicable

Background	Type	Covenantor	Content	Time and term	Whether it has a deadline for performance	Whether it is performed in a timely and strict way
Undertaking related to significant reorganization	Eliminate the right defects in land property and etc.	Haier Group Corporation	During the period from September 2006 to May 2007, the Company issued shares to Haier Group Corporation (“Haier Group”) to purchase the controlling equity in its four subsidiaries, namely Qingdao Haier Air-Conditioner Electronics Co., Ltd. (青岛海尔空调电子有限公司), Hefei Haier Air-conditioning Co., Limited (合肥海尔空调器有限公司), Wuhan Haier Electronics Co., Ltd. (武汉海尔电器股份有限公司), Guizhou Haier Electronics Co., Ltd. (贵州海尔电器有限公司). With regard to the land and property required in the operation of Qingdao Haier Air-Conditioner Electronics Co., Ltd. (青岛海尔空调电子有限公司), Hefei Haier Air-conditioning Co., Limited (合肥海尔空调器有限公司), Wuhan Haier Electronics Co., Ltd. (武汉海尔电器股份有限公司) (the “Covenantees”), Haier Group made an undertaking (the “2006 Undertaking”). According to the content of 2006 Undertaking and current condition of each Covenantee, Haier Group will constantly assure that Covenantees will lease the land and property owned by Haier Group for free. Haier Group will make compensation in the event that the Covenantees suffer loss due to the unavailability of such land and property.	27 September 2006, long term	YES	YES
Undertaking related to refinancing	Eliminate the right defects in land property and ect	Haier Group Corporation	Haier Group Corporation undertakes that it will assure Qingdao Haier and its subsidiaries of the constant, stable and unobstructed use of the leased property. In the event that Qingdao Haier or any of its subsidiaries suffers any economic loss due to the fact that leased property has no relevant ownership certificate, Haier Group Corporation will make compensation to impaired party in a timely and sufficient way and take all reasonable and practicable measures to support the impaired party to recover to normal operation before the occurrence of loss. Upon the expiration of relevant leasing period, Haier Group Corporation will grant or take practicable measures to assure Qingdao Haier and its subsidiaries of priority to continue to lease the property at a price not higher than the rent in	24 December 2013, long term	YES	YES

			comparable market at that time. Haier Group Corporation will assure Qingdao Haier and its subsidiaries of the constant, stable, free and unobstructed use of self-built property and land of the Group. In the event that Qingdao Haier or any of its subsidiaries fails to continue to use self-built property according to its own will or in original way due to the fact that self-built property has no relevant ownership certificate, Haier Group Corporation will take all reasonable and practicable measures to eliminate obstruction and impact, or will support Qingdao Haier or its affected subsidiary to obtain alternative property as soon as possible, if Haier Group Corporation anticipates it is unable to cope with or eliminate the external obstruction and impact with its reasonable effort. For details, please refer to the Announcement of Qingdao Haier Co., Ltd. on the Formation, Current Situation of the Defective Property, the Influence on Operation of Issuer Caused by Uncertainty of Ownership, Solution for the Defect and Guarantee Measures (L 2014-005) published by the Company on the four major securities newspapers and the website of Shanghai Stock Exchange on 29 March 2014.			
	Eliminate the right defects in land property and etc.	Qingdao Haier Co., Ltd.	The Company undertakes that it will eliminate the property defects of the Company and main subsidiaries within five years with reasonable business effort since 24 December 2013, so as to achieve the legality and compliance of the Company and main subsidiaries in terms of land and property. For details, please refer to the Announcement of Qingdao Haier Co., Ltd. on the Formation, Current Situation of the Defective Property, the Influence on Operation of Issuer Caused by Uncertainty of Ownership, Solution for the Defect and Guarantee Measures (L 2014-005) published by the Company on the four major securities newspapers and the website of Shanghai Stock Exchange on 29 March 2014.	24 December 2013, five years	YES	YES
Other undertakings	Asset	Haier Group Corporation	Inject the assets of Fisher & Paykel to the Company or dispose such assets through other ways according to the requirements of the domestic supervision before June 2020. For more details, please refer to the Announcement of Qingdao Haier Co., Ltd. on the Changes of Funding Commitment (L 2015-015) published on the four major securities newspapers and the website of Shanghai Stock Exchange on 26 May 2015.	May 2015-June 2020	YES	YES
Other undertakings	injection	Haier Group Corporation	Inject the assets of Haier Photoelectric to the Company or dispose such assets through other ways according to the requirements of the domestic supervision before June 2020. For more details, please refer to the Announcement of Qingdao Haier Co., Ltd. on the Changes of Funding Commitment of Haier Group	December 2015-June 2020	YES	YES

			Corporation (L 2015-063) published on the four major securities newspapers and the website of Shanghai Stock Exchange on 23 December 2015.			
Other undertakings	Profit forecast and compensation	Haier Group Corporation	In December 2015 and January 2016, the meeting of the Board of Directors and general meeting of the shareholders considered and approved the matters in relation to the acquisition of minority equity interest of Mitsubishi Heavy Industries Haier and Carrier Refrigeration Equipment held by Haier Group. The Company signed the Profit Compensation Agreement with Haier Group to forecast the profits achieved by the aforementioned two companies in 2015 - 2018. If the profits are not reached during the commitment period, the difference part will be made up to the Company by Haier Group in cash. For more details, please refer to the Announcement of Qingdao Haier Co., Ltd. on the Acquisition of Equity in Sino-foreign Joint Venture Held by Haier Group Corporation and Related-party Transaction (L 2015-062) published on the four major securities newspapers and the website of Shanghai Stock Exchange on 23 December 2015	December 2015-December 2018	YES	YES

IV. Appointment and Dismissal of Accounting Firm

Information on Appointment and Dismissal of Accounting Firm

Applicable Not Applicable

During the reporting period, the Company considered and approved the resolution on the re-appointment of accounting firm on the 2017 annual general meeting: in order to ensure the smooth implementation of the financial and internal auditing and the continuity of the auditing work in 2018, the Company re-appointed Shandong Hexin Certified Public Accountants (LLP) as the audit institution of the financial report and internal control of 2018, and the audit fees amounted to RMB9.60 million (of which, financial report of RMB7.15 million, internal report of RMB2.45 million).

Explanation of change of accounting firm during the auditing period

Applicable Not Applicable

Description of the Company on the “non-standard audit report” issued by the accounting firm

Applicable Not Applicable

Description of the Company on the “non-standard audit report” issued by the accounting firm in respect of the financial report in the annual report last year

Applicable Not Applicable

V. Matters relating to bankruptcy and restructuring

Applicable Not Applicable

VI. Material litigation and arbitration matters

Material litigation and arbitration matters during the reporting period
 No material litigation and arbitration matters in the reporting period

VII. Penalties to the Listed Company and its Directors, Supervisors, Senior Management, Controlling Shareholders, Ultimate Controller, Acquirer and the Status of Rectification

Applicable Not Applicable

VIII. Explanation of the integrity status of the Company and its controlling shareholders and actual controllers during the reporting period

Applicable Not Applicable

IX. The Company's equity incentive plan, employees stock ownership plan or other employee incentive measures and its influence

(I) Matters disclosed in temporary announcement and without any subsequent progress or change

Applicable Not Applicable

(II) Share incentives not disclosed in temporary announcements or with subsequent progress

Share Option Incentive

Applicable Not Applicable

Other explanations

Applicable Not Applicable

Employees stock ownership plan

Applicable Not Applicable

(1) The Phase III Employees Stock Ownership Scheme launched and completed the share purchase: On 24 April 2018, the Company considered and approved relevant resolutions such as the Phase III Stock Ownership Scheme of Core Employees Stock Ownership Scheme of Qingdao Haier Co., Ltd. (Draft) (《青岛海尔股份有限公司核心员工持股计划之第三期持股计划(草案)及摘要》) and its Summary at the 13th meeting of the 9th session of the Board of Directors. The 635 staffs who participated into the Stock Ownership Scheme are the directors (excluding independent directors), supervisors, senior management of the Company and regular employees who serve at the Company and its subsidiaries and sign employment contracts with the Company or its subsidiaries and receive remuneration from them, together holding RMB271.30 million in the fund. On 23 May 2018, the Company disclosed the Announcement on the Completion of Share Purchase by the Phase III Stock Ownership Scheme of Core Employees Stock Ownership Scheme of Qingdao Haier Co., Ltd. (《青岛海尔股份有限公司核心员工持股计划之第三期持股计划完成股票购买的公告》), and the Employees Stock Ownership Scheme has been entrusted to Industrial Securities Assets Management Co., Ltd. (兴证证券资产管理有限公司), who will establish a directional asset management plan for the Phase III Stock Ownership Scheme of Core Employees Stock Ownership Scheme of Qingdao Haier Co., Ltd. ("Assets Management Plan") for the management. As of 22 May 2018, the Assets Management Plan has purchased an aggregate of 16,063,800 shares of the Company, representing 0.26% of the total share capitals of the Company through the block trade in secondary market at an average trading price of RMB16.72 per share with a trading volume of RMB268,586,736.00. The Phase III Stock Ownership Scheme of Core Employees Stock Ownership Scheme has completed the purchase of shares of the Company. Those shares purchased aforesaid will be locked in accordance with requirement, and the locking period will be 12 months from the date of the disclosure of this announcement, being 23 May 2018 to 22 March 2019.

(2) Allocation of the employee stock ownership plan (ESOP): During the reporting period, the lock-up period of the Company's Phase II ESOPs (Draft) and Summary under Key Employee Stock Ownership Plan of Qingdao Haier Co., Ltd. (《青岛海尔股份有限公司核心员工持股计划之第二期持股计划(草案)及摘要》) (referred to as “Phase II ESOPs”) has expired. According to the Audit Report of Qingdao Haier Co., Ltd. (《青岛海尔股份有限公司审计报告》) (HXS Zi. [2018] No.000267) issued by Shandong Hexin Certified Public Accountant LLP, the annual net profits vested in parent company shareholders with allowance for non-recurring gains and losses in 2017 increased by 29.81% than 2016. Upon examination by the Management Committee, the assessment results of 556 holders of Phase II ESOPs were satisfactory. 19 holders had unsatisfactory assessment results or resigned before determination of the equity for the year 2017 under Phase II ESOPs.

On May 2, 2018, upon consideration by ESOP Management Committee, 556 holders of Phase II ESOPs were determined according to performances for the year 2017 to be allocated with 8,717,600 shares. The shares of the said 19 holders with unsatisfactory assessment or who resigned were suspended for allocation or adjusted for their shares.

There are 7 directors, supervisors and senior executives of the Company. A total of 1,617,300 shares can be allocated for Phase II ESOPs. Upon application by Mr. Gong Wei as CFO and Deputy General Manager, 121,325 shares he applied for not being allocated in December 2017 when shares of the first phase ESOPs were allocated (for the relevant announcement, refer to the Notice of Qingdao Haier Co., Ltd. on Quota Distribution and Equity Allocation of the First Phase Key Employee Stock Ownership Plans disclosed by the Company on December 7, 2017, No.: L 2017-046) are allocated at this time. In summary, the number of shares held by directors, supervisors and senior executives actually allocated this time is 1,738,700 shares. Any change of the shares they hold must be subject to provisions of the Rules Governing the Holding of Shares in the Company by Directors, Supervisors and Senior Management of Listed Companies and Changes Thereof.

In summary, according to the aforementioned resolution, the Company has completed the transfer of relevant stocks at China Securities Depository and Clearing Corporation Shanghai Branch on May 10, 2018, with a total of 8,838,900 shares.

Other incentives

Applicable Not Applicable

X. Significant Related-Party Transactions

(I) Related-Party Transaction from Routine Operation

1. Matter disclosed in temporary announcement and with no subsequent progress or change

Applicable Not Applicable

2. Matter disclosed in temporary announcement and with subsequent progress or change

Applicable Not Applicable

The Company made a forecast on the related-party transaction matters of the Company for the year

of 2018 at the 13th meeting of the 9th session of Board Meeting held on 24 April 2018. For details, please refer to the Announcement of Qingdao Haier Co., Ltd. regarding the Anticipation on the Renewal of Daily Related-party Transactions Agreement and the Daily Related-party Transactions for 2018 and relevant announcement on the resolutions of the Board disclosed on 26 April 2018.

For the actual implementation of the Related-party transaction of January to June 2018, please refer to “Note12 –Related Parties and Related-party Transactions” under section X - Financial and Accounting Report set out in this regular report.

3. Matter not disclosed in temporary announcement

Applicable Not Applicable

(II) Related-party Transactions Regarding Acquisition or Disposal of Assets or Equity

1、Matters disclosed in temporary announcement without any subsequent progress or change

Applicable Not Applicable

Summary	Index for details
<p>Acquisition of FPA shares: The Company passed the acceptance of transfer of 100% shares of Haier New Zealand Investment Holding Company Limited held by the overseas subsidiary Haier (Singapore) Management Holding Co. Pte. Limited under Haier Group Corporation by Haier Singapore Investment Holding Pte. Ltd. (“Haier Singapore Investment”) who should accept the principal and interests of shareholder borrowings payable by the Target Company to Haier Singapore Management. Haier Singapore Investment, an overseas subsidiary of the Company, intends to pay US\$303,040,997.28 (equivalent to RMB1,905,552,095.01) to Haier Singapore Management for accepting the transfer of the underlying shares.</p>	<p>Refer to the Notice of Qingdao Haier Co., Ltd. on Accepting the Transfer of 100% Shares of Haier New Zealand Investment Holding Company Limited and Related Transactions (L 2018-020) (《青岛海尔股份有限公司关于受让 Haier New Zealand Investment Holding Company Limited 之 100% 股权暨关联交易的公告》(临 2018-020)) disclosed by the Company on April 26, 2018 and relevant notices for more information.</p>
<p>Transfer shares of Qingdao Haier Special Electrical Appliance Co., Ltd.: As the shareholder of Qingdao Haier Special Electrical Appliance Co., Ltd. (“QHSPA”), the Company transferred 62% of QHSPA shares to Qingdao Haier Biomedical Holdings Co., Ltd. at the consideration of RMB505,129,750 for the transaction. Upon completion of the share transfer, the Company no longer holds any share of QHSPA.</p>	<p>Refer to the Notice of Qingdao Haier Co., Ltd. on Transferring 22% Shares of Qingdao Haier Special Electrical Appliance Co., Ltd. and Related Transactions (L 2018-037) (《青岛海尔股份有限公司关于转让青岛海尔特种电器有限公司 22% 股权暨关联交易的公告》(临 2018-037)) disclosed by the Company on June 26, 2018 and relevant notices for more information.</p>

2、Matters disclosed in temporary announcement and with subsequent progress or change

Applicable Not Applicable

3、Matter not disclosed in temporary announcement

Applicable Not Applicable

4、If performance agreement is involved, the performance achieved during the reporting period shall disclosed

Applicable Not Applicable

(III) Significant related-party transactions of joint external investment

1、Matters disclosed in temporary announcement and without any subsequent progress or change

Applicable Not Applicable

2、Matters disclosed in temporary announcement and with subsequent progress or change

Applicable Not Applicable

3、Matter not disclosed in temporary announcement

Applicable Not Applicable

(IV) Amounts due to or from related parties

1、Matters disclosed in temporary announcement and without any subsequent progress or change

Applicable Not Applicable

2、Matters disclosed in temporary announcement and with subsequent progress or change

Applicable Not Applicable

3、Matter not disclosed in temporary announcement

Applicable Not Applicable

(V) Other significant related-party transactions

Applicable Not Applicable

(VI) Others

Applicable Not Applicable

XI. Significant Contracts and Their Execution

1 Trusteeship, contracting and leasing

Applicable Not Applicable

(1) Trusteeship

Applicable Not Applicable

There was no material custody of the Company during the reporting period. As at the date hereof, the following matters related to entrusted assets as passed on relevant meetings (such as the general meetings of the Company) are within the term thereof:

According to the Haier Group's commitment in 2011 to further support the development of Qingdao Haier and resolve intra-industry competition to reduce related-party transactions, and given the fact that the Company's purchase of the color TV business from Haier Group, Qingdao Haier Photoelectric Co., Ltd. and its subsidiaries are still in the transformation and consolidation period and its financial

performance fails to reach the expectation of the Company. Therefore, Haier Group is unable to complete the transfer before the above commitment period. Haier Group intends to entrust the Company with the operation and management of assets under custody and will pay RMB1 million custodian fee to the Company each year during the period of custody.

(2) Contracting

Applicable Not Applicable

(3) Leasing

Applicable Not Applicable

2 Guarantee

Applicable Not Applicable

Unit and Currency: RMB0'000

External guarantees provided by the Company (excluding guarantees for subsidiaries)													
Guarantor	Relationship between the guarantor and the listed company	Secured party	Amount of guarantee	Date of occurrence of the guarantee (date of agreement)	Starting date of guarantee	Expiration date of guarantee	Type of guarantee	Whether the guarantee has been fulfilled	Whether the guarantee is overdue	Overdue amount of the guarantee	Whether there is a counter-guarantee	Whether related party guarantee or not	Relationship
Total amount of guarantee occurred during the reporting period (excluding guarantees for subsidiaries)													
Total balance of guarantee at the end of the reporting period (A) (excluding guarantees for subsidiaries)													
Guarantees provided by the Company for subsidiaries													
Total amount of guarantees for subsidiaries occurred during the reporting period						3,167,618							
Total balance of guarantees for subsidiaries at the end of the reporting period (B)						2,994,380							
Total amount of guarantees provided by the Company (including guarantees for subsidiaries)													
Total guarantee (A + B)						2,994,380							
Ratio of total amount of guarantees to net assets of the Company (%)						84.9							
Among which:													
Amount of guarantees for shareholders, ultimate controllers and their related parties (C)						0							
Amount of debt guarantees provided directly or indirectly for the secured party with asset-liability ratio exceeding 70% (D)						1,242,549							

The amount of total amount of guarantee in excess of 50% of net assets (E)	1,231,017
Total amount of the above three guarantees (C + D + E)	2,473,566
Explanation of possibly bearing related discharge duty for premature guarantees	
Explanation of guarantee status	<p>1. In the year of 2016, the Company acquired the assets of GEA at a total consideration of US\$5.61 billion, which was sourced from self-owned funds and loan for merger, of which, the loan for merger in the amount of US\$3.3 billion was applied for by Haier US Appliance Solutions, Inc., a wholly-owned subsidiary of the Company, to China Development Bank Co., Ltd. The loan was fully secured by the Company and Haier Group Corporation, and the amount of which was equivalent to approximately RMB10.752 billion as at the end of the reporting period. The balance guaranteed amounted to approximately RMB10.075 billion as at the end of the reporting period. The provision of security had been reviewed and approved by the Board and the general meeting of shareholders of the Company;</p> <p>2. In May 2018, the resolution on the security provided to subsidiaries in the year 2018 was passed on the 2017 Annual General Meeting of the Company, according to which, the Company had provided security in respect of the application for comprehensive facility made by certain subsidiaries to financial institutions. During the reporting period, the accumulated amount of guarantee offered by the Company to subsidiaries was approximately RMB20.924 billion. As at the end of the reporting period, the balance guaranteed was RMB19.869 billion.</p>

3 Other Major Contracts

Applicable Not Applicable

XII. Information on poverty alleviation of the Company

Applicable Not Applicable

1. Targeted measures in poverty alleviation plan

Applicable Not Applicable

In accordance with the national plan for targeted measures in poverty alleviation and the requirements set out in relevant documents, the Company places great emphasis on poverty alleviation, and carries out initiatives of targeted measures in poverty alleviation within the scope as authorized by the general meetings on related matters (such as donation). Over the years, the Company has been devoted to education undertakings and making significant contributions, with a view to targeting the weakest area of education and to blocking the transmission of poverty between generations through focused efforts in raising the basic cultural quality in poverty and the skill levels of labor force from poor families. As at the end of the reporting period, the Company and the Haier Group Corporation (its actual controller) and its subsidiaries (referred to as the “Haier Group”) has built nearly 300 hope schools, covering 26 provinces, municipalities directly under the central government and autonomous

regions in China, and continuously provide the above-mentioned schools support in materials and other respects in each year including the reporting period. These initiatives have effectively enhanced the basic educational capabilities in poverty-stricken areas and improved the quality of education.

2. Summary of targeted measures in poverty alleviation during the reporting period

Applicable Not Applicable

In the first half of 2018, the Company's expenditures on targeted measures in poverty alleviation was approximately RMB9.11 million, which was mainly utilized in the education improvement, physical and mental health development of adolescents and children. At the same time, as part of its initiatives in response to the government and the performance of its social responsibilities, Haier Group has also made investments in many aspects, such as poverty alleviation through agricultural development, poverty alleviation through improvement of the health of farmers.

3. Results of targeted measures in poverty alleviation

Applicable Not Applicable

Unit and Currency: RMB0'000

Indicators	Amount and the status
I. General information	911.29
Among which: 1. Funds	889.94
2. Cash converted from materials	21.35
II. Breakdown of the use of funds	
1. Poverty elimination through education	911.29
1.1 Amount of investment for the purpose of improving the resources of education in poverty-stricken areas	911.29

4. Phased progress in performing social responsibilities of targeted poverty alleviation

Applicable Not Applicable

In addition to material input in children's education improvement, physical and mental health development, etc., the Company also explores feasible methods in agricultural poverty alleviation. For example, for rural entrepreneurs, Haier customizes skills improvement solutions for them, such as Xiaoshun Business School jointly established by RRS Health and Haier University. A multi-level training system has been developed by centering on rural talent revitalization to enhance farmers' entrepreneurial skills. By providing local platforms and employment opportunities, we have built a benign ecological system that fosters, performs well and retains talents. In addition, the Company has customized the entrepreneurial poverty alleviation model for the economic conditions in different rural areas, with programs, platforms, networks and results made, and it is replicable. The national targeted poverty alleviation strategy is implemented to fully advance rural poverty alleviation.

5. Subsequent targeted measures in poverty alleviation plans

Applicable Not Applicable

In the second half of 2018, the Company will make concerted efforts with Haier Group and continue to implement the proposition of the documents issued by the central government in respect of poverty alleviation, dedicate to improve the education in poverty-stricken areas, promote the revitalization of rural talents and other initiatives, and will perform our social responsibilities in a proactive manner.

XIII. Convertible corporation bonds

Applicable Not Applicable

XIV. Environmental information

(I) Statement on environmental protection of companies and their key subsidiaries as key pollution discharge units published by the environmental protection authority

Applicable Not Applicable

1. Pollution discharge information

Applicable Not Applicable

The Company and its subsidiaries including Qingdao Haier Refrigerator Co., Ltd. (“Haier Refrigerator”), Haier Electronics Co., Ltd., Guizhou (“Guizhou Haier”), and its former subsidiary Haier Research and Develop Special Type of Steel Plate Co.,LTD. (currently renamed to “Hefei HBIS New Material Technology Co., Ltd.. The Company has completed the transfer of the shares in 2015. The company is no longer a subsidiary of the Company) are key pollution discharge units published by the environmental protection authority.

The polluted industrial wastewater of the Company is mainly domestic water (water for toilets and bathrooms) to be discharged to municipal pipelines through sewer pipes. The exhaust gas is mainly assembly welding fume, and is exhausted out of the workshop with the high-power exhaust fans. After collection and filtering through the collection hood, the workshop welding fume is exhausted to the outside of the workshop through the exhaust pipe. The foamed injection exhaust gas is discharged to the outside of the workshop with high-power exhaust fans and through the special fan stack pipes and the exhaust funnel in an organized way.

The major pollutants and emission standards are as shown in the figure below:

Plant	Monitoring Point	Pollutant	Monitoring Index	Standard Value	Measured Value	Reaching Standard or not
Exhaust gas	1# Welding of Assembly A	Particulate matter	Emission density	120mg/m ³	2.68mg/m ³	Yes
			Emission rate	3.5 (15m in height)	0.042kg/h	

			kg/h		
	Carbonic oxide	Emission density	/	<0.3mg/m ³	
		Emission rate	/	/	
2# Welding of Assembly B	Particulate matter	Emission density	120mg/m ³	3.92mg/m ³	Yes
		Emission rate	3.5 (15m in height) kg/h	0.044kg/h	
	Carbonic oxide	Emission density	/	<0.3mg/m ³	
		Emission rate	/	/	
3# Fan Stack of Foam Station A	Particulate matter	Emission density	120mg/m ³	/	Yes
		Emission rate	3.5 (15m in height) kg/h	/	
	Benzene	Emission density	12mg/m ³	<5.0×10 ⁻⁴ mg/m ³	
		Emission rate	0.9 (20m in height) kg/h	/	
	Toluene	Emission density	40mg/m ³	0.197mg/m ³	
		Emission rate	5.2 (20m in height) kg/h	8.2×10 ⁻⁴ kg/h	
	Xylene	Emission density	70mg/m ³	4.75mg/m ³	
		Emission rate	1.7 (20m in height) kg/h	0.020kg/h	
	Non-methane Hydrocarbon	Emission density	120mg/m ³	1.12mg/m ³	
		Emission rate	17 (20m in height) kg/h	0.005kg/h	
	Carbonic oxide	Emission density	/	/	
		Emission rate	/	/	
4# Fan Stack of Foam Station B	Particulate matter	Emission density	120mg/m ³	/	Yes
		Emission rate	3.5 (15m in height) kg/h	/	
	Benzene	Emission density	12mg/m ³	<5.0×10 ⁻⁴ mg/m ³	
		Emission rate	0.9 (20m in height) kg/h	/	
	Toluene	Emission density	40mg/m ³	0.059mg/m ³	
		Emission rate	5.2 (20m in height) kg/h	2.5×10 ⁻⁴ kg/h	
	Xylene	Emission density	70mg/m ³	4.13mg/m ³	
		Emission rate	1.7 (20m in height) kg/h	0.017kg/h	
	Non-methane Hydrocarbon	Emission density	120mg/m ³	1.21mg/m ³	
		Emission rate	17 (20m in height) kg/h	0.005kg/h	
	Carbonic oxide	Emission density	/	/	
		Emission rate	/	/	
Hood	5#	Emission	2.0mg/m ³	1.81mg/m ³	Yes

		density		
		Emission rate	/	/
	6#	Emission density	2.0mg/m ³	0.33mg/m ³
		Emission rate	/	/

The polluted industrial wastewater of Haier Refrigerator is also mainly domestic water (water for toilet, bathroom) to be discharged to the municipal pipelines through sewer pipes. The production exhaust gas mainly includes welding fume, foaming exhaust gas and canteen oil fume, all of which are collected by the gas collecting hood and discharged to high altitude through the exhaust funnel in an organized way.

The major pollutants and emission standards are as shown in the figure below:

Item	Monitoring Point	Pollutant	Monitoring Index	Standard Value	Measured Value	Reaching Standard or not
Exhaust gas	Exhaust Stack at 1# Welding of Assembly A	Particulate matter	Emission density	120mg/m ³	4.21mg/m ³	Yes
			Emission rate	5.9kg/h	0.029kg/h	
		Carbonic oxide	Emission density	/	<0.3mg/m ³	
			Emission rate	/	/	
	Exhaust Stack at 2# Welding of Assembly B	Particulate matter	Emission density	120 mg/m ³	4.46 mg/m ³	Yes
			Emission rate	5.9 kg/h	0.046 kg/h	
		Carbonic oxide	Emission density	/	<0.3 mg/m ³	
			Emission rate	/	/	
	Pre-mixer 3#	Non-methane Hydrocarbon	Emission density	120 mg/m ³	3.10 mg/m ³	Yes
			Emission rate	17kg/h	0.026 kg/h	
		Benzene	Emission density	12 mg/m ³	<5.0*10 ⁻⁴ mg/m ³	
			Emission rate	0.90 kg/h	/	
		Toluene	Emission density	40 mg/m ³	<5.0*10 ⁻⁴ mg/m ³	
			Emission rate	5.2 kg/h	/	
		Xylene	Emission density	70 mg/m ³	<5.0*10 ⁻⁴ mg/m ³	
			Emission rate	1.7 kg/h	/	
	No. 1 Exhaust Stack of 4# Foaming Station	Non-methane Hydrocarbon	Emission density	120 mg/m ³	3.49 mg/m ³	Yes
			Emission rate	17 kg/h	0.028 kg/h	
		Benzene	Emission density	12 mg/m ³	<5.0*10 ⁻⁴ mg/m ³	
			Emission rate	0.90 kg/h	/	
Toluene		Emission density	40 mg/m ³	<5.0*10 ⁻⁴ mg/m ³		
		Emission rate	5.2 kg/h	/		

		Xylene	Emission density	70 mg/m ³	<5.0*10 ⁻⁴ mg/m ³	Yes	
			Emission rate	1.7 kg/h	/		
	No. 2 Exhaust Stack of 5# Foaming Station	Non-methane Hydrocarbon	Emission density	120 mg/m ³	3.96 mg/m ³		
			Emission rate	17 kg/h	0.032 kg/h		
		Benzene	Emission density	12 mg/m ³	<5.0*10 ⁻⁴ mg/m ³		
			Emission rate	0.90 kg/h	/		
		Toluene	Emission density	40 mg/m ³	<5.0*10 ⁻⁴ mg/m ³		
			Emission rate	5.2 kg/h	/		
	Xylene	Emission density	70 mg/m ³	<5.0*10 ⁻⁴ mg/m ³			
		Emission rate	1.7 kg/h	/			
	Hood	6#	Emission density	2.0 mg/m ³	1.47 mg/m ³		Yes
		7#	Emission density	2.0 mg/m ³	0.20 mg/m ³		

Pollutants of Guizhou Haier mainly involve noise and foaming exhaust gas. For noise, plant barriers, greening for sound absorption and attenuation over distance, etc. The foaming exhaust gas is discharged to high altitude through the exhaust funnel in an organized way.

The major pollutants and emission standards are as shown in the figure below:

Item	Monitoring Point	Pollutant	Monitoring Index	Standard Value	Measured Value	Reaching Standard or not
Noise	1# Plant Gate	Noise	Diurnal noise value	60 dB	48.7 dB	Yes
			Night noise value	50 dB	41.5 dB	Yes
	2# Air Compression Station		Diurnal noise value	60 dB	48.9 dB	Yes
			Night noise value	50 dB	42.5 dB	Yes
	3# EMR		Diurnal noise value	60 dB	55.6 dB	Yes
			Night noise value	50 dB	47.6 dB	Yes
Volatil e organic compo und	Upwind direction of unauthorized exhaust gas at boundary	Non-methane Hydrocarbon	Emission density	4.0 mg/m ³	0.13mg/m ³	Yes
Inspect ion of organic matter	Downwind direction of unauthorized exhaust gas at boundary		Emission density	4.0 mg/m ³	0.28mg/m ³	Yes
		Upwind direction of unauthorized exhaust gas at boundary	Benzene	Emission density	0.40mg/m ³	1.8*10 ⁻³ mg/m ³

Downwind direction of unauthorized exhaust gas at boundary		Emission density	0.40mg/m ³	2.0*10 ⁻³ mg/m ³	Yes
Upwind direction of unauthorized exhaust gas at boundary	Toluene	Emission density	2.4 mg/m ³	ND	Yes
Downwind direction of unauthorized exhaust gas at boundary		Emission density	2.4 mg/m ³	2.8*10 ⁻³ mg/m ³	Yes
Upwind direction of unauthorized exhaust gas at boundary	Xylene	Emission density	1.2 mg/m ³	5.6*10 ⁻³ mg/m ³	Yes
Downwind direction of unauthorized exhaust gas at boundary		Emission density	1.2 mg/m ³	1.12mg/m ³	Yes
Upwind direction of unauthorized exhaust gas at boundary	Phenols	Emission density	0.080 mg/m ³	0.005 mg/m ³	Yes
Downwind direction of unauthorized exhaust gas at boundary		Emission density	0.080mg/m ³	0.008mg/m ³	Yes
Upwind direction of unauthorized exhaust gas at boundary	Anilines	Emission density	0.40 mg/m ³	0.09 mg/m ³	Yes
Downwind direction of unauthorized exhaust gas at boundary		Emission density	0.40mg/m ³	0.10mg/m ³	Yes

2. Construction and operation of pollution control facility

√Applicable □Not Applicable

The Company and Haier Refrigerator have provided activated carbon filtration equipment for the treatment of the exhaust gas from assembly welding absorbed by the foaming door. Replacement is on a three-month basis, with records made. Waste activated carbon is stored in the hazardous waste storage. The canteen is provided with electric ion fume decomposition devices. The exhaust gas treatment equipment is controlled by specially assigned persons to ensure the normal operation of the equipment. The management of the operation of pollution control facilities for exhaust gas generation is

strengthened. We have ensured efficient operation of pollution control facilities. Exhaust gas is tested under delegation on an annual basis. The fan stacks are cleaned and inspected on a weekly, monthly and quarterly basis. Spot inspection records are kept. Fan stack cleaning records are archived. All these are to ensure normal operation of the exhaust facilities and normal exhaust gas emission. The exhaust pipes are inspected periodically for presence of foreign matters and looseness or falling. Preparations for emergency response are also made.

As a response to the state call for energy conservation and emission reduction, Guizhou Haier invested more than RMB30 million at the end of 2013 to improve the spraying production process. U-shell program was technologically improved. Phosphating coating procedure, preparation line, powder spraying equipment, drying furnace, curing furnace and etc. are cancelled. There is no industrial wastewater discharge with the coating equipment removal. Relevant sewage treatment plants have been closed for zero sewage discharge.

3. Evaluation of the effect of construction projects on the environment and other environmental administration license

Applicable Not Applicable

The Company and its subsidiaries perform the implementation and production of construction projects according to the requirements of laws and regulations. We complete environmental impact evaluation procedures in strict accordance with the Three Simultaneous system for environmental protection of construction projects. They have been approved in the environmental impact assessment. There are no environmental violations such as construction without approval.

4. Emergency plan for environmental emergencies

Applicable Not Applicable

The Emergency Plan for Environmental Emergencies is developed according to the laws and regulations by the Company and its subsidiaries. Drills have been organized. The Plan is continuously optimized and upgraded according to the drill results.

5. Environmental self-monitoring plan

Applicable Not Applicable

All pollutant discharges of the Company comply with national and local environmental standards. The sewage is discharged after being collected and treated, and is monitored in real time through the automatic online sewage monitoring system. The data is connected to Haier Smart Energy System. In March 2017, the Company received and passed the certification of version change of ISO14001 environmental management system. In March 2018, the professional certification body conducted the first supervision and audit of the operation of 2017 ISO14001 system after version change. The operation was approved with smooth functioning.

6. Other environmental information to be disclosed

Applicable Not Applicable

In 2017, the Company promoted energy-saving and emission reduction projects such as liquefied gas to natural gas, aerial lighting renovation and provision of filtration devices with compressed gas. Haier Refrigerator made remarkable results in energy-saving and emission reduction by promoting energy-saving and emission reduction projects such as cooling oil to water for adsorption machines, lighting renovation and etc. in 2017.

(II) Statement on environmental protection of companies other than key pollution discharge units

Applicable Not Applicable

All units of the Company perform the implementation and production of construction projects according to the requirements of laws and regulations. We complete environmental impact evaluation procedures in strict accordance with the Three Simultaneous system for environmental protection of construction projects. They have been approved in the environmental impact assessment. There are no environmental violations such as construction without approval.

The Company has established Haier Smart Energy Center, an industry-leading energy big data analysis system. It uses automation, information technology and centralized management mode to implement centralized dynamic monitoring and digital management of main energy consumption such as water, electricity and gas in all factories across the country; automatically and accurately collects energy data, and completes the prediction and analysis of energy consumption data, optimizes energy deployment and reduce the energy consumption of single product production, thus truly achieving low-carbon production.

(III) Statement on reasons for non-disclosure of environmental information by companies other than key pollution discharge units

Applicable Not Applicable

(IV) Statement on subsequent development or changes of environmental information contents disclosed in the reporting period

Applicable Not Applicable

The Company will continue to maintain and keep optimizing existing results and allows up-to-standard discharge in strict accordance with existing environmental discharge and emission standards.

XV. Other explanations on significant events

(I) Information, reason and effect of change in accounting policies, accounting estimates and accounting methods as compared with the last accounting period

Applicable Not Applicable

(II) Information of material accounting error correction that need the retroactive restatement during the reporting period, the correct amount, reason and its effect

Applicable Not Applicable

(III) Others

Applicable Not Applicable

SECTION VI CHANGES IN ORDINARY SHARES AND INFORMATION ABOUT SHAREHOLDERS

I. CHANGES IN SHARES

(I) Table of Changes in Shares

1、 Table of Changes in Shares

During the Reporting period, there is no change on the aggregate amount of shares and the share capital structure.

2、 Statement on the changes in shares

Applicable Not Applicable

3、 Effects of changes in shares occurred during the period after the Reporting period to the semi-annual report period on financial indicators such as earnings per share and net assets per share(if any)

Applicable Not Applicable

4、 Other disclosure deemed necessary by the Company or required by securities regulatory authorities

Applicable Not Applicable

(II) Changes in shares with selling restrictions

Applicable Not Applicable

II. Information on shareholders

(I) Total number of shareholders:

Total number of ordinary shareholders by the end of the reporting period	160,035
Total numbers of preferential shareholders with restoration of voting rights by the end of the reporting period	0

(II) Table of shareholdings of top ten shareholders, top ten common shareholders (or the shareholders without selling restrictions) by the end of the reporting period

Unit: share

Shareholdings of top ten shareholders							
Name of shareholder (full name)	Increasing / decreasing during the reporting period	Number of shares held at the end of the period	Percentage (%)	Number of shares held with selling restrictions	Status of shares pledged or frozen		Nature of shareholder
					Status	Number	
Haier Electric Appliances International Co., Ltd.		1,258,684,824	20.64		Nil		Domestic non-state-owned legal entity
Haier Group Corporation		1,072,610,764	17.59		Nil		Domestic non-state-owned legal entity
Hong Kong Securities Clearing Co., Ltd.		482,951,912	7.92		Nil		Unknown
China Securities Finance Corporation Limited		298,731,988	4.90		Nil		Unknown
GIC PRIVATE LIMITED		273,498,349	4.49		Nil		Foreign legal entity
KKR HOME INVESTMENT S.A R.L.		179,168,050	2.94		Nil		Foreign legal entity
Qingdao Haier Venture & Investment Information Co., Ltd.(青岛海尔创业投资咨询有限公司)		172,252,560	2.83		Nil		Domestic non-state-owned legal entity
National social security fund, Portfolio 104		96,188,780	1.58		Nil		Unknown
Central Huijin Asset Management Ltd.		69,539,900	1.14		Nil		Unknown
UBS AG		39,626,276	0.65		Nil		Unknown
Shareholdings of top ten shareholders without selling restrictions							
Name of shareholder	Number of tradable shares held without selling restrictions	Class and number of shares					
		Class	Number				
Haier Electric Appliances International Co., Ltd.	1,258,684,824	RMB ordinary	1,258,684,824				
Haier Group Corporation	1,072,610,764	RMB ordinary	1,072,610,764				
Hong Kong Securities Clearing Co., Ltd.	482,951,912	RMB ordinary	482,951,912				
China Securities Finance Corporation Limited	298,731,988	RMB ordinary	298,731,988				
GIC PRIVATE LIMITED	273,498,349	RMB ordinary	273,498,349				
KKR HOME INVESTMENT S.A R.L.	179,168,050	RMB ordinary	179,168,050				
Qingdao Haier Venture & Investment Information Co., Ltd.(青岛海尔创业投资咨询有限公司)	172,252,560	RMB ordinary	172,252,560				
National social security fund, Portfolio 104	96,188,780	RMB ordinary	96,188,780				
Central Huijin Asset Management Ltd.	69,539,900	RMB ordinary	69,539,900				
UBS AG	39,626,276	RMB ordinary	39,626,276				

Related-parties or parties acting in concert among the aforesaid shareholders	(1) Haier Electric Appliances International Co., Ltd. is a holding subsidiary of Haier Group Corporation. Haier Group Corporation holds 51.20% of its equity. Qingdao Haier Venture & Investment Information Co., Ltd.(青岛海尔创业投资咨询有限公司) is a party acting in concert with Haier Group Corporation; (2) The Company is not aware of the existence of any connections of other shareholders.
Explanation of preferential shareholders with restoration of voting rights and their shareholdings	N/A

Number of shares held by top ten shareholders with selling restrictions and the selling restrictions

Applicable Not Applicable

(III) Strategic investors or general legal persons who became the top ten shareholders due to placing of new shares

Applicable Not Applicable

III. Changes in controlling shareholder and the ultimate controller

Applicable Not Applicable

SECTION VII THE RELEVANT INFORMATION OF PREFERRED SHARES

Applicable Not Applicable

SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT

I、Changes of Shareholding

(I) Changes of shareholding of current and retired directors, supervisors and senior management during the reporting period

Applicable Not applicable

Unit: share

Name	Title	Shareholdings at the beginning of the period	Shareholdings at the end of the period	Increase/decrease in shares during the reporting period	Reason for increase/decrease
Liang Haishan	Director	10,904,065	11,684,483	780,418	Vesting of Employees Stock Ownership Plan
Tan Li xia	Director	5,272,740	5,897,074	624,334	
Wang Peihua	Supervisor	27,004	52,732	25,728	
Ming Guoqing	Supervisor	17,612	34,421	16,809	
Wang Yuqing	Supervisor	2,231	4,186	1,955	
Gong Wei	Senior management	1,050,000	1,277,668	227,668	
Ming Guozhen	Senior management	944,446	1,006,193	61,747	

Other explanations

Applicable Not Applicable

During the reporting period, except for the directors, supervisors and senior management listed in the above table, the number of shares held by the other directors, supervisors and senior management was unchanged compared to the beginning of the reporting period.

(II) Incentive share option granted to directors, supervisors and senior management during the reporting period

Applicable Not Applicable

II、Changes in Directors, Supervisors and Senior Management of the Company

Applicable Not Applicable

Explanation on the Changes in directors, supervisors and senior management of the Company

Applicable Not Applicable

III、Other explanations

Applicable Not Applicable

SECTION IX RELEVANT INFORMATION ON CORPORATE BONDS

Applicable Not Applicable

SECTION X FINANCIAL REPORT

I、 Auditors' Report

Applicable Not Applicable

II、 Financial Statements

Consolidated Balance Sheet

30 June 2018

Prepared by: Qingdao Haier Co., Ltd.

Unit and Currency: RMB

Items	Notes	Closing balance	Opening balance
Current Assets:			
Monetary Capital	VII.1	33,467,936,834.26	35,177,276,903.91
Clearing settlement funds			
Placements with banks			
Financial assets measured at fair value and changes of which included in current profit and loss			
Derivative financial assets	VII.2	40,947,728.30	20,681,695.50
Notes receivables	VII.3	12,208,138,565.32	13,033,083,520.99
Accounts receivables	VII.4	16,906,190,691.77	12,448,004,833.06
Prepayments	VII.5	662,900,260.21	590,693,658.21
Premiums receivables			
Reinsurance accounts receivables			
Reinsurance contract reserves receivables			
Interests receivables	VII.6	241,911,436.27	203,637,543.83
Dividends receivables		4,660,849.89	4,524,472.84
Other receivables	VII.7	865,582,766.96	961,263,981.87
Financial assets purchased under resale agreements			
Inventories	VII.8	22,506,295,717.51	21,503,524,800.18
Assets held for sale	VII.9	1,233,866,625.56	
Non-current assets due within one year			
Other current assets	VII.10	4,689,319,508.59	4,389,760,018.83
Total current assets		92,827,750,984.64	88,332,451,429.22
Non-current assets:			
Loans and advances granted			
Available-for-sale financial assets	VII.11	1,558,455,723.48	1,415,354,307.82
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	VII.12	13,424,669,075.65	12,992,767,394.28
Investment properties	VII.13	30,957,475.27	31,214,015.99
Fixed assets	VII.14	15,428,882,880.56	16,017,523,376.11
Construction in progress	VII.15	2,582,745,338.39	1,530,390,130.25
Construction materials			
Disposals of fixed assets	VII.16	55,864,669.30	55,808,808.81

Biological assets for production			
Fuel assets			
Intangible assets	VII.17	7,880,106,466.16	7,005,186,296.28
Development expenses	VII.18	431,905,938.29	966,051,333.81
Goodwill	VII.19	19,765,740,009.59	19,843,317,357.30
Long-term deferred expenses	VII.20	138,323,193.86	123,768,671.33
Deferred income tax assets	VII.21	1,835,322,019.19	1,895,213,404.67
Other non-current assets	VII.22	1,504,629,147.08	1,254,064,181.76
Total non-current assets		64,637,601,936.82	63,130,659,278.41
Total assets		157,465,352,921.46	151,463,110,707.63
Current liabilities:			
Short-term borrowings	VII.23	11,804,553,521.32	10,878,580,275.18
Borrowings from central bank			
Absorbing deposit and deposit in inter-bank market			
Placements from banks			
Financial liabilities measured at fair value and changes of which included in current profit and loss			
Derivative financial liabilities	VII.24	4,440,154.26	2,524,569.45
Notes payable	VII.25	19,372,741,431.66	16,378,699,659.77
Accounts payables	VII.26	28,204,519,194.31	25,654,013,649.96
Receipts in advance	VII.27	3,485,578,719.92	5,833,552,815.05
Disposal of repurchased financial assets			
Handling charges and commissions payable			
Payables for staff's remuneration	VII.28	1,934,538,690.28	2,349,189,122.90
Taxes payable	VII.29	1,770,431,545.54	1,909,260,527.42
Interests payable	VII.30	69,033,152.51	57,656,458.79
Dividends payable	VII.31	529,822,661.11	153,756,315.64
Other payables	VII.32	11,077,488,012.51	10,805,162,943.62
Reinsurance accounts payable			
Deposits for insurance contracts			
Consumer deposits for trading in securities			
Amounts due to issuer for securities underwriting			
Liabilities held for sale	VII.9	296,505,653.77	
Non-current liabilities due within one year	VII.33	3,108,306,051.60	2,850,325,000.00
Other current liabilities		23,474,888.62	21,729,198.70
Total current liabilities		81,681,433,677.41	76,894,450,536.48
Non-current liabilities:			
Long-term borrowings	VII.34	12,958,392,344.11	16,036,492,809.81
Debentures payable	VII.35	6,348,069,093.79	6,211,088,362.68
Including: preference shares			
Perpetual bonds			
Long-term payable	VII.36	100,337,376.67	106,020,029.74
Long-term payables for staff's remuneration	VII.37	955,081,888.14	898,160,742.53
Special payable			

Estimated liabilities	VII.38	2,879,629,562.43	2,619,699,551.41
Deferred income	VII.39	544,151,421.91	497,141,088.72
Deferred income tax liabilities	VII.21	162,602,680.85	279,114,620.35
Other non-current liabilities	VII.40	1,228,485,262.18	1,170,936,828.55
Total non-current liabilities		25,176,749,630.08	27,818,654,033.79
Total liabilities		106,858,183,307.49	104,713,104,570.27
Owners' equity			
Share capital	VII.41	6,097,402,727.00	6,097,402,727.00
Other equity instruments	VII.42	431,424,524.07	431,424,524.07
Including: preference shares			
Perpetual bonds			
Capital reserve	VII.43	873,883,441.43	826,883,093.84
Less: Treasury stock			
Other comprehensive income	VII.44	270,306,171.37	-36,363,809.96
Special reserve			
Surplus reserve	VII.45	2,103,057,782.41	2,103,057,782.41
General risk provisions			
Undistributed profits	VII.46	25,491,176,805.98	22,793,110,884.09
Total equity attributable to owners of the Parent company		35,267,251,452.26	32,215,515,201.45
Minority equity interests		15,339,918,161.71	14,534,490,935.91
Total owners' equity		50,607,169,613.97	46,750,006,137.36
Total liabilities and owners' equities		157,465,352,921.46	151,463,110,707.63

Legal representative: Liang Haishan Chief accountant: Gong Wei

Person in charge of accounting department: Ying Ke

Balance Sheet of the Parent Company

30 June 2018

Prepared by: Qingdao Haier Co., Ltd.

Unit and Currency: RMB

Items	Notes	Closing balance	Opening balance
Current Assets:			
Monetary Capital		1,785,793,566.41	2,070,527,802.97
Financial assets measured at fair value and changes of which included in current profit and loss			
Derivative financial assets			
Notes receivables			
Accounts receivables	XVIII.1	309,470,832.66	288,499,726.07
Prepayments		23,119,823.77	20,000,000.00
Interests receivables		283,463,990.41	220,157,282.75
Dividends receivables		99,477,568.56	970,851,045.94
Other receivables	XVIII.2	1,822,932,745.96	15,895,048.43
Inventories		77,184,947.24	89,650,514.91
Assets held for sale			
Non-current assets due within one year			

Other current assets		271,541,009.97	87,165,597.70
Total current assets		4,672,984,484.98	3,762,747,018.77
Non-current assets:			
Available-for-sale financial assets		5,288,839.52	5,818,587.80
Held-to-maturity investments			
Long-term receivables		8,600,000,000.00	8,600,000,000.00
Long-term equity investments	XVIII.3	23,698,231,647.52	23,581,254,928.08
Investment properties			
Fixed assets		115,045,273.03	118,553,830.32
Construction in progress		28,048,838.62	13,594,976.50
Construction materials			
Disposals of fixed assets			
Biological assets for production			
Fuel assets			
Intangible assets		7,356,456.57	14,601,582.38
Development expenses			
Goodwill			
Long-term deferred expenses		5,453,171.70	
Deferred income tax assets		121,829,534.01	106,347,777.99
Other non-current assets		2,321,251.36	
Total non-current assets		32,583,575,012.33	32,440,171,683.07
Total assets		37,256,559,497.31	36,202,918,701.84
Current liabilities:			
Short-term borrowings		1,500,000,000.00	
Financial liabilities measured at fair value and changes of which included in current profit and loss			
Derivative financial liabilities			
Notes payable			
Accounts payables		221,198,720.89	310,387,267.67
Receipts in advance		2,673,252,010.26	2,465,908,721.32
Payables for staff's remuneration		31,301,052.64	51,533,384.22
Taxes payable		26,192,674.33	62,255,803.87
Interests payable		126,112,976.64	156,447,167.63
Dividends payable			
Other payables		22,529,346,801.59	21,112,143,360.73
Liabilities held for sale			
Non-current liabilities due within one year			
Other current liabilities		16,045,131.53	12,498,265.43
Total current liabilities		27,123,449,367.88	24,171,173,970.87
Non-current liabilities:			
Long-term borrowings			
Debentures payable			
Including: preference shares			
Perpetual bonds			
Long-term payable		20,000,000.00	20,000,000.00
Long-term payables for staff's remuneration			
Special payables			
Estimated liabilities			
Deferred income		37,700,000.00	37,700,000.00
Deferred income tax liabilities		37,783,379.99	36,152,815.34
Other non-current liabilities			

Total non-current liabilities		95,483,379.99	93,852,815.34
Total liabilities		27,218,932,747.87	24,265,026,786.21
Owners' equity:			
Share capital		6,097,402,727.00	6,097,402,727.00
Other equity instruments			
Including: preference shares			
Perpetual bonds			
Capital reserve		2,318,161,831.23	2,317,907,947.71
Less: Treasury stock			
Other comprehensive income		-13,478,890.15	-43,234,737.77
Special reserve			
Surplus reserve		1,437,313,649.93	1,437,313,649.93
Undistributed profits		198,227,431.43	2,128,502,328.76
Total owners' equity		10,037,626,749.44	11,937,891,915.63
Total liabilities and owners' equities		37,256,559,497.31	36,202,918,701.84

Legal representative: Liang Haishan

Chief accountant: Gong Wei

Person in charge of accounting department: Ying Ke

Consolidated Income Statement

January-June 2018

Unit and Currency: RMB

Items	Notes	Current period	Previous period
I .Total operating revenue		88,591,626,626.07	77,585,007,913.93
Including: operating revenue	VII.47	88,591,626,626.07	77,585,007,913.93
Interest income			
Insurance premiums earned			
Fee and commission income			
II . Total cost of operations		82,990,516,025.15	72,915,466,587.55
Including: operating cost	VII.47	62,924,743,807.78	54,161,628,234.79
Interest expenses			
Fee and commission expenses			
Insurance withdrawal payment			
Net payment from indemnity			
Net provisions for insurance contract			
Insurance policy dividend paid			
Reinsurance cost			
Taxes and surcharge	VII.48	404,415,631.92	345,530,712.80
Selling expenses	VII.49	13,106,599,051.97	12,180,499,014.03
Administrative expenses	VII.50	5,951,531,296.20	5,393,556,967.87
Financial expenses	VII.51	424,983,265.35	611,674,697.24
Loss in assets impairment	VII.52	178,242,971.93	222,576,960.82
Add: income from change in fair value (losses are represented by "-")	VII.53	36,661,921.50	412,063,845.15
Investment income (losses are represented by "-")	VII.54	867,458,988.96	653,842,714.35
Including: investment income of associates and joint ventures			

Gain from disposal of assets (losses are represented by “-”)	VII.55	5,668,073.53	-7,148,339.24
Exchange gain (losses are represented by “-”)			
Other income	VII.56	224,292,412.02	134,742,567.52
III. Operating profit (losses are represented by “-”)		6,735,191,996.93	5,863,042,114.16
Add: non-operating income	VII.57	218,257,900.77	246,964,120.48
Less: non-operating expenses	VII.58	48,392,538.09	77,391,457.25
IV. Total profit (total losses are represented by “-”)		6,905,057,359.61	6,032,614,777.39
Less: income tax expense	VII.59	966,639,681.13	758,022,158.23
V. Net profit (net losses are represented by “-”)		5,938,417,678.48	5,274,592,619.16
(I) Classification by continuous operation			
1. Net profit from continuous operation (net losses are represented by “-”)		5,938,417,678.48	5,274,592,619.16
2. Net profit from discontinuous operation (net losses are represented by “-”)			
(II) Classification by ownership of the equity			
1. Net profit attributable to owners of the Parent company		4,858,795,529.42	4,416,867,240.37
2. Profit or loss attributable to minority shareholders		1,079,622,149.06	857,725,378.79
VI. Other comprehensive income, net of tax	VII.60	390,531,904.15	-194,096,720.26
Other comprehensive income attributable to owners of the Parent company, net of tax		266,441,870.74	-161,578,679.72
(I) Other comprehensive income that will not be reclassified subsequently to profit or loss		-6,952,267.73	
1. Changes in net liabilities or net assets arising from re-measurement of defined benefit plans		-6,952,267.73	
2. Share of other comprehensive income of investees that cannot be reclassified to profit or loss under equity method			
(II) Other comprehensive income to be reclassified subsequently to profit or loss		273,394,138.47	-161,578,679.72
1. Share of other comprehensive income of investees that will be reclassified subsequently to profit or loss under equity method		86,716,737.89	-122,040,176.25
2. Gain or loss from change in fair value of available-for-sale financial assets		47,583,273.64	-2,347,023.98
3. Gain or loss arising from reclassification from held-to-maturity investments to available-for-sale financial assets			
4. Effective portion of gain or loss arising from cash flow hedging instruments		22,583,059.17	37,469.92
5. Exchange differences on translation of financial statements denominated in		116,511,067.77	-37,228,949.41

foreign currencies			
6. Other			
Other comprehensive income attributable to minority shareholders, net of tax		124,090,033.41	-32,518,040.54
VII. Total comprehensive income		6,328,949,582.63	5,080,495,898.90
Total comprehensive income attributable to the owners of Parent company		5,125,237,400.16	4,255,288,560.65
Total comprehensive income attributable to the minority shareholders		1,203,712,182.47	825,207,338.25
VIII . Earnings per share:			
(I) Basic earnings per share (RMB/share)	XX.1	0.797	0.724
(II) Diluted earnings per share (RMB/share)	XX.1	0.786	0.724

Legal representative: Liang Haishan Chief accountant: Gong Wei

Person in charge of accounting department: Ying Ke

Income Statement of the Parent Company

January-June 2018

Unit and Currency: RMB

Items	Notes	Current period	Previous period
I . Operating revenue	XVIII.4	1,624,154,028.46	1,543,112,325.65
Less: Operation cost	XVIII.4	1,120,062,552.26	1,125,099,741.07
Taxes and surcharge		9,974,166.62	9,124,152.47
Selling expenses		125,040,887.94	84,535,020.01
Administrative expenses		287,700,603.90	291,801,719.89
Financial expenses		61,816,257.99	45,432,212.79
Loss in assets impairment		96,210,989.68	49,240,545.55
Add: income from change in fair value (losses are represented by “-”)			
Investment income (losses are represented by “-”)	XVIII.5	219,520,069.85	151,893,767.73
Including: investment income of associates and joint ventures			
Income from disposal of assets (losses are represented by “-”)			
Other income		9,510,192.91	34,750,026.00
II . Operating profit (losses are represented by “-”)		152,378,832.83	124,522,727.60
Add: non-operating income		27,747,401.83	18,075,928.68
Less: non-operating expenses		253,114.54	9,413.67
III. Total Profit (total losses are represented by “-”)		179,873,120.12	142,589,242.61
Less: income tax expense		-3,481,743.97	-10,390,190.96
IV. Net Profit (net losses are represented by “-”)		183,354,864.09	152,979,433.57
1. Net profit from continuous operations (net losses are represented by “-”)		183,354,864.09	152,979,433.57

2. Net profit from discontinuous operations (net losses are represented by “-”)			
V. Other comprehensive income, net of tax		14,666,831.86	-13,603,497.91
(I) Other comprehensive income will not be reclassified subsequently to profit or loss			
1. Changes in net liabilities or net assets arising from re-measurement of defined benefit plans			
2. Share of other comprehensive income of investees that cannot be reclassified to profit or loss under equity method			
(II) Other comprehensive income to be reclassified subsequently to profit or loss		14,666,831.86	-13,603,497.91
1. Share of other comprehensive income of investees that will be reclassified subsequently to profit or loss under equity method		15,117,117.89	-13,949,016.48
2. Gain or loss from change in fair value of available-for-sale financial assets		-450,286.03	345,518.57
3. Gain or loss arising from reclassification from held-to-maturity investments to available-for-sale financial assets			
4. Effective portion of gain or loss arising from cash flow hedging instruments			
5. Exchange differences on translation of financial statements denominated in foreign currency			
6. Others			
VI. Total comprehensive income		198,021,695.95	139,375,935.66
VII. Earnings per share:			
(I) Basic earnings per share (RMB/share)			
(II) Diluted earnings per share (RMB/share)			

Legal representative: Liang Haishan Chief accountant: Gong Wei

Person in charge of accounting department: Ying Ke

Consolidated Cash Flow Statement

January-June 2018

Unit and Currency: RMB

Items	Notes	Current period	Previous period
I . Cash flows from operating activities:			
Cash received from the sale of goods and rendering of services		88,990,747,210.36	74,935,403,117.83
Net increase in consumer and interbank deposits			
Net increase in borrowing from PBOC			
Net cash increase in borrowing from			

other financial institutes			
Cash received from premiums under original insurance contract			
Net cash received from reinsurance business			
Net increase in deposits of policy holders and investment			
Net increase from the disposal of financial assets measured at fair value and changes of which included in current profit and loss			
Cash received for interest, bank charges and commissions			
Net increase in cash borrowed			
Net increase in cash received from repurchase operation			
Refunds of taxes		512,976,383.25	485,662,098.22
Cash received from other related operating activities	VII.61	506,972,932.99	459,333,039.95
Sub-total of cash inflows from operating activities		90,010,696,526.60	75,880,398,256.00
Cash paid on purchase of goods and services		63,858,636,542.27	51,699,049,058.50
Net increase in loans and advances			
Net increase in deposits in PBOC and interbank			
Cash paid for compensation payments under original insurance contract			
Cash paid for interest, bank charges and commissions			
Cash paid for insurance policy dividend			
Cash paid to and on behalf of employees		9,237,917,423.80	7,150,233,117.84
Cash paid for all types of taxes		4,590,954,706.19	3,532,926,832.74
Cash paid to other operation related activities	VII.62	6,954,801,900.32	5,063,786,588.46
Sub-total of cash outflows from operating activities		84,642,310,572.58	67,445,995,597.54
Net cash flows from operating activities	VII.67	5,368,385,954.02	8,434,402,658.46
II . Cash flows from investing activities:			
Cash received from disposal of investments		2,089,760,985.51	13,500,000.00
Cash received from return on investments		243,774,322.52	111,755,467.37
Net cash received from the disposal of fixed assets, intangible assets and other long term assets		66,472,237.59	38,490,006.64
Net cash received from disposal of subsidiaries and other operating entities			5,916,992.24
Cash received from other investment related activities	VII.63	102,448,074.88	
Sub-total of cash inflows from		2,502,455,620.50	169,662,466.25

investing activities			
Cash paid on purchase of fixed assets, intangible assets and other long term assets		2,737,429,642.03	1,690,179,598.23
Cash paid for investments		2,541,755,500.75	802,287,173.10
Net increase in secured loans			
Net cash paid on acquisition of subsidiaries and other operating entities			54,786,726.52
Cash paid on other investment related activities	VII.64	72,282,503.66	
Sub-total of cash outflows from investing activities		5,351,467,646.44	2,547,253,497.85
Net cash flows from investing activities		-2,849,012,025.94	-2,377,591,031.60
III. Cash flows from financing activities:			
Cash received from investment		80,422,640.20	403,277,599.87
Including: cash received by subsidiaries from minority shareholders' investment			
Cash received from borrowings		4,509,988,283.98	12,542,711,276.95
Cash received from issuing bonds			
Cash received from other financing related activities			75,828.87
Sub-total of cash inflows from financing activities		4,590,410,924.18	12,946,064,705.69
Cash paid on repayment of borrowings		6,528,030,681.51	13,232,929,731.76
Cash paid on distribution of dividends, profits, or interest expenses		2,233,319,529.73	130,616,690.52
Including: dividend, profit paid to minority shareholders by subsidiaries			
Cash paid on other financing activities	VII.65	513,528,122.08	86,087,258.56
Sub-total of cash outflows from financing activities		9,274,878,333.32	13,449,633,680.84
Net cash flows from financing activities		-4,684,467,409.14	-503,568,975.15
IV. Effect of fluctuations in exchange rates on cash and cash equivalents		10,109,446.43	-74,862,962.90
V. Net increase in cash and cash equivalents		-2,154,984,034.63	5,478,379,688.81
Add: balance of cash and cash equivalents at the beginning of the period	VII.67	34,340,013,574.22	23,295,239,445.05
VI. Balance of cash and cash equivalents at the end of the period	VII.67	32,185,029,539.59	28,773,619,133.86

Legal representative: Liang Haishan

Chief accountant: Gong Wei

Person in charge of accounting department: Ying Ke

Cash Flow Statement of the Parent Company

January-June 2018

Unit and Currency: RMB

Items	Notes	Current period	Previous period
I . Cash flows from operating activities:			
Cash received from the sale of goods and rendering of services		1,026,490,616.31	139,120,441.24
Refunds of taxes		11,759,645.04	
Cash received from other related operating activities		150,663,743.56	50,673,786.01
Sub-total of cash inflows from operating activities		1,188,914,004.91	189,794,227.25
Cash paid on purchase of goods and services		334,977,272.61	817,622,677.26
Cash paid to and on behalf of employees		519,466,890.74	460,813,118.91
Cash paid for all types of taxes		114,511,009.96	95,721,014.98
Cash paid to other operation related activities		213,818,898.29	201,399,325.56
Sub-total of cash outflows from operating activities		1,182,774,071.60	1,575,556,136.71
Net cash flows from operating activities		6,139,933.31	-1,385,761,909.46
II . Cash flows from investing activities:			
Cash received from disposal of investments		78,325.00	
Cash received from return on investments		1,053,181,844.07	279,713,897.32
Net cash received from the disposal of fixed assets, intangible assets and other long term assets			
Net cash received from disposal of subsidiaries and other operating entities			
Cash received from other investment related activities			
Sub-total of cash inflows from investing activities		1,053,260,169.07	279,713,897.32
Cash paid on purchase of fixed assets, intangible assets and other long term assets		14,341,911.75	1,791,373.41
Cash paid for investments		65,722,235.00	220,659,237.50
Net cash paid on acquisition of subsidiaries and other operating entities			
Cash paid on other investment related activities			
Sub-total of cash outflows from investing activities		80,064,146.75	222,450,610.91
Net cash flows from investing activities		973,196,022.32	57,263,286.41
III. Cash flows from financing activities:			

Cash received from investment			
Cash received from borrowings		1,500,000,000.00	
Cash received from issuing bonds			
Cash received from other financing related activities			698,132,975.25
Sub-total of cash inflows from financing activities		1,500,000,000.00	698,132,975.25
Cash paid on repayment of borrowings			
Cash paid on distribution of dividends, profits, or interest expenses		2,089,308,295.14	
Cash paid on other financing activities		674,762,474.59	
Sub-total of cash outflows from financing activities		2,764,070,769.73	
Net cash flows from financing activities		-1,264,070,769.73	698,132,975.25
IV. Effect of fluctuations in exchange rates on cash and cash equivalents		577.54	-1,138.42
V. Net increase in cash and cash equivalents		-284,734,236.56	-630,366,786.22
Add: balance of cash and cash equivalents at the beginning of the period		2,070,527,802.97	3,888,623,400.28
VI. Balance of cash and cash equivalents at the end of the period		1,785,793,566.41	3,258,256,614.06

Legal representative: Liang Haishan

Chief accountant: Gong Wei

Person in charge of accounting department: Ying Ke

Consolidated Statement of Changes in Owner's Equity
January-June 2018

Unit and Currency: RMB

Items	Current period												
	Equity attributable to owners of the parent company											Minority equity	Total owners' equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk provisions	Undistributed profits		
Preference share		Perpetual bonds	Others										
I. Closing balance for the previous year	6,097,402,727.00			431,424,524.07	826,883,093.84		-36,363,809.96		2,103,057,782.41		22,793,110,884.09	14,534,490,935.91	46,750,006,137.36
Add: changes in accounting policies													
Correction of previous errors													
The consolidation of enterprises under common control													
Others													
II. Opening balance for the current year	6,097,402,727.00			431,424,524.07	826,883,093.84		-36,363,809.96		2,103,057,782.41		22,793,110,884.09	14,534,490,935.91	46,750,006,137.36
III. Increase/decrease and change of amount for the current period (decrease is represented by "-")					47,000,347.59		306,669,981.33				2,698,065,921.89	805,427,225.80	3,857,163,476.61
(I) Total comprehensive income							266,441,870.74				4,858,795,529.42	1,203,712,182.47	6,328,949,582.63
(II) Capital injection and reduction by owners					47,000,347.59		-4,389.96					3,281,460.84	50,277,418.47
1. Ordinary shares invested by shareholders												3,281,460.84	3,281,460.84
2. Capital injected by holders of other equity													

instruments													
3. Amount of shares payment credited to owner's equity													
4.Others				47,000.3		-4,389.9							46,995,957.63
				47.59		6							
(III) Profit distribution										-2,085,311,732.63	-401,292,446.68		-2,486,604,179.31
1. Appropriation to surplus reserves													
2.Provisions for general risks													
3.Distribution to owners (or shareholders)										-2,085,311,732.63	-401,292,446.68		-2,486,604,179.31
4.Others													
(IV) Internal transfer of owner's equity													
1. Transfer of capital reserves into capital (or share capital)													
2. Transfer of surplus reserves into capital (or share capital)													
3. Surplus reserves used for remedying loss													
4.Others													
(V) Special reserve													
1. Appropriated for the period													
2. Utilized for the period													
(VI) Others						40,232,500.55				-75,417,874.90	-273,970.83		-35,459,345.18
IV. Closing balance for the period	6,097,402,727.00			431,424,524.07	873,883,441.43	270,306,171.37		2,103,057,782.41		25,491,176,805.98	15,339,918,161.71		50,607,169,613.97

Items	Previous period												
	Equity attributable to owners of the parent company										Minority equity	Total owners' equity	
	Share capital	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk provisions			Undistributed profits
Preference share		Perpetual bonds	Others										
I . Closing balance for the previous year	6,097,630,727.00				83,383,194.51	1,041,960.00	566,238,911.96		2,074,118,571.01		17,544,395,965.35	11,215,641,001.64	37,580,366,411.47
Add: changes in accounting policies													
Correction of previous errors													
The consolidation of enterprises under common control							748,523.61	2,341,506.77		70,372,786.35	26,711,159.52	100,173,976.25	
Others													
II .Opening balance for the current the period	6,097,630,727.00				83,383,194.51	1,041,960.00	566,987,435.57	2,076,460,077.78		17,614,768,751.70	11,242,352,161.16	37,680,540,387.72	
III.Increase/decrease and change of amount for the period (decrease is represented by “-”)					232,071,264.01		-161,578,679.72			2,904,711,364.07	1,977,325,359.63	4,952,529,307.99	
(I) Total comprehensive income							-161,578,679.72			4,416,867,240.37	825,207,338.25	5,080,495,898.90	
(II) Capital injection and reduction by owners					232,071,264.01						1,401,209,001.28	1,633,280,265.29	
1. Ordinary shares invested by shareholders					231,991,591.90						1,401,208,371.06	1,633,199,962.96	
2. Capital injected by holders of other equity instruments													
3. Amount of shares payment credited to owner's equity													

4. Others					79,672.11						630.22	80,302.33	
(III) Profit distribution											-1,512,155,876.30	-249,090,979.90	-1,761,246,856.20
1. Appropriation to surplus reserves													
2. Provisions for general risks													
3. Distribution to owners (or shareholders)											-1,512,155,876.30	-249,090,979.90	-1,761,246,856.20
4. Others													
(IV) Internal transfer of owner's equity													
1. Transfer of capital reserves into capital (or share capital)													
2. Transfer of surplus reserves into capital (or share capital)													
3. Surplus reserves used for remedying loss													
4. Others													
(V) Special reserve													
1. Appropriated for the period													
2. Utilized for the period													
(VI) Others													
IV. Closing balance for the period	6,097,630,727.00				315,454,458.52	1,041,960.00	405,408,755.85		2,076,460,077.78		20,519,480,115.77	13,219,677,520.79	42,633,069,695.71

Legal representative: Liang Haishan

Chief accountant: Gong Wei

Person in charge of accounting department: Ying Ke

Statement of Changes in Owner's Equity of the Parent Company

January-June 2018

Unit and Currency: RMB

Items	Current period										
	Share capital	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total owners' equity
		Preference share	Perpetual bonds	Others							
I . Closing balance for the previous period	6,097,402,727.00				2,317,907,947.71		-43,234,737.77		1,437,313,649.93	2,128,502,328.76	11,937,891,915.63
Add: changes in accounting policies											
Correction of previous errors											
Others											
II . Opening balance for the current period	6,097,402,727.00				2,317,907,947.71		-43,234,737.77		1,437,313,649.93	2,128,502,328.76	11,937,891,915.63
III. Increase/decrease and change of amount for the period (decrease is represented by "-")					253,883.52		29,755,847.62			-1,930,274,897.33	-1,900,265,166.19
(I) Total comprehensive income							14,666,831.86			183,354,864.09	198,021,695.95
(II) Capital injection and reduction by owners					253,883.52						253,883.52
1. Ordinary shares invested by shareholders											
2. Capital injected by holders of other equity instruments											
3. Amount of shares payment credited to owner's equity											
4. Others					253,883.52						253,883.52
(III) Profit distribution										-2,085,311,732.63	-2,085,311,732.63
1. Appropriation to surplus reserves											
2. Distribution to owners (or shareholders)										-2,085,311,732.63	-2,085,311,732.63

3. Others											
(IV) Internal transfer of owner's equity											
1. Transfer of capital reserves into capital (or share capital)											
2. Transfer of surplus reserves into capital (or share capital)											
3. Surplus reserves used for remedying loss											
4. Others											
(V) Special reserve											
1. Appropriated for the period											
2. Utilized for the period											
(VI) Others							15,089,01 5.76		-28,318,02 8.79	-13,229,01 3.03	
IV. Closing balance for the period	6,097,402,7 27.00				2,318,161, 831.23		-13,478,89 0.15		1,437,313, 649.93	198,227,4 31.43	10,037,626 ,749.44

Items	Previous period										
	Share capital	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total owners' equity
		Preference share	Perpetual bonds	Others							
I. Closing balance for the previous period	6,097,630,7 27.00				2,061,597, 739.78	1,041,960. 00	-10,881,60 3.15		1,389,846, 284.51	2,258,102, 166.73	11,795,253 ,354.87
Add: changes in accounting policies											
Correction of previous errors											
Others											
II. Opening balance for the current period	6,097,630,7 27.00				2,061,597, 739.78	1,041,960. 00	-10,881,60 3.15		1,389,846, 284.51	2,258,102, 166.73	11,795,253 ,354.87
III. Increase/decrease and change of amount for the period (decrease is represented by "-")					29,180.39		-13,603,49 7.91			-1,359,176 ,442.73	-1,372,750 ,760.25
(I) Total							-13,603,49			152,979,4	139,375,93

comprehensive income							7.91			33.57	5.66
(II) Capital injection and reduction by owners					29,180.39						29,180.39
1. Ordinary shares invested by shareholders											
2. Capital injected by holders of other equity instruments											
3. Amount of shares payment credited to owner's equity											
4. Others					29,180.39						29,180.39
(III) Profit distribution										-1,512,155,876.30	-1,512,155,876.30
1. Appropriation to surplus reserves											
2. Distribution to owners (or shareholders)										-1,512,155,876.30	-1,512,155,876.30
3. Others											
(IV) Internal transfer of owner's equity											
1. Transfer of capital reserves into capital (or share capital)											
2. Transfer of surplus reserves into capital (or share capital)											
3. Surplus reserves used for remedying loss											
4. Others											
(V) Special reserve											
1. Appropriated for the period											
2. Utilized for the period											
(VI) Others											
IV. Closing balance for the period	6,097,630,727.00				2,061,626,920.17	1,041,960.00	-24,485,101.06		1,389,846,284.51	898,925,724.00	10,422,502,594.62

Legal representative: Liang Haishan

Chief accountant: Gong Wei

Person in charge of accounting department: Ying Ke

III. General Information of the Company

1. Overview of the Company

Applicable **Not Applicable**

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

The Company’s registered office is located at the Haier Industrial Park of Laoshan District, Qingdao, Shandong Province, and the headquarters is located at the Haier Industrial Park of Laoshan District, Qingdao, Shandong Province.

The Company is mainly engaged in manufacturing and trading as well as R&D of refrigerator, air-conditioner, freezer, washing machine, water heater, dishwashers, gas stove and relevant products and commercial circulation business.

The Company’s ultimate holding company is Haier Group Corporation.

These financial statements have been approved for publication by the Board of the Company on 30 August 2018. According to the Article of Association, these financial statements will be provided for consideration and approval of the general meeting.

2. Scope of consolidated financial statements

Applicable **Not Applicable**

For details of changes in the scope of consolidated financial statements for the period, please refer to “VIII. Changes in Consolidation Scope” and “IX. Interests in Other Entities” of this note.

IV. Basis of Preparation of the Financial Statements

1. Basis of Preparation

The financial statements of the Company were prepared on the going concern basis according to the transactions and matters actually occurred, in accordance with the Accounting Standards for Enterprises – Basic Standards published by the Ministry of Finance, specific accounting standards, and guidance on application of accounting standards for enterprises, interpretations to accounting standards for enterprises and other relevant requirements (hereinafter collectively referred to as the “Accounting Standards for Enterprises”) which issued subsequently, and in combination with the disclosure provisions of the Rules for the Information Disclosure and Compilation of Companies

Publicly Issuing Securities No.15: General Provisions for Financial Report (Revised in 2014) of CSRC as well as the following significant accounting policies and accounting estimation.

2. Continuing Operation

Applicable Not Applicable

The Company has ability to continue its operation for at least 12 months since the end of the reporting period and there is no significant events affecting its ability to continue as a going concern.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

Tips of specific accounting policies and accounting estimation:

Applicable Not Applicable

According to the characteristics of its production and operation, the Company formulated a series of specific accounting policies and accounting estimates, including the provisions for impairment for accounts receivable (Note V.11); the measurement of inventories (Note V.12); the depreciation and amortization of the investment properties (Note V.14); the depreciation of fixed assets (Note V.15); the amortization of intangible assets (Note V.18); the criterion for determining of long-term assets impairment (Note V.19); and the date of revenue recognition (Note V.24), etc..

1. Statement of compliance with enterprise accounting standards

The financial statements prepared by the Company meet the requirements of the enterprise accounting standards, which accurately and completely reflected information relating to the financial condition as of 30 June 2018, operation result and cash flow of the Company in January to June 2018.

2. Accounting period

The accounting year of the Company is from 1 January each year to 31 December of the same year in solar calendar.

3. Operating cycle

Applicable Not Applicable

The Company takes 12 months as an operating cycle, which is also the classification basis for the liquidity of its assets and liabilities.

4. Recording currency

RMB is the recording currency of the Company.

5. Accounting methods of enterprise combinations involving entities under common control and entities not under common control

Applicable Not Applicable

An enterprise combination is a transaction or event that brings together two or more separate entities into one reporting entity. Enterprise combinations are classified into enterprise combinations under common control and enterprise combinations not under common control.

(1) Enterprise combinations under common control

An enterprise combination under common control is an enterprise combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory. For enterprise combination under common control, the party that obtains the control over the other parties on the combination date is the acquirer, and other parties involving in the enterprise combination are the acquiree. The combination date is the date on which the acquiring party effectively obtains the control over the party being acquired.

In case the consideration for long-term equity investments formed in enterprise combination under common control is paid by ways of cash, transfer of non-cash assets or assumption of debts, the Company will regard the share of carrying amounts of the net assets of the acquiree in the ultimate controller's consolidated financial statements obtained as the initial investment cost of long-term equity investments as at the date of combination. For carrying value of net assets of the acquiree is negative as at the date of combination, investment cost of long-term equity investment is calculated as zero. In case the acquiree is controlled by the ultimate controller by the enterprise combination under non-common control before combination, the initial investment cost of the long-term equity investment of the acquirer includes relevant goodwill. The Company should adjust the capital reserve (capital premium or share premium) in accordance with the differences between initial investment cost of the long-term equity investment and the cash paid, the non-cash assets transferred and the carrying value of liability assumed; in case the balance of the capital reserve (capital premium or share premium) is insufficient for the elimination, the surplus reserves and undistributed profits shall be used to dilute such expenses in order. In case the consideration for the combination is paid by issuance of equity instruments, the aggregate nominal value of shares issued will be deemed as the share capital. The difference between the initial investment cost of long-term equity investments and aggregate nominal value of shares issued shall be

adjusted to capital reserve (capital premium or share premium), in case the capital reserve (capital premium or share premium) is insufficient for the elimination, the surplus reserves and undistributed profits shall be used to dilute such expenses in order.

Intermediary fees (such as audit, legal services and valuation consultancy) and other relevant management fees incurred in the enterprises combination by the acquirer are credited in profit or loss in the period when they occurred. Trading expenses in direct relation to the issuance of equity instrument as the consideration for the combination is written down to the capital reserve (share premium), where the capital reserve (share premium) is insufficient, and to surplus reserves and undistributed profits in order. Trading expenses in direct relation to the issuance of debt instrument as the consideration for the combination is included in the initial recognition amount of the debt instrument.

For enterprise combination under common control realized through several transactions step by step, in case of a package transaction, all the transactions are accounted as one transaction that has acquired the control; in case of not a package transaction, in the financial statement of parent company the capital reserve (share premium) is adjusted by the difference between the initial investment cost and the sum of the carrying value of the original long-term equity investment and the book value of the new payment consideration for further acquisition of shares with the share of acquirer's owner's equity on the date of combination in case calculated on the proportion of shareholding on the date of combination as its initial investment cost; where the capital reserve is insufficient, the retained earnings will be used to offset such expenses.

In the consolidated financial statements, the long-term equity investment held by the combining party before the date of acquiring control of the combined parties, and the profit and loss, the other comprehensive income and changes in the other owners' equity recognized during the period between the later of the date of acquisition and the date when the combining and the combined parties are under the common control of the same party and the date of combination, are written down to the retained earnings or current profit or loss at the beginning of the comparative reporting period, respectively.

(2) Enterprise combinations involving entities not under common control

An enterprise combination not under common control is an enterprise combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the

combination. For enterprise combination not under common control, the party that obtains the control of the other parties at the combination date is the acquirer; other parties involving in the enterprise combination are the acquirees. The combination date is the date on which the acquirer effectively obtains control of the acquirees.

In enterprise combination involving entities not under common control, the cost of combination shall be the sum of the assets paid, obligations incurred or assumed and the fair value of the equity securities issued by the acquirer for obtaining control of the acquiree at the date of acquisition. Intermediary fees (such as audit, legal services and valuation consultancy) and other relevant management fees incurred by the acquirer for the purpose of enterprise combination are credited in profit or loss in the period when they occurred. Transaction fees for the equity instruments or debt instruments issued by the acquirer as combination consideration is included in the initial recognition amount of such equity instruments or debt instruments. Contingent consideration involved shall be recorded as the combination cost based on its fair value on the acquisition date. Should any new or further evidence arises within 12 months after the acquisition date and makes it necessary to adjust the contingent consideration on the acquisition date, the goodwill arising from the enterprise combination shall be amended accordingly.

The cost of combination and identifiable net assets obtained by the acquirer in an enterprise combination are measured at fair value on the acquisition date. Where the cost of the combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognized as goodwill; where the cost of combination is lower than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is initially recognized in profit or loss for the current year after a review of computation for the identifiable assets, liabilities or fair value of contingent liabilities and combination cost, and where the combination cost is still lower than the fair value of the identifiable net assets of the acquiree obtained during the course of combination, then the difference is recorded in the current profit and loss.

In enterprise combination involving entities not under common control that is realized in phases through multiple exchange transactions, in the individual financial statements of parent company, the sum of the book value of the equity investment of the acquiree held before the date of acquisition and

the cost of new investment on the date of acquisition are recognized as the initial investment cost of such investment.

In the consolidated financial statement, the equity of the acquiree held before the date of acquisition is re-measured at the fair value on the date of acquisition, and the difference between the fair value and book value is included in current investment income; where the equity of the acquiree held before the date of acquisition involves the other comprehensive income, such equity and relevant other comprehensive income are transferred to current investment income on the date of acquisition, other than the other comprehensive income that cannot be reclassified into the current profit or loss.

The fair value on the acquisition date of equity interest in the acquiree prior to the acquisition date and the fair value of the considerations paid for the acquisition of the new equity on the acquisition date are regarded as the combination costs of the Company, comparing with acquirer's share of the fair value on the acquisition date of the acquiree's net identifiable assets on the proportion of the shareholding on the acquisition date to confirm the goodwill that required to be recognized on the acquisition date or the amount that shall be included in the current consolidated profit or loss.

6. Preparation method of consolidated financial statements

Applicable Not Applicable

(1) Scope of consolidated financial statements

The Company incorporated all of its subsidiaries (including the separate entities controlled by the Company) into the scope of consolidation financial statements, including the enterprises under the Company's control, divisible part in the investees and structured entities.

(2) To unify the accounting policies, balance sheets date and accounting periods of the Company and subsidiaries

When preparing consolidated financial statements, adjustments are made if subsidiaries' accounting policies or accounting periods are different from that of the Company, in accordance with the Company's accounting policies and accounting periods.

(3) Offset matters in the consolidated financial statements

The consolidated financial statements shall be prepared on the basis of the balance sheets of the Company and subsidiaries, which offset the internal transactions incurred between the Company and

subsidiaries and among subsidiaries. The owner's equity of the subsidiaries not attributable to the parent company, as minority equity interests, shall be presented as "minority equity interest" under the owners' equity item in the consolidated balance sheet.

The long-term equity investment of the Company held by the subsidiaries, deemed as treasury stock of the corporate group as well as the reduction of owners' equity, shall be presented as "Less: Treasury stock" under the owners' equity item in the consolidated balance sheet.

(4) Accounting treatment of subsidiaries acquired from combination

For subsidiaries acquired from enterprise combination under common control, the assets, liabilities, operating results and cash flows of the subsidiaries are included in the consolidated financial statements from the beginning of the period in which the combination took place, as if the combination has taken since the ultimate controller began its control. When preparing the consolidated financial statements, for the subsidiaries acquired from enterprise combination under non-common control, separate financial statement will be adjusted on the basis of their fair values of the identifiable net assets on the date of acquisition.

7. Classification of joint arrangement and accounting methods of joint operations

Applicable Not Applicable

A joint arrangement refers to an arrangement jointly controlled by two or more parties. In accordance with the Company's rights and obligations under a joint arrangement, the Company classifies joint arrangements into: joint operations and joint ventures.

Joint operations refer to a joint arrangement in which the Company is a party and is entitled to relevant assets and obligations of this arrangement. The Company recognizes the following items in relation to its interest in a joint operation, and accounts the same in accordance with relevant accounting standards for business enterprises:

(1) recognize the assets held solely by the Company, and recognize assets held jointly by the Company in appropriation to the share of the Company; (2) recognize the obligations assumed solely by the Company, and recognize obligations assumed jointly by the Company in appropriation to the share of the Company; (3) recognize revenue from disposal of joint operations in appropriation to the share of the Company; (4) recognize revenue from disposal of joint operations in appropriation to the share of the

Company; (5) recognize fees solely occurred by the Company and recognize fees from joint operations in appropriation to the share of the Company.

When the Company, as a joint venture, invests or sells assets to or purchase assets (the assets do not constitute a business, the same below) from joint operations, the Company shall only recognize the part of profit or lost from this transaction attributable to other parties of joint operations before these assets are sold to a third party. In case of an impairment loss incurred on these assets which meets the requirements as set out in “Accounting Standards for Business Enterprises No. 8 – Asset Impairment”, the Company shall full recognize the amount of this loss in relation to its investment in or sale of assets to joint operations, or recognize the loss according to the Company’s share of commitment in relation to the its purchase of assets from joint operations.

Joint ventures refer to a joint arrangement during which the Company only is entitled to net assets of this arrangement. Investment in joint venture is accounted for using the equity method according to the accounting policies referred to under “13 Long-term equity investment” of this Note V.

8. Recognition standard for cash and cash equivalents

Cash recognized in the cash flow statements represents the cash on hand and deposits available for payment of the Company at any time.

Cash equivalents recognized in the cash flow statements refer to short-term, highly liquid investments held by the Company that are readily convertible to known amounts of cash and which are subject to an insignificant risk on change in value.

9. Foreign currency businesses and translation of foreign currency statements

Applicable Not Applicable

(1) Translation of Foreign currency transactions

If foreign currency transactions occur, they are translated into the amount of functional currency by applying the spot exchange rate at the transaction date.

Monetary items denominated in foreign currencies are translated into functional currencies at the rates of exchange ruling at the balance sheet date. All foreign exchange difference are credited into the current profit or loss, except ① those arising from the funds denominated in foreign currency specially

borrowed for the establishment of the qualifying assets are treated based on the principal of capitalization of borrowing costs; ② those arising from the other changes in the balance other than amortized cost of available-for-sale monetary items denominated in foreign currency are recognized in the other comprehensive income.

Non-monetary items in foreign currency measured at historical cost are translated using the spot exchange rate prevailing on the date when transaction occurred and its functional currency shall remain unchanged. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the foreign exchange rate at the date the fair value is determined; the exchange differences between the translated and original amounts of functional currencies are recognized in the statement of profit or loss or other comprehensive income as changes in fair value (including changes in exchange rate).

(2) Translation of foreign currency financial statements

If the functional currencies used as the bookkeeping base currency by the subsidiaries, joint ventures and associates under the control of the Company are different from that of the Company, their financial statements denominated in foreign currencies shall be translated to perform accounting and prepare the consolidated financial statements.

The assets and liabilities of the balance sheet are translated using the spot exchange rate at the balance sheet date; all items except for “undistributed profits” of the owner’s equity are translated at the spot exchange rate on the transaction date. The revenue and expenses in the income statement are translated using the approximate rate of the spot exchange rate on the transaction date. Differences arising from the translation of foreign currency financial statements are presented as the “other comprehensive income” in the owner’s equity of the balance sheet.

Foreign currency cash flows are translated using the approximate rate of the spot exchange rate on the transaction date. The impact of exchange rate changes on cash amount is reflected separately in the cash flow.

When disposing overseas operations, the translation difference related to the overseas operation shall be transferred together or as the percentage of disposing the overseas operation to profit or loss for the period of disposal.

10. Financial instruments

Applicable Not Applicable

(1) Classification, recognition and measurement of financial instruments

A financial asset or a financial liability is recognized when the Company becomes a contractual party of a financial instrument. Financial assets and financial liabilities are measured at fair value upon initial recognition. Related transaction costs are recorded directly in current profit or loss for financial assets and financial liabilities at fair value with its change consolidated in profit/loss, or included in the amount recognized initially for other types of financial assets and financial liabilities.

Determination of the fair value of financial assets and financial liabilities: Fair value refers to the price receivable from the exchange of an asset or payable for the settlement of a liability in a fair transaction between knowledgeable and willing counterparties. The fair value of financial instruments where there is an active market is determined based on the quoted price in such market, which refers to the price regularly available from exchanges, brokers, trade associations and pricing service agencies that represents the price adopted in an arm's length transaction which actually occurred in the market. For financial instruments where there is no active market, the fair value is determined using valuation techniques. Such techniques include reference to prices used in recent market transactions between knowledgeable and willing counterparties, reference to the current fair value of another instrument which is substantially the same, discounted cash flow analysis and option pricing models or other valuation models.

Financial assets are classified into financial assets at fair value with its change consolidated in profit/loss, held-to-maturity investments, loans and receivables, and available-for-sale financial assets upon initial recognition. Classification of financial asset other than receivables is based on the purpose and capability of financial asset held by the Company and its subsidiaries. The financial liabilities are, on initial recognition, classified into financial liabilities at fair value with its change consolidated in profit/loss and other financial liabilities.

Financial assets at fair value with its change consolidated in profit/loss include financial assets held for trading and financial assets designated as at fair value with its change consolidated in profit/loss. All financial assets at fair value with its change consolidated in profit/loss of the Company are financial assets held for trading. Financial assets may be classified as financial assets held for trading if one of the following conditions is met: ① the financial asset is acquired principally for the purpose of sale or

repurchase in the near term; ② the financial asset is part of a portfolio of identified financial instruments that are managed together and for which there is an objective evidence of recent pattern of short-term profit-taking; or ③ the financial asset is a derivative, excluding the derivatives designated as effective hedging instruments, the derivatives classified as financial guarantee contract, and the derivatives linked to an equity instrument investment, which has no quoted price in an active market nor a reliably measured fair value, and required to be settled through delivery of that equity instrument. A financial asset may be designated as at fair value with its change consolidated in profit/loss upon initial recognition only when one of the following conditions is satisfied: ① such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise result from measuring assets or recognizing the gains or losses on them on different bases; ② the financial asset forms part of a group of financial assets or a group of financial assets and financial liabilities, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is reported to key management personnel on that basis; or ③ pursuant to Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments, the financial asset is designated as combination instrument of financial assets measured at fair value through current profit or loss and related to embedded derivatives. A financial asset at fair value with its change consolidated in profit/loss, except for those falling under cash flow hedging, is subsequently measured at fair value. Any gains or losses arising from changes in the fair value are recognized in profit or loss of changes in the fair value. Interests or cash dividends received during the period in which such assets are held, are recognized as investment income; on disposal, the differences between the consideration received and initial recognized amount are recognized as investment income and the gain or loss from changes in fair value shall be adjusted accordingly.

Held-to-maturity investments are non-derivative financial assets that have fixed or determinable payments and fixed maturity and for which the Company has the positive intention and ability to hold to maturity. Held-to-maturity investments are measured subsequently at amortized cost by using the effective interest rate method. Gains or losses arising from de-recognition, impairment or amortization are recognized in the profit or loss in 2016.

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income or expense over each period based on the effective interest of a financial

asset or a financial liability (including a group of financial assets or financial liabilities). The effective interest rate is the rate that discounts future cash flows from the financial asset or financial liability over its expected life or (where appropriate) a shorter period to the carrying amount of the financial asset or financial liability. In calculating the effective interest rate, the Company will estimate the future cash flows (excluding future credit losses) by taking into account all contract terms relating to the financial assets or financial liabilities whilst considering various fees, transaction costs and discounts or premiums which are part of the effective interest rate paid or received between the parties to the financial assets or financial liabilities contracts.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets, including Notes receivable, accounts receivable, other receivables and long-term receivables are classified as loans and receivables by the Company. Loans and receivables are subsequently measured at amortized cost using the effective interest method. Gain or loss on derecognition, impairment or amortization is recognized with its change consolidated in profit/loss for the period.

Available-for-sale financial assets include non-derivative financial assets designated as available-for-sale at initial recognition, and the financial assets other than financial assets at fair value with its change consolidated in profit/loss, loans and receivables, and held-to-maturity investments. Available-for-sale financial assets are subsequently measured at fair value, the gains or losses arising from changes in fair value, except for impairment losses and exchange difference related to monetary financial assets and amortized cost which are recognized in profit or loss, are recognized in other comprehensive income and reclassified to profit or loss when the financial assets are derecognized. Interests calculated in the effective interest method during the holdings of available-for-sale financial assets and cash dividends declared by investees are recognized in investment incomes. On disposal, the differences between the consideration received and the carrying amount of assets after deducting the accumulated fair value adjustments previously recorded in capital reserves are recorded as investment income. However, an equity instrument investment which has no quoted price in an active market nor a reliably measured fair value, and a derivative financial asset (or derivative financial liability) linked to such equity instrument and required to be settled through delivery of that equity instrument are measured at cost.

Derivative financial instruments include forward foreign exchange contracts and interest rate swap

contracts, etc. Derivative financial instruments are initially recognized at fair value at the execution date of relevant contracts, and subsequently measured at fair value. Except for the derivative financial instruments designated as hedging instruments with a highly effective hedging, of which the profit or loss arising from the changes in fair value will be included in the corresponding profit or loss depending on the nature of hedging relations and the accounting requirements of hedging tools, the changes in the fair value of all other derivative financial instruments will be included in the current profit or loss.

For hybrid instruments containing embedded derivatives, an embedded derivative is separated from the hybrid instrument, where the hybrid instrument is not designated as a financial asset or financial liability at fair value with its change consolidated in profit/loss, and treated as a stand-alone derivative if the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract, and a separate instrument with the same terms as the embedded derivative would be in compliance with the definition of a derivative. If the Group is unable to measure the embedded derivative separately either at acquisition or at a subsequent balance sheet date, it will designate the entire hybrid instrument as a financial asset or financial liability at fair value with its change consolidated in profit/loss.

Equity instruments refer to the contracts proving the ownership of the remaining equities in the assets of the Company upon the deduction of all the liabilities. The consideration received from the issue of the equity instruments increases the shareholders' equity upon the deduction of the transaction costs. The allocations made by the Company to the holders of equity instruments (excluding stock dividends) decrease shareholders' equity. The Company does not recognize the change in the fair value of equity instruments.

(2) Recognition and measurement of transfers of financial asset

Financial asset that satisfied any of the following criteria shall be derecognized: ① the contract right to recover the cash flows of the financial asset has terminated; ② the financial asset, along with substantially all the risk and return arising from the ownership of the financial asset, has been transferred to the transferee; or ③ the financial asset has been transferred, and the Company has given up the control on such financial asset, though it does not assign or maintain substantially all the risk and return arising from the ownership of the financial asset.

When the Company does not either assign or maintain substantially all the risk and rewards of ownership of the financial asset and does not give up the control on such financial asset, to the extent of

its continuous involvement in the financial asset, the Company recognizes it as a related financial asset and recognizes the relevant liability accordingly. The extent of the continuous involvement is the extent to which the Company exposes to changes in the value of such financial assets.

On derecognition of a financial asset, the difference between the following amounts is recognized in profit or loss in the period: the carrying amount and the sum of the consideration received and any accumulated changes in fair value that had been recognized originally and directly in capital reserve. If a part of the financial assets qualifies for derecognition, the carrying amount of the financial asset is allocated between the part that continues to be recognized and the part that qualifies for derecognition, based on the fair values of the respective parts. The difference between the following amounts is recognized in profit or loss in the period when the carrying amount of the part that qualifies for derecognition and the sum of the consideration received and any accumulated changes in fair value that had been recognized originally and directly in capital reserve.

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is currently an enforceable legal right to offset the recognized financial assets and financial liabilities and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. Otherwise, financial assets and financial liabilities are presented separately in the balance sheet without being offset.

(3) Classification, recognition and measurement of financial liabilities

The Company classifies financial liabilities and equity instruments according to the substance of the contractual arrangements of the financial instrument and the definitions of a financial liability and an equity instrument. Financial liabilities are classified as financial liabilities at fair value with its change consolidated in profit or loss and other financial liabilities at initial recognition.

Financial liabilities at fair value with its change consolidated in profit or loss include financial liabilities held for trading and financial liabilities designated as at fair value with its change included in profit or loss.

Financial liabilities may be classified as financial liabilities held for trading if one of the following conditions is met: ① The financial liability is acquired principally for the purpose of sale or repurchase in the near term; ② The financial liability is part of a portfolio of identified financial instruments that are managed together and for which there is an objective evidence of recent pattern of short-term profit-taking; or ③ The financial liability is a derivative, excluding the derivatives designated as

effective hedging instruments, the derivatives classified as financial guarantee contract, and the derivatives linked to an equity instrument investment, which has no quoted price in an active market nor a reliably measured fair value, and required to be settled through delivery of that equity instrument.

A financial liability may be designated as at fair value with its change consolidated in profit/loss upon initial recognition only when one of the following conditions is satisfied: ① such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise result from measuring liabilities or recognizing the gains or losses on them on different bases; ② the financial liability forms part of a group of financial liabilities or a group of financial liabilities and financial liabilities, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is reported to key management personnel on that basis; or ③ pursuant to Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments, the financial liability is designated as combination instrument of financial liabilities measured at fair value through current profit or loss and related to embedded derivatives.

Financial liabilities at fair value with its change consolidated in profit or loss are subsequently measured at fair value. The gain or loss arising from changes in fair value and dividend and interest incomes arising from such financial liabilities are recognized in profit or loss in the period.

Other financial liabilities: The derivative financial liabilities linked to and to be settled through delivery of the equity instruments that are not quoted in an active market and the fair value of which cannot be reliably measured, such equity instruments are subsequently measured at cost. Other financial liabilities apart from the financial guarantee contracts are subsequently measured at amortized cost using the effective interest rate method and the gains or losses arising from de-recognition or amortization are recognized in profit or loss in the period.

Financial guarantee contracts: Contracts in which the guarantor and the creditor agrees that the guarantor will settle debts or assume liabilities in accordance with terms therein if the debtor fails to make payment. Financial guarantee contracts other than those designated as financial liabilities at fair value with its change consolidated in profit/loss or loan commitments that are not designated at fair value with its change consolidated in profit/loss and granted at a rate below market rates are initially recognized at fair value less directly attributable transaction fees, and shall be subsequently measured at the higher of the following: the amount determined in accordance with Accounting Standard for

Business Enterprises No. 13 “Contingencies” and the amount initially recognized less cumulative amortization recognized in accordance with the principles set out in Accounting Standard for Business Enterprises No. 14 “Revenue”.

Derecognition of financial liabilities: A financial liability shall be derecognized or partly derecognized when the current obligation is discharged or partly discharged. When the Company (debtor) and the creditor have signed a contract which uses a new financial liability to replace the existing financial liability, and the contract terms of the new financial liability are substantially different with the existing financial liability, the existing financial liability shall be derecognized, and the new financial liability shall be recognized at the same time. If a financial liability is fully or partially derecognized, the difference between the book value of derecognized portion and the consideration paid (including non-cash assets transferred out or new financial liability assumed) is recognized in current profit or loss.

(4) Impairment of financial assets

The carrying values of all financial assets except financial assets at fair value with its change included in profit or loss should be tested for impairment. If impairment is demonstrated by objective evidences, the provision of impairment should be prepared according to the impairment test.

Objective evidences for recognition of impairment of financial asset include the following observable matters:

- ① The issuer or debtor is experiencing significant financial difficulties;
- ② The debtor breaches the contractual terms, including default or delinquency in interest or principal payments;
- ③ The Company, based on economic or legal or other factors, waive the debts;
- ④ It is highly probable that the debtor will enter bankruptcy or other financial reorganization;
- ⑤ The issuer is experiencing significant financial difficulties that the corresponding financial instruments could not be traded in an active market;
- ⑥ When it is unable to determine whether cash flows of a specific instrument in a group of financial assets decrease, but the cash flows since initial recognition of that group of financial assets would decrease and be measurable, or the ability to repay by the debtors in that group of financial asset deteriorate, or the unemployment rate of the country or region in which the debtors situate increases, or the price of the underlying collateral decreases significantly in its region, or the industry of the debtors is diminishing;

⑦ There are significant adverse changes in the technology, market, economy or legal environments in issuance place of the equity instrument so that the investor could not recover its investment costs;

⑧ There is significant or other than temporary decrease in fair value of equity instrument;

⑨ Other objective evidences show that the financial asset is impaired.

The Company shall carry out independent impairment test for financial assets of significant single amounts. With regard to the financial assets with insignificant single amounts, an independent impairment test shall be included in a combination of financial assets with similar credit risk characteristics so as to carry out an impairment test. In the event, upon independent test, the financial asset (including those financial assets with significant single amounts and those with insignificant amounts) has not been impaired, it shall be included in a combination of financial assets with similar characteristics so as to conduct another impairment test. Financial assets that have conducted independent test as impairment loss shall not be included in a combination of financial assets with similar risk characteristics so as to conduct another impairment test.

When held-to-maturity investments, loans and accounts receivables have been impaired, the book value of the financial assets shall be written down to the current value of estimated future cash flow discounted at the original effective interest rate, and the write-down amount is recorded as impairment loss and written into profit or loss of the period. When a financial asset based on amortized cost is impaired, if there are objective evidences showing the value of this financial asset is recovered and it is objectively related to the matters happened after the impairment loss recognition, the impairment loss recognized shall be reversed. However, the reversal shall not result in a carrying amount of the financial asset that exceeds the amortized cost if the impairment had not been recognized at the date when the impairment is reversed.

If an available-for-sale financial asset is impaired, the cumulative loss arising from decline in fair value that had been recognized directly in other comprehensive income is reclassified to current profit or loss. The cumulative loss reclassified is the difference between its acquisition cost (net of any principal repayment and amortization) and its current fair value, less any impairment loss previously recognized in profit or loss. If there are objective evidences that the value of that financial asset is recovered and it can be objectively related to an event occurred after the impairment loss recognition, the impairment loss recognized shall be reversed, impairment losses recognized for equity instruments classified as

available-for-sale are reversed through other comprehensive income, while impairment losses recognized for debt instruments classified as available-for-sale are reversed through current profit or loss.

If there's an objective evidence that an investment in equity instrument which has no quoted price in an active market nor a reliably measured fair value or a derivative financial asset which is linked to that equity instrument and required to be settled through delivery of that equity instrument is impaired, the carrying amount shall be written down to the present value discounted at the market rate of return on future cash flows of the similar financial assets, and the write-down amount shall be recognized as impairment loss in profit or loss. Such impairment loss once recognized shall no longer be reversed.

For investments in equity instruments, the specific quantitative criterion for the Company to determine "serious" or "not temporary" decrease in their fair value are set out below:

Specific quantitative criterion on "serious" decrease in their fair value	Decrease in closing fair value relative to the cost has reached or exceeded 50%.
Specific quantitative criterion on "not temporary" decrease in their fair value	Fall for 12 consecutive months.

11. Receivables

Receivables of the Company include trade receivables and other receivables. Recognition and provision of bad debts of receivables:

- (1) Individually significant receivables for which separate bad-debt provision is made

Individually significant receivables represent the receivables accounting for above 5% of the closing balance. The Company conducted a separate impairment test for receivables that are individually significant on the balance sheet date and made provision for its bad debts based on the difference between the present value of its estimated future cash flows and its carrying amount.

- (2) Individually insignificant receivables for which separate bad-debt provision is made

Individual impairment test is made where there is a concrete evidence indicates that there is an obvious difference in recoverability, and bad debts provision is made based on the difference between the present value of its estimated future cash flows and its carrying amount.

- (3) Trade receivables for which collective bad debt provision is made

Receivables that are individually tested not impairment, is classified by similar credit risks into several portfolio and then recognize the impairment loss and make bad debts provision of the balance of the receivables on the balance sheet date.

12. Inventories

Applicable Not Applicable

(1) Classification of inventories:

Inventories refer to the finished goods or commodities held for sale in daily activities, goods in progress in the production process, consumed materials and supplies in the production process or providing services of the Company, which mainly include raw materials, revolving materials, entrusted processed materials, wrap page, low-cost consumables, goods in progress, self-made semi-finished goods, finished goods (merchandise inventory) and engineering construction, etc.

(2) Measurement of inventories transferred out

At delivery, inventories are accounted using the weighted average method for the Company.

(3) Provision for inventory impairment

At balance sheet date, inventories are stated at the lower of cost or net realizable value.

The net realizable value of inventories (including finished products, merchandise and materials for sale) that can be sold directly is determined using the estimated saleable price of such inventory deducted by the cost of sales and relevant taxation. The net realizable value of materials in inventory that are held for production is determined using the estimated saleable price of the finished product deducted by the cost to completion, estimated cost of sales and relevant taxation. The net realizable value of inventory held for performance of sales contract or labor service contract is determined based on the contractual price; in case the amount of inventory held by the enterprise exceeds the contractual amount, the net realizable value of the excess portion of inventory is calculated using the normal saleable price. Provision for impairment of inventories is made for individual inventory.

For items of inventories that is produced and marketed in the same geographical area and with the same or similar end uses or purposes, which cannot be practicable evaluated separately from other items, cost and net realizable value of inventories may be determined on an aggregate basis. For large quantity and low value items of inventories, cost and net realizable value of inventories may be determined on types of inventories.

Provision for impairment of inventories is made and recognized as current profit or loss when the cost is higher than the net realizable value on the balance sheet date. If the factors that give rise to the provision in prior years are not in effect in current year, provision would be reversed within the impaired cost, and recognized in the current profit or loss.

(4) Inventory system

The Company adopts perpetual inventory system.

(5) Amortization of low-value consumables and packaging

Low-value consumables and packages of the Company are amortized by one-time write-off.

13. Long-term equity investments

√Applicable □Not Applicable

Long-term equity investments in this section refer to equity investments held by the Company that give it control, joint control or significant influence over the investee. Long-term equity investments where the Company does not exercise control, joint control or significant influence over the investee are accounted for as available-for-sale financial assets.

(1) Recognition of initial cost of investment

①For long-term equity investment obtained from business consolidation under common control, the initial cost is measured at the combining party's share of the carrying amount of the equity of the combined party; for a long-term equity investment obtained from business consolidation under non-common control, the initial cost is the consolidation cost at the date of acquisition;

②For the long-term equity investment acquired in a manner other than enterprise combination: the initial investment cost of the long-term equity investment acquired by payment in cash shall be the total purchase price; the initial investment cost of the long-term equity investment acquired by issuing equity securities shall be the fair value of the equity securities issued; For long-term equity investment acquired by debt restructuring, the initial investment cost shall be recognized in accordance with the requirements under Accounting Standards for Enterprises No. 12 - Debt Restructuring. For long-term equity investment acquired by the exchange of non-monetary assets, the initial investment cost shall be recognized in accordance with relevant requirements under the Rules.

(2) Subsequent measurement and profit or loss recognition

①Cost method

Where the investor has a control over the investee, long-term equity investments are measured using cost method. For long-term equity investments using cost method, unless increasing or reducing the investment, the carrying value is unchanged. The Company's share of the profit distributions or cash dividends declared by the investee are recognized as investment income.

②Equity method

Investor's long-term equity investments in associates and joint ventures are measured using equity method. Where part of the equity investments of an investor in its associates are held indirectly through venture investment institutions, common fund, trust companies or other similar entities including investment linked insurance funds, such part of equity investments indirectly held by the investor shall be measured at fair value with its change consolidated in profit/loss according to relevant requirements of Accounting Standards for Business Enterprises No.22—Recognition and measurement of Financial Instruments regardless whether the above entities have significant influence on such part of equity investments, while the remaining part shall be measured using equity method.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Company's share of the fair value of the investee's identifiable net assets at the time of

acquisition, no adjustment is made to the initial investment cost. Where the initial investment cost is less than the Company's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is recognized in profit or loss for the period, and the cost of the long-term equity investment is adjusted accordingly.

For long-term equity investments accounted for using the equity method, the Company recognizes the investment income and other comprehensive incomes according to its share of net profit or loss and other comprehensive incomes of the investee, and the carrying amount of the long-term equity investments shall be adjusted accordingly; the carrying amount of the investment is reduced by the Company's share of the profit distribution or cash dividends declared by an investee; for changes in owner's equity of the investee other than those arising from its net profit or loss, other comprehensive income and profit distribution, the carrying amount of the long-term equity investment shall be adjusted and recognized to capital reserve. When recognizing attributable share of the net profit and losses of the investee, the net profit of the investee shall be recognized after adjustment on the ground of the fair value of all identifiable assets of the investee when it obtains the investment. If the accounting policies and accounting periods adopted by the investee are different from those adopted by the Company, an adjustment shall be made to the financial statements of the investee in accordance with the accounting policies and accounting periods of the Company and recognize the investment incomes and other comprehensive incomes.

The Company's share of net losses of the investee shall be recognized to the extent that the carrying amount of the long-term equity investment together with any long-term interests that in substance form part of the investor's net investment in the investee are reduced to zero. If the Company has to assume additional obligations, the estimated obligation assumed shall be provided for and charged to the profit or loss as investment loss for the period. Where the investee is making net profits in subsequent periods, the Company shall resume recognizing its share of profits after setting off against the share of unrecognized losses.

(3) Change of the accounting methods for long-term equity investments

① Change of measurement at fair value to accounting under equity method: where the equity investment held have no control, joint control or significant impact on the investee and that are accounted according to the financial instrument recognition and measurement criteria can carry out common control or place significant impact due to addition of investment which resulted in the increase of shareholding, the investee shall plus the fair value of the equity investment originally held determined in accordance with the Standards for Recognition and Measurement of Financial Instruments and the fair value of the consideration payable for new investment as the initial investment cost accounted under equity method when changing the equity method.

② Change of measurement at fair value or accounting under equity method to cost method: the equity investment of the investee held by the investor with no control, joint control or significant impact and accounted according to the financial instrument recognition and measurement criteria, or the long-term equity investment in associates or joint venture originally held that can control the investee

due to addition of investment, shall be accounted in accordance with the long-term equity investment formed by combination of enterprises.

③Change of accounting under equity method to measurement at fair value: the long-term equity investment originally held with common control or significant impact on the investee that cannot conduct common control or significant impact on the investee due to the decrease of shareholding as a result of factors such as partial disposal, shall be accounted in accordance with Standards for Recognition and Measurement of Financial Instruments, and the difference between the fair value on the date when the common control or significant impact is lost and the book value is included in current profit or loss.

④Change of cost method to equity method: where control on the investee change to significant impact or common control with other investors due to factors such as disposal of investment, the long-term equity investment cost that ceased to be recognized shall first be carried forward on the proportion of the investment disposed. Then comparing the cost of the remaining long-term equity investment with the attributable fair value of the identifiable net assets of the investee at the original investment calculated on proportion of the remaining shareholding, where the former larger than the later, it belongs to the goodwill as showed in deciding the investment price and will not adjust the carrying amount of the long-term equity investment; where the former less than the later, the retained earnings will be adjusted along with the adjustment of the long-term equity investment.

(4) Basis of conclusion for common control and significant influence over the investee

①Joint control over an investee refers to activities which have a significant influence on return of an arrangement could be decided only by mutual consent of the investing parties sharing the control, which includes the sales and purchase of goods or services, management of financial assets, acquisition and disposal of assets, research and development activities and financing activities, etc.

②Significant influence on the investee refers to significant influence over the investee exists when holding more than 20% but less than 50% of the shares with voting rights or even if the holding is below 20%, there is still significant influence if any of the following conditions satisfied:

- 1) there is representative in the board of directors or similar governing body of the investee;
- 2) participating in investee's policy setting process;
- 3) assign management to investee;
- 4) the investee relies on the technology or technical information of the investor;
- 5) major transactions with the investee.

(5) Impairment test and provision of impairment

At the balance sheet date, the Company reviews whether there is impairment indicator for the long-term equity investments. When there is impairment indicator, the recoverable amount is determined through impairment test and impairment is provided based on the difference between the recoverable amount and the carrying value. Impairment loss is not reversed once provided.

The recoverable amount is the higher of net fair value of long-term equity investments on disposal

and the present value of estimated future cash flows.

(6) Disposal of long-term equity investments

For disposal of long-term equity investment, the difference between the considerations received and the carrying amount of the disposed investment is recognized in profit or loss. For long-term equity investment accounted for using the equity method, the part recognized in other comprehensive income is accounted on pro rata basis upon disposal in the same way as the relevant assets or liabilities are disposed of directly by the investee.

14. Investment properties

Investment properties of the Company include leased land use rights and leased buildings.

An investment property is initially measured at cost, and cost method is adopted for subsequent measurement.

The buildings leased out of investment properties of the Company are depreciated over their useful lives using the straight-line method. The specific measurement policy is the same as fixed assets. For land use rights leased out or held for resale after appreciation in value, they are amortized over their useful lives using the straight-line method. The specific measurement policy is the same as that of intangible assets.

At the balance sheet date, the Company reviews whether there is impairment indicator for investment properties. When there is impairment indicator, the recoverable amount is recognized through an impairment test and impairment is provided based on the difference between the carrying value and the recoverable amount. Impairment is not reversed in subsequent periods.

15. Fixed assets

(1). Recognition criteria

Applicable Not Applicable

Fixed assets are tangible assets that are held for production of goods, provision of labor services, leasing or administrative purposes, and have useful life more than one fiscal year, which are recognized when the following conditions are met:

- ① economic benefits in relation to the fixed assets are very likely to flow into the enterprise;
- ② the cost of the fixed assets can be measured reliably.

(2) Classification and Depreciation method of fixed assets

The fixed assets of the Company can be divided into: buildings and constructions, production equipment, transportation equipment and office equipment, etc. The straight-line method over useful lives is used to measure depreciation. The useful lives and the expected net residual value of fixed assets are determined according to the nature and usage of various fixed assets. At the end of each year, the useful lives, expected net residual value and depreciation method of fixed assets are reviewed, and adjusted if there is variance with original policies; The Company have made provisions for all of the fixed assets except for the fixed assets with full provision and used continuously.

Type of fixed assets	Useful lives	Expected net residual
Land ownership	-	-
Houses and buildings	8-40 年	0%-5%
Machinery equipment	4-20 年	0%-5%
Vehicles	5-10 年	0%-5%
Office equipment and others	3-10 年	0%-5%

(3) Test method and provision for impairment of fixed assets

At the balance sheet date, the Company reviews whether there is impairment indicator for the fixed assets. When there is an impairment indicator, the recoverable amount is estimated and impairment is provided based on the difference between the carrying value and the recoverable amount once the impairment of an asset is recognized, it will not be reversed in the subsequent accounting period.

(4) Basis for Recognition, measurement of fixed assets held under finance lease

Basis for recognition of fixed assets held under finance lease: leases that transfer all the risks and rewards related to the ownership of the relevant assets. The asset is recognized if one or more of the following criteria is met: ① upon expiry of the lease term, the ownership of the leased asset is transferred to the lessee; ② the lessee has the option to purchase the leased asset at a price expected to be sufficiently lower than the fair value of the leased asset when the option is exercised and at the inception of the lease, it is reasonably certain that the lessee will exercise the option; ③ the lease term approximates the useful life of the leased asset even if the ownership is not transferred; ④ at the inception of the lease, the present value of the minimum lease payments is substantially equivalent to the fair value of the leased asset; ⑤ the leased assets are of such a specialized nature that only the lessee can use them without major modification.

Measurement of fixed assets held under finance lease: fixed assets held under finance lease are initially recognized at the lower of fair value of the leased assets at the inception of lease and the present value of minimum lease payments. Subsequent measurement of fixed assets held under finance lease is accounted for using the depreciation and impairment policies of owned fixed assets.

16. Construction in progress

Applicable Not Applicable

(1) Types of construction in progress

Construction in progress for the Company is self-constructed.

(2) Standard and date of transfer from construction in progress to fixed assets

The construction in progress of the Company is transferred to fixed assets when the project is completed and ready for its intended use, which shall satisfy one of the following conditions:

①The construction of the fixed assets (including installation) has been completed or substantially completed;

②The fixed asset has been used for trial operation and it is evidenced that the asset can operate ordinarily or produce steadily qualified products; or the result of trial operation proves that it can operate normally;

③Further expenditure incurred for construction is very minimal or remote;

④The constructed fixed asset reaches or almost reaches the design or the requirements of contract, or complies with the design or the requirements of contract.

(3) Impairment test and provision of impairment of construction in progress

At the balance sheet date, the Company reviews the construction in progress to check whether there is any sign of impairment and an impairment test is needed to recognize the recoverable amount when there are signs that construction in progress may impair. The impairment loss should be the lower of the carrying value and recoverable amount and impairment loss cannot be reversed in the following accounting period if it has been provided.

The recoverable amount of construction in progress should base on the higher value between fair value of asset less disposal expense and present value of estimated cash flow in the future.

17. Borrowing costs

Applicable Not Applicable

(1) Recognition principles for borrowing cost capitalization

The Company's borrowing costs that are directly attributable to the acquisition or production of a qualifying asset are capitalized into the cost of relevant assets. Other borrowing costs are recognized as expenses in profit and loss for the period when incurred. Qualifying assets include fixed assets, investment properties and inventories that necessarily take a substantial period of time for acquisition, construction or production to get ready for their intended use or sale.

(2) Computation of capitalized amount of borrowing costs

Capitalization period refers to the period from the commencement to the cessation of capitalization of borrowing costs, excluding the periods in which capitalization of borrowing costs is suspended.

Capitalization interruption period: Capitalization of borrowing costs is suspended during periods in which the acquisition or construction of a qualifying asset is interrupted abnormally and the interruption lasts for more than 3 months.

Computation of capitalized amount of borrowing costs: ① Specific borrowings will be recorded based on the actual interest expense incurred in the period of special borrowings less the interest income from unutilized borrowings placed at banks or investment gain from temporary investment; ② Normal borrowings utilized are calculated based on the weighted average of expenses of the aggregate asset exceeding the asset expenses of the portion of special borrowings multiplied by the capitalization ratio of the normal borrowings utilized. Capitalization ratio is calculated based on weighted average interest rate of normal borrowings; ③ For borrowings with discount or premium, the discount or premium was amortized over the accounting periods borrowings to adjust the interest in every period using the effective interest rates.

18. Intangible assets

Intangible assets are the identifiable non-monetary assets which have no physical shape and are possessed or controlled by the Company.

(1) Measurement of intangible assets

Intangible assets are initially recognized at costs. The actual costs of purchased intangible assets include the consideration and relevant expenses paid. For intangible asset contributed by investors, the value agreed in the investment contract or agreement is the actual cost of the intangible asset. But if the value agreed in the investment contract or agreement is not a fair value, the fair value of the intangible asset is regarded as the actual cost. The cost of a self-developed intangible asset is the total expenditure incurred in bringing the asset to its intended use.

Subsequent measurement of intangible assets of the Company: ① Intangible assets with finite useful lives are amortized on a straight-line basis; at the end of each year, the useful lives and amortization policy are reviewed, and adjusted if there is any variance with original policies; ② Intangible assets with indefinite useful lives are not amortized and the useful lives are reviewed at each year end date. If there is objective evidence that the useful life of an intangible asset is finite, the intangible asset is amortized using the straight line method according to the estimated useful life.

(2) Criterion of determining indefinite useful life

The useful life of an intangible asset is indefinite if the period in which the future economic benefits generated by the intangible asset could not be determined, or the useful life could not be ascertained.

Criterion of determining intangible assets with indefinite useful lives: ① For intangible assets derived from contractual rights or other legal rights and there are no explicit years of use stipulated in the contract or laws and regulations; ② the period in which generating benefits for the Company still could not be estimated after considering the industrial practice or relevant expert opinion.

At the end of each year, the useful lives of the intangible assets with indefinite useful lives are reviewed. The assessment is performed by the departments that use the intangible assets, using the down-to-top approach, to determine if there are changes to the determining basis of indefinite useful lives.

(3) Methods for impairment test and provision for impairment of intangible assets

As at the balance sheet date, the Company reviews the intangible assets to check whether there is an indication of impairment and an impairment test is needed to recognize the recoverable amount when there are signs that intangible assets may impair. The impairment provision should be the lower of the recoverable amount and carrying value and provision for impairment loss cannot be reversed in the following accounting periods once it has been provided.

The recoverable amount of intangible assets should be based on the higher value between the net of fair value of asset less disposal expense and present value of estimated cash flow of assets in the future.

(4) Basis for research and development stage for internal research and development project and basis for capitalization of expenditure incurred in development stage

As for an internal research and development project, expenditure incurred in the research stage is recognized in profit or loss in the period as incurred. Expenses incurred in the development stage are recognized as intangible assets if all of the following conditions are met: ① the technical feasibility of completing the intangible asset so that it will be available for use or for sale; ② the intention to complete the intangible asset for use or for sale; ③ how the intangible asset will generate economic benefits, including there is evidence that the products produced by the intangible asset has a market or the intangible asset itself has a market; if the intangible asset is for internal use, there is evidence that there exists usage for the intangible asset; ④ the availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; ⑤ the expenditures attributable to the development of the intangible asset could be reliably measured.

Basis for distinguishing research stage and development stage of an internal research and development project: research stage is the activities carried out for the planned investigation and search for obtaining new technology and knowledge, which has the characteristics of planning and exploration; before commercial production or other uses, the application of achievements and other knowledge obtained from the research stage in a plan or design to produce new or substantially improved materials, equipment and products is regarded as development stage, which has the characteristics of pinpointing and is very likely to form results. All the expenditures on research and development which cannot be distinguished between research stage and development stage are recognized in the current profit or loss when incurred.

19. Impairment of long-term assets

Applicable Not Applicable

Long-term equity investment, investment properties measured based on cost model, fixed assets, construction in progress, intangible assets and other long-term assets are tested for impairment if there is any indication that an asset may be impaired at the balance date. If the result of the impairment test indicates that the recoverable amount of the asset is less than its carrying amount, a provision for impairment will be made for the difference will be recorded in impairment loss. The recoverable amount is the higher of the net of the asset's fair value less disposal costs and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognized on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

Goodwill is tested for impairment at least at each year end.

In terms of impairment test of the goodwill, the carrying amount of the goodwill, arising from enterprise combination, shall be allocated to the related asset groups on reasonable basis since the acquisition date, or to the related asset group portfolios if it is difficult to be allocated to the related asset

groups. When the carrying amount of the goodwill is allocated to the related asset groups or asset group portfolios, it shall be allocated in the proportion of the fair value of each asset group or asset group portfolio against the total fair value of related asset groups or asset group portfolios. If it is difficult to measure the fair value reliably, it shall be allocated in the proportion of the carrying amount of each asset group or asset group portfolio against the total carrying amount of related asset groups or asset group portfolios.

When impairment test is made to the related asset groups or asset group portfolios including goodwill, if there is an indication that the related asset groups or asset group portfolios are prone to impair, the Company shall firstly test for impairment for the asset groups or asset group portfolios excluding goodwill and calculate the recoverable amount and recognize the impairment loss accordingly by comparing with its carrying amount. The Company shall then test for impairment for the asset groups or asset group portfolios including goodwill and compare the carrying amount (including the carrying amount of allocated goodwill) with its recoverable amount of related asset groups or asset group portfolios. Provision for impairment loss shall be recognized when the recoverable amount of the related asset groups or asset group portfolios is lower than its carrying amount.

Once the above impairment loss of assets is recognized, it shall not be reversed in any subsequent accounting period.

20. Long-term prepayments

Applicable Not Applicable

Long-term prepayments are expenditures which have incurred but the benefit period is more than one year (excluding one year). They are amortized evenly over the benefit period of each item of expenses. If the long-term prepayments are no longer beneficial to the subsequent accounting periods, the unamortized balance is then fully transferred to profit or loss for the period.

21. Remuneration of employees

Remuneration of employees are all forms of compensation and other relevant expenditure given by the Company in exchange for services rendered by employees, including short-term remuneration, post-employment benefits, termination benefits and other long-term benefits.

Short-term remuneration include short-term salaries, bonus, allowance, subsidies, staff's welfare, housing provident fund, union funds and employee education funds, medical insurance fees, injury insurance fees, maternity insurance fees, short-term paid absence, short-term profit sharing plans, etc.. During the accounting period when employees render services, short-term benefits payable that actually incurred shall be recognized as liabilities and credited into the current profit and loss or relevant assets cost on an accrual basis for the benefit objects.

Post-employment benefits mainly includes the basic pension insurance, supplementary pension, etc.. In accordance with the risks and obligations undertaken by the Company, the post-employment benefits is classified as defined contribution plans and defined benefit pension plans. Defined contribution plans: the Company shall recognize the sinking fund paid to individual entity on balance sheet date as a

liability in exchange of services from the employee in accounting period, and credited into current profits or losses or related assets costs in accordance with the benefit objects. Defined benefit plans: the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out by independent actuary at the interim and the annual balance sheet date. Staffs' benefit costs incurred by the defined benefit plan of the Group are categorized as follows: (1) service cost, include current period service cost, past-service cost and settlement gain or loss. Current period service cost means the increase of the present value of defined benefit obligation resulted from service offered by employee for the period. Past-service cost means the increase or decrease of the present value of defined benefit obligation resulted from the revision of the defined benefit plans related to the prior period service offered by employee; (2) interest costs of defined benefit plans; (3) changes related to the remeasurement of defined benefit plans liabilities. Unless other accounting standards require or permit to charge the employee benefits into assets cost, the Company charges (1) and (2) above into current profit or loss, and recognized (3) above as other comprehensive income without transferring to profit or loss in subsequent accounting periods.

Termination benefits: the indemnity proposal provided by the Company for employees for the purpose of terminating labor relation with the employees before the expiry of the labor contract or encouraging employees to accept downsizing voluntarily, when the following conditions are met, recognize and at the same time credited into the current profit or loss the accrued liabilities arising from the indemnity as a result of terminating labor relation with the employees: the Company has made a formal plan for termination of employment relationship or has made an offer for voluntary redundancy which will be implemented immediately; and the Company could not unilaterally withdraw from the termination plan or the redundancy offer. Early retirement benefits will adopt same principles as the termination benefit. The Company will credit the salaries and social benefits intend to pay for these early retirees during the periods from the date of early retirement to the normal retirement date to profit or loss of the period when recognition conditions for accrued liabilities are met.

22. Estimated liabilities

Applicable Not Applicable

(1) Criterion for determining of estimated liability

If an obligation in relation to contingencies such as external guarantees, discounting of commercial acceptance bills, pending litigation or arbitration and product quality assurance is the present obligation of the Company and the performance of such obligation is likely to lead to the outflow of economic benefits and its amount can be reliably measured, such obligation shall be recognized as estimated liability.

(2) Measurement of estimated liability

The best estimate of the expenditure from the performance of the current obligation is initially recorded as accrued liability. When the necessary expenditures falls within a range and the probability of each result in the range are identical, the best estimate is the median of the range; if there are several items involved, every possible result and relevant probability are taken into account for the best

estimation.

At the balance sheet date, the carrying value of estimated liabilities is reviewed. If there is objective evidence that the carrying value could not reflect the current best estimate, the carrying value is adjusted to the best estimated value.

23. Share-based payments

Applicable Not Applicable

For equity-settled share-based payment transaction in return for services from employees, it shall be measured at the fair value of equity instruments granted to the employees. For the payment of such fair value that may only be exercised if services are fulfilled during the vesting period or the specified performance is achieved, the fair value shall, based on the best estimate of the number of exercisable instruments during the vesting period, be recognized in relevant costs or expenses in straight-line method with the increase in the capital reserve accordingly.

The cash-settled share-based payment shall be measured at the fair value of liability assumed by the Company, which is calculated and determined based on the shares or other equity instruments. For the cash-settled share-based payment that may be exercised immediately after the grant, the fair value of the liability assumed by the Company shall, on the date of the grant, be recognized in relevant costs or expenses and the liabilities shall be increased accordingly. For cash-settled share-based payment that may be exercised if services are fulfilled during the vesting period or the specified performance is achieved, on each balance sheet date within the vesting period, the services acquired in the period shall, based on the best estimate of exercise, be recognized in relevant costs or expenses at the fair value of the liability assumed by the Company, and the liabilities shall be adjusted correspondingly.

At each balance sheet date and the settlement date prior to the settlement of liabilities, the fair value of the liability is re-measured with its change included in profit or loss.

When there is changes to the Company's share-based payment plans, if the modification increases the fair value of the equity instruments granted, corresponding recognition of service increase in accordance with the increase in the fair value of the equity instruments; if the modification increases the number of equity instruments granted, the increase in fair value of the equity instruments is recognized as a corresponding increase in service achieved. Increase in the fair value of equity instruments refer to the difference between the fair values of the equity instrument on the modified date before or after the modification. If the Company modifies the exercisable conditions in such manner conducive to the employees, including the shortening of the vesting period, change or cancellation of the performance conditions (rather than market conditions), the Company shall consider the modified exercisable conditions upon the disposal of exercisable conditions. If the modification reduces the total fair value of shares paid or the Company uses other methods not conducive to employees to modify the terms and conditions of share-based payment plans, it will continue to be accounted for the services obtained in the accounting treatment, as if the change had not occurred, unless the Company cancelled some or all of the equity instruments granted.

During the vesting period, if the Company cancel equity instruments granted will be treated as

accelerating the exercise of rights and the remaining vesting period should be recognized immediately in the current profit or loss, while at the same time recognize the capital reserve. Employees or other parties can choose to meet non-vesting conditions, but for those that are not met in the vesting period, the Company will treat it as cancellation of equity instruments granted.

24. Revenue

Applicable Not Applicable

(1) Sale of goods

Revenue from the sale of goods shall be recognized at the amount received or receivable from buyers based on contractual or agreed prices, when all of the following conditions are satisfied: ① the significant risks and rewards of ownership of the goods have been passed to the buyer; ② the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; ③ the amount of revenue can be measured reliably; ④ it is probable that the associated economic benefits will flow to the enterprise; ⑤ the associated costs incurred or to be incurred can be measured reliably.

Recognition process of the Company's sales revenue: business personnel submit sales application in the business system according to the consumers' orders; financial personnel review the remaining credit of the consumers or whether the payment for goods is made in advance according to the sales application, and notify the warehouse to handle the delivery formalities if the delivery conditions are met. The financial department confirms that the major risks of property in the goods and rewards have been transferred to the buyers upon the receipt of waybill with the consumers' signature, and then issue sales invoices to confirm the sales revenue.

(2) Provision of services

At the balance sheet date, when the outcome of a transaction involving the rendering of services can be estimated reliably, revenue from provision of services shall be recognized using the percentage of completion method. The Company confirms the completion progress in accordance with the ratio of actual cost accounting for the total estimated cost. At the balance sheet date, when the outcome of the transaction involving the rendering of services cannot be estimated reliably, it shall be dealt with in the following ways: ① if the cost of services incurred is expected to be compensated, the revenue from the rendering of services is recognized to the extent of actual cost incurred to date, and the relevant cost is transferred to cost of service; ② if the cost of services incurred is not expected to be compensated, the cost incurred should be included in current profit or loss, and no revenue from the rendering of services may be recognized.

(3) Assignment of asset use rights

Revenue from usage fee arising from assignment of intangible assets (such as trademark rights, patent rights, franchise rights, software and copyright, etc.) and the use right of other assets will be recognized in accordance with the time and method for charge as required under relevant contract or

agreement and at the same time satisfy the conditions that the economic benefit in connection with transaction could flow into the Company and the amount of revenue could be reliably measured.

(4) Construction contracts revenue

Where the outcome of a construction contract can be estimated reliably at the balance sheet date, revenues and expenses associated are recognized using the percentage of completion method. The term “percentage of completion method” means a method by which the contractor recognizes its revenues and costs in the light of the schedule of the contracted project. The Company ascertained the completion schedule of a contract project according to the proportion of the completed total contract cost against the expected total contract cost.

25. Government grants

(1) Types of government grants

Government grants refer to the monetary assets or non-monetary assets obtained by the Company from the government for free, not including the investment made by the government as an owner. The government grants are mainly divided into asset-related government grants and revenue-related government grants.

(2) Accounting treatment of government grants

Asset-related government grants shall be recognized as deferred income in profit or loss for the period on an even basis over the useful life of the asset; government grants measured at nominal amount shall be recorded directly in profit and loss for the period. Revenue-related government grants shall be treated as follows: ① those used to compensate relevant expenses or losses to be incurred by the enterprise in subsequent periods are recognized as deferred income and recorded in profit or loss for the period when such expenses are recognized; ② those used to compensate relevant expenses or losses that have been incurred by the enterprise are recorded directly in profit or loss for the period.

(3) Basis for determination of asset-related government grant and revenue-related government grant

If the government grant received by the Company is used for construction or other project that forms a long term asset, it is regarded as asset-related government grant.

If the government grant received by the Company is not asset-related, it is regarded as revenue-related government grant.

Government grant received without clear objective shall be classified as asset-related government grant or revenue-related government grant by:

① Government grant subject to a certain project shall be separated according to the proportion of expenditure budget and capitalization budget, and the proportion shall be reviewed and modified if necessary on the balance sheet date;

② Government grant shall be categorized as related to income if its usage is just subject to general statement and no specific project in relevant document.

(4) Amortization method and determination of amortization period of deferred revenue related to government grants

Asset-related government grant received by the Company is recognized as deferred revenue and is evenly amortized to the current profit or loss over the estimated useful life of the relevant asset starting from the date the asset is available for use.

(5) Recognition of government grants

Government grant measured at the amounts receivable is recognized at the end of period when there is clear evidence that the conditions set out in the financial subsidy policies and regulation are fulfilled and the receipt of such financial subsidy is assured.

Other government grants other than those measured at the amounts receivables are recognized upon actual receipt of such subsidies.

26. Deferred income tax assets / deferred income tax liabilities

Applicable Not Applicable

Deferred income tax assets and deferred income tax liabilities of the Company are recognized:

(1) Based on the difference between the carrying amount and the tax base amount of an asset or a liability (items not recognized as assets and liabilities but their tax base is ascertained by the current tax laws and regulation, the tax base is the difference), deferred income tax asset or deferred income tax liability is calculated using the applicable tax rate prevailing at the expected time of recovering the relevant asset or discharging the relevant liability.

(2) Deferred income tax asset is recognized to the extent that there is enough taxable income for the utilization of the deductible temporary difference. At the balance sheet date, if there is sufficient evidence that there would be enough taxable benefit for the utilization of the deductible temporary difference, the deferred income tax asset not previously recognized is recognized in current period. If there is no sufficient evidence that there would be enough future taxable income for the deduction of the deferred income tax asset, the carrying value of the deferred income tax asset is reduced.

(3) Deferred income tax liability is recognized for taxable temporary difference arising from investments in subsidiaries and associated companies, unless the Company could control the reversal of the temporary differences and the temporary differences would not be probably reversed in the foreseeable future. For deductible temporary differences arising from investments in subsidiaries and associated companies, deferred income tax asset is recognized if the temporary difference will be very probably reversed in foreseeable future and there will be sufficient future taxable profit to deduct the deductible temporary difference.

(4) No deferred income tax liability is recognized for a temporary difference arising from the initial recognition of goodwill. No deferred income tax asset or deferred income tax liability is recognized for the temporary differences resulting from the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible loss). At the balance sheet date, deferred income tax assets and deferred income tax

liabilities are measured at the tax rates that are estimated to apply to the period when the asset is realized or the liability is settled.

27. Lease

(1)、Accounting treatment of operating lease

Applicable Not Applicable

① Rental payments for asset rented are amortized on a straight-line basis over the lease term (including rent-free periods), and credited into the current expenses. Initial direct costs that are attributable to leasing transactions paid by the Company are credited to current expense.

When the lesser of the assets bears the lease related expenses which should be undertaken by the Company, the Company shall deduct that part of expense from the rent and amortize the net amount over the lease term and credited to current expense.

② Rental income received from assets rented out is amortized on a straight-line basis over the lease term (including rent-free periods), and recognized as lease income. Initial direct costs involving leasing transactions paid by the Company are credited into current expenses, in case the amount is significant, it will be capitalized, and are credited into current revenue on the same basis as rental income recognized over the lease term.

When the Company bears the lease related expenses which should be undertaken by the lessee, the Company shall deduct that part of expense from the total rent income, and allocate the rental payment over the lease term.

(2)、Accounting treatment of finance lease

Applicable Not Applicable

①When the Company is a lessee, the leased asset is recorded at the amounts equal to the lower of the fair value of the leased asset and the present value of the minimum lease payments on the lease beginning date and the long-term payables is recorded at the amounts of the minimum lease payments. The difference between the recorded amount of the leased asset and the minimum lease payments is accounted for as unrecognized finance charge.

The unrecognized finance charge is amortized using the effective interest method over the period of the lease and accounted in finance charge. Initial direct costs incurred by the Company are credited in value of leased assets.

②When the Company is a lessor, the difference between sum of the lease receivables and unguaranteed residual value and its present value is accounted for as unrealized finance income and is recognized as rental income over the period of receiving rental. Initial direct costs attributable to lease transaction incurred by the Company shall be accounted in the initial measurement of finance lease receivables and reduced the amount of recognized during period of the lease.

28. Other significant accounting policies and accounting estimations

Applicable Not Applicable

(1) Share repurchases

When the Company purchases its own shares to decrease its registered capital or reward its staff, it shall be included in treasury stock against the amount actually paid.

When the Company awards the purchased shares to its staff under the equity-settled share-based payment agreement, it shall be included in capital reserve (equity premium) against the difference between the book balance of awarded treasury stock and the staff-paid cash and capital reserve recognized upon the granting of equity instruments.

When cancelling the treasury stock, the share capital shall be cancelled against the total face value of the cancelled treasury stock; the treasury stock shall be eliminated against the book balance of the cancelled treasury stock; the capital reserve (equity premium) shall be eliminated against the difference; if the equity premium is insufficient for elimination, the retained earnings shall be adjusted accordingly.

(2) Asset securitization business

Some of the Company's receivables are securitized. The Company's underlying assets are trusted to a special purpose entity which issues senior asset-backed securities to investors. The Company holds subordinated asset-backed securities which are not transferrable before both the principals and interests of the senior asset-backed securities are repaid. The Company serves as the asset service supplier, providing services including asset maintenance and its daily management, formulation of the annual asset disposal plan, formulation and implementation of the asset disposal plan, signing relevant asset disposal agreements and periodic preparation of asset service report. Meanwhile, the Company, as the liquidity support organization, provides liquidity support before the principals of the senior asset-backed securities are fully repaid to make up the differences of the interests or principals. Trust assets are prioritized to repay the principals and interests of the senior asset-backed securities after the trust taxes and relevant fees are paid, and the remaining trust assets upon the full repayment of the principals and interests will be owned by the Company as returns of the subordinated asset-backed securities. The trust assets are not derecognized because the Company retains substantially all the risks and rewards. At the same time, the Company has de facto controls over the special purpose entity which are consolidated into our financial statements.

The Company evaluates the extent to which it transfers the risks and rewards of ownership of the assets to the other entities and determines whether it retains control while applying the accounting policy in respect of asset securitization:

①The financial asset is derecognized when the Company transfers substantially all the risks and rewards of ownership of the financial asset;

②The financial asset is continued to recognize when the Company retains substantially all the risks and rewards of ownership of the financial asset;

③When the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the Company evaluates whether it retains control over the financial asset. If the Company does not retain control, it derecognizes the financial asset and recognizes separately as assets or liabilities any rights and obligations created or retained in the transfer. If the Company retains control, it continues to recognize the financial asset to the extent of its continuing involvement in the financial asset.

(3) Hedge accounting

①Hedges are classified as:

1) A fair value hedge is a hedge of the exposure to changes in fair value of a recognized asset or liability or an unrecognized firm commitment (except foreign exchange risk).

2) Cash flow hedges is a hedge of the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognized firm commitment.

3) Hedge of a net investment in a foreign operation is a hedge of the exposure to foreign exchange risk associated with a net investment in a foreign operation. Net investment in a foreign operation is the share of interest in the net asset of the foreign operation.

②Designation of the hedge relationship and recognition of the effectiveness of hedging:

At the inception of a hedge relationship, the Company formally designates the hedge relationship and prepares documents relating to the hedge relationship, the risk management objective and its strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Company will assess the hedging instrument's effectiveness.

Hedging instrument's effectiveness means the degree of the change of fair value and cash flow of the hedging instrument in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. The hedge is assessed by the Company for effectiveness on an ongoing basis and judged whether it has been highly effective throughout the accounting periods for which the hedging relationship was designated. A hedge is regarded as highly effective if both of the following conditions are satisfied:

1) at the inception and in subsequent periods, the hedge is expected to be highly effective in offsetting changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated;

2) the actual results of offsetting are within a range of 80% to 125%.

③Method of Hedge accounting:

1) Fair value hedges

The change in the fair value of a hedging derivative is recognized in the current profit or loss. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying amount of the hedged item and is also recognized in the current profit or loss.

For fair value hedges relating to financial instruments carried at amortized cost, the adjustment to carrying value of the hedged items is amortized through the current profit or loss over the remaining term from adjustment to maturity. Amortization based on the effective interest method may begin as soon as an adjustment is made to the carrying amount and shall not be later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognized, the unamortized fair value is recognized immediately in the current profit or loss.

When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recognized in the current profit or loss. The changes in the fair value of the hedging instrument are also recognized in the current profit or loss.

2) Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognized directly as capital reserve (other capital reserve), while the ineffective portion is recognized immediately in the current profit or loss.

Amounts taken to capital reserve (other capital reserve) are transferred to the current profit or loss when the hedged transaction affects the current profit or loss, such as when hedged financial income or financial expense is recognized or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts taken to capital reserve (other capital reserve) are transferred to the initial carrying amount of the non-financial asset or non-financial liability (or the amounts originally recognized in capital reserve (other capital reserve) will be transferred to the current profit or loss for in the same period when the profit or loss are affected by the non-financial asset or non-financial liability).

If the forecast transaction or firm commitment is no longer expected to occur, the accumulated profit or loss hedging instruments previously recognized in shareholders' equity are transferred to the current profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, the amounts previously recognized in other comprehensive income remain in there until the forecast transaction or firm commitment affects the current profit or loss.

3) Hedge of net investment in foreign operation

A hedge of a net investment in a foreign operation includes the hedge of the currency item as a portion of net investment, its treatment is similar to cash flow hedge. The portion of the gain or loss on a hedging instrument that is determined to be an effective hedge is included in other comprehensive income. The ineffective portion is recognized in the current profit or loss. When deal with foreign operation, any accumulated profit or loss attributable to shareholders' equity will be transferred to the current profit or loss.

(4) Explanations on significant accounting estimates

Judgments, estimates and assumptions shall be made to book value of the financial statements items, which could not be measured accurately, due to the inherent uncertainties of operating activities, while applying accounting policy. Such judgments, estimates and assumptions were based on the management's historical experience and made after considered other various factors. These judgments, estimates and assumptions will influence the amount of revenues, expenses, assets and liabilities presented in financial reports and the disclosure of contingent liabilities on the balance sheet date. However, the actual results caused by the uncertainties of these estimations may be different from the current estimates of the management, and thus cause a material adjustment to the carrying amounts of

assets and liabilities affected in the future. The judgments, estimates and assumptions mentioned above shall be reviewed on a going concern basis. If the revisions to accounting estimates only affected the period, relevant adjustment due to the effect shall be recognized in the period; if the revision affects both the current and future period, the effect shall be recognized in the current and future period.

On the balance sheet date, the significant fields involving judgments, estimates and assumptions about financial report items are listed as follows:

① Estimated liability

Provision for product quality guarantee, estimated onerous contracts, and other estimates shall be recognized in accordance with the terms of contract, current knowledge and historical experience. If the contingent event has formed a practical obligation which probably results in outflow of economic benefits from the Company, an estimated liability shall be recognized on the basis of the best estimate of the expenditures to settle relevant practical obligation. Recognition and measurement of the estimated liability significantly rely on the management's judgments. In the process of judgment, the Company takes into consideration the assessment of relevant risks, uncertainties, time value of money and other factors related to the contingent events. Among them, the Company will undertake estimated liabilities with respect to the after-sales services provided for the return, maintenance and installation of goods. When estimating liabilities, the Company has considered the maintenance information in recent years, but the previous maintenance experiences may fail to reflect the future circumstances. Any increase or decrease in this provision is likely to affect the profits and losses of the next year.

② Provision for bad debts

The allowance method is adopted for bad debts according to accounting policies of accounts receivables. Impairment losses for receivables are assessed on the basis of recoverability, as a result of judgments and estimates of the management. The difference between actual outcome and the previously estimated outcome will influence the carrying value of receivables and accrual or reversal of provision for bad debts during the period accounting estimates are changed.

③ Provision of impairment of inventories

Inventories are measured by lower of historical cost or net realizable value method according to the accounting policies of inventories; for obsolete and unsalable inventories or whose costs are higher than the net realizable, provision for impairment of inventories shall be incurred. The carrying value of inventory shall be written down to the net realizable value on the basis of the salability of inventories and the net realizable value. Inventory impairment requires the management's obtaining of solid evidence, and their judgment and estimations made after considering the purpose of holding inventories and the effect of events after the balanced sheet date and etc. The difference between the actual outcome and the previously estimated outcome will influence the carrying value of inventories and the provision or reversal of impairment of inventories during the period accounting estimates are changed.

④ Fair value of financial instruments

For financial instruments where there is no active market, the Company will determine the fair value through a variety of valuation methods. Such valuation methods include discounted cash flow

analysis. In the valuation, the Company shall estimate the future cash flow, credit risk, market volatility and correlation, and select the appropriate discount rate. Such related assumptions are uncertain, and their changes may affect the fair value of financial instruments.

⑤ Impairment of available-for-sale financial assets

The determination of whether impairment loss shall be recognized in income statement for available-for-sale financial asset is significantly depends on the judgments and assumptions of the management. While making judgments and assumptions, it shall be take into consideration that how much the fair value of the investment is lower than the cost and its continuity, the financial position and short-term business projection of the investee, including industry conditions, technological innovation, the credit ratings, probability of violation and counterparts' risks.

⑥ Provision for long-term assets impairment

On the balance sheet date, the Company shall judge whether there is any possible indication of impairment against non-current assets other than financial assets. The intangible assets with indefinite useful life must be tested for impairment on an annual basis as well as when there is any indication of impairment. Other non-current assets other than financial assets shall be tested for impairment when there is an indication showing that the carrying value is not recoverable. Impairment occurs while the carrying value of an asset or asset group is higher than the recoverable value, which is the higher of the net of fair value deducted disposal expenses and the present value of expected future cash flow. The net of fair value deducted by disposal expenditure is determined with reference to the price in the sale agreement regarding analogous asset, and observable market price less the increase of cost that directly attributable to the disposal of assets. Significant judgments regarding the production amount, sales price, relevant operating costs of the assets (or assets group) and the discount rate used to calculate the present value shall be made when determining the present value of future cash flows. Recoverable amount shall be estimated by using all accessible relevant information, including production amount, sales price, and relevant operating costs predictions made based on reasonable and supportive assumptions. The Company shall test for goodwill impairment at least every year. This requires the Company to estimate the present value of future cash flows for such assets groups or asset group portfolios allocated with goodwill. When estimating the present value of future cash flows, the Company shall not only estimate the future cash flows generated by such asset groups or asset group portfolios, and select the appropriate discount rate to determine the present value of such future cash flows.

⑦ Depreciation and amortization

Investment properties, fixed assets and intangible assets are depreciated and amortized by a straight-line approach over their estimated useful life by taking into consideration the residual value. Useful life shall be periodically reviewed to determine the depreciation and amortization expenses for each reporting period and be determined on the basis of historical experience regarding analogous assets and the expected technological innovation. Significant changes to previous accounting estimates will result in adjustments against depreciation and amortization expenses in the future periods.

⑧ Deferred income tax assets

Deferred income tax asset is recognized for all the uncompensated tax losses to the extent that there is sufficient taxable income for the deduction of loss. In order to determine the amount of deferred tax assets, the management of the Company needs to predict the timing and the amount of taxable profits in the future by taking into account a large amount of judgment, as well as the strategy of tax planning.

⑨Income tax

There are certain transactions the tax treatment and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. Whether some items could be presented before taxation shall be approved by relevant tax authorities. Where the final tax outcome of these matters is different from the initial estimated amount, such differences will impact the current and deferred tax in the period of confirmation.

⑩Returned profits from sales

The Company and its subsidiaries adopt the policy of returned profits from sales for all consumers. According to the relevant conventions in the sales agreement, the review of specific transactions, the market situation, the pipeline inventory levels and the historical experiences, the Company and its subsidiaries estimate and make returned profits from sales on a regular basis with reference to the completion of agreed assessment indexes. Provisions of returned profits from sales involve the judgment and estimates of the management. In case of any significant changes in the previous estimates, the difference above will have an impact on the returned profits from sales during the period when significant changes occur.

29. CHANGES ON SIGNIFICANT ACCOUNTING POLICES AND ACCOUNTING ESTIMATES

(1)、Changes on Significant Accounting Policies

Applicable Not Applicable

(2)、Changes on Significant Accounting Estimates

Applicable Not Applicable

VI. Taxation

1. Main tax types and tax rates

Details of main tax types and tax rates

Applicable Not Applicable

Tax type	Basis of taxation	Tax rate
Value-added tax	Taxable revenue of goods sales and taxable labor services revenue	5%, 6%, 11%, 16%
Urban maintenance and construction tax	Turnover tax amount payable	7%
EIT	Tax amount payable	Statuary tax rate or preferential rates as follows
(Local) education surcharges	Turnover tax amount payable	1%, 2%, 3%

Disclosure of tax entities with different EIT rates

Applicable Not Applicable

2. Preferential tax

√Applicable □Not Applicable

Companies enjoying preferential tax and preferential tax rate:

Name of company	Tax rate	Preferential tax
Qingdao Haier Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Refrigerator Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Intelligent Electronics Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Special Refrigerator Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Dishwasher Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Special Freezer Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Intelligent Home Appliance Technology Co., Ltd	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Wuhan Haier Electronics Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Wuhan Haier Freezer Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Hefei Haier Refrigerator Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Hefei Haier Air-conditioning Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Zhengzhou Haier Air-conditioning Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Shenyang Haier Refrigerator Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Chongqing Haier Air-conditioning Co., Ltd.	15%	entitled to the preferential taxation policies under the Western Development initiative
Chongqing Haier Refrigeration Appliance Co., Ltd.	15%	entitled to the preferential taxation policies under the Western Development initiative
Guizhou Haier Electronics Co., Ltd.	15%	entitled to the preferential taxation policies under the Western Development initiative
Qingdao Haier Air-Conditioner Electronics Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Moulds Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Meier Plastic Powder Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Chongqing Haier Precision Plastic Co., Ltd.	15%	entitled to the preferential taxation policies under the Western Development initiative
Chongqing Haier Intelligent Electronics Co., Ltd.	15%	entitled to the preferential taxation policies under the Western Development initiative
Qingdao Haigao Design & Manufacture Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Technology Co., Ltd.	10%	significant software enterprise tax preferential
Qingdao Hairi High Technology Molding Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier (Jiaozhou) Air-Comditioner Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Beijing Haier Guangke Digital Technology Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise

Qingdao Haier Intelligent Technology Development Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Foshan Haier Freezer Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Wuhan Haier Energy and Power Co., Ltd.	10%	entitled to the preferential policies as a small and micro enterprise
Shanghai Haier Zhongzhifang Maker Space Management Co., Ltd.(上海海尔众智坊创客空间管理	10%	entitled to the preferential policies as a small and micro enterprise
Hefei Haier Washing Machine Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Washing Machine Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Jiaonan Haier Washing Machine Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Drum Washing Machine Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Foshan Shunde Haier Electric Appliance	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Economy and Technology Development Zone Haier Water Heater Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Wuhan Haier Water Heater Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Foshan Drum Washing Machine Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Goodaymart Logistic Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier New Energy Electric Appliance Co., Ltd. (青岛海尔新能源电器有限公司)	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Shengfeng Supply Chain Co., Ltd. (盛丰供应链有限公司)	15%	entitled to the preferential taxation for enterprises in Pingtan Comprehensive
Chongqing Goodaymart Electronics Sales Co., Ltd.	15%	entitled to the preferential taxation policies under the Western Development initiative
Chongqing Haier Home Appliance Sale Co., Ltd. and some branches in western region	15%	entitled to the preferential taxation policies under the Western Development initiative
Chongqing Goodaymart Electronics Sales Co., Ltd. and some branches in western region	15%	entitled to the preferential taxation policies under the Western Development initiative
Chongqing Haier Washing Machine Co., Ltd.	15%	entitled to the preferential taxation policies under the Western Development initiative
Chongqing Haier Water Heater Co., Ltd.	15%	entitled to the preferential taxation policies under the Western Development initiative
Chongqing Haier Drum Washing Machine Co., Ltd.	15%	entitled to the preferential taxation policies under the Western Development initiative

VII. Explanatory Notes for Items in Consolidated Financial Statements

Unless otherwise specified, the following closing balance means the amount as at 30 June 2018; opening balance means the amount as at 31 December 2017; current period means the amount incurred from 1 January to 30 June 2018, while the previous period means the amount incurred from 1 January to 30 June 2017.

1. Monetary funds

√Applicable □Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Treasury cash	698,625.89	513,781.37
Bank deposit	30,859,017,076.82	32,994,884,486.17
Other monetary funds	2,608,221,131.55	2,181,878,636.37

Total	33,467,936,834.26	35,177,276,903.91
Among which: total of overseas amounts	3,404,026,327.40	7,732,752,678.06

Other explanatory

An amount of RMB13,939,454,951.97 of the monetary fund was deposited in Haier Group Finance Co., Ltd. on 30 June 2018, the balance of which including a fixed term bank deposit of RMB195,000,000.00. The investment fund in the closing balance of other monetary fund was RMB1,223,917,432.91, the payment of the third party platform was RMB101,396,403.97 and the amount of deposits was RMB1,282,907,294.67.

2. Derivative financial assets

Applicable Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Forward foreign exchange sale and purchase agreement	40,947,728.30	20,681,695.50
Total	40,947,728.30	20,681,695.50

3. Notes receivable

(1). Categories of Notes receivable

Applicable Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Bank acceptance notes	688,629,971.26	1,946,518,710.06
Commercial acceptance bill	11,519,508,594.06	11,086,564,810.93
Total	12,208,138,565.32	13,033,083,520.99

(2) The pledged Notes receivable of the Company at the end of the period was RMB 10,672,285,824.52.

4. Accounts receivables

(1) Accounts receivables disclosed by categories:

Items	Closing balance		Opening balance	
	Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts receivables that are individually significant and are subject to provision for bad debts on individual basis				
Accounts receivables that are subject to provision for bad debts on portfolio basis	17,174,744,274.32	268,553,582.55	12,803,484,274.71	355,479,441.65
Accounts receivables that are individually insignificant but are subject to provision for bad debts on individual basis	113,291,273.51	113,291,273.51	88,400,865.52	88,400,865.52
Total	17,288,035,547.83	381,844,856.06	12,891,885,140.23	443,880,307.17

Applicable Not Applicable

(2) Accounts receivables of which provision for bad debts is made within the group:

Aging	Closing balance		Opening balance	
	Book balance	Provision for bad debts	Book balance	Provision for bad debts
Within 1 year	16,853,769,572.70	256,957,057.15	12,477,896,240.89	339,251,644.04
1-2 years	140,519,655.88	5,561,809.25	178,439,139.22	8,870,352.87
2-3 years	130,680,210.93	4,599,469.31	121,898,217.63	6,094,910.89
Over 3 years	49,774,834.81	1,435,246.84	25,250,676.97	1,262,533.85
Total	17,174,744,274.32	268,553,582.55	12,803,484,274.71	355,479,441.65

(3)The total amount of the top 5 in the accounts receivables at the end of the period was RMB 6,446,253,513.62, accounting for 37.29% of the book balance of the accounts receivables, and the amount of provision for bad debts was RMB 62,522,768.63.

(4)Provisions for bad debts made, collected or reversed in the period:

Provisions for bad debts in the amount of RMB 41,168,449.83 were reverted in the period.

(5)Accounts receivable written off in the period:

The bad debts written off in 2017 were RMB 10,804,087.08, and there was no significant accounts receivable written off in the period.

(6)Restricted trade receivables in the period:

Trade receivables mortgaged and pledged for securing borrowings were RMB 4,027,213,632.11.

5. Prepayments

(1). Aging of prepayments

Applicable Not Applicable

Unit and Currency: RMB

Aging	Closing balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	578,819,699.61	87.32	500,715,555.59	84.77
1-2 years	46,963,726.21	7.08	71,155,092.86	12.05
2-3 years	26,381,077.32	3.98	11,070,761.72	1.87
Over 3 years	10,735,757.07	1.62	7,752,248.04	1.31
Total	662,900,260.21	100.00	590,693,658.21	100.00

(2)The total amount of the top 5 in the prepayments at the end of the period was RMB 142,171,371.23, accounting for 21.45% of the book balance of the prepayments.

6. Interest receivables

Aging	Closing balance		Opening balance	
	Book balance	Proportion	Book balance	Proportion
Within 1 year	237,294,144.94	98.09%	202,405,171.56	99.39%
1-2 years	4,617,291.33	1.91%	1,232,372.27	0.61%

Total	241,911,436.27	100.00%	203,637,543.83	100.00%
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7. Other receivables

(1) Other receivables disclosed by categories:

Items	Closing balance		Opening balance	
	Book balance	Provision for bad debts	Book balance	Provision for bad debts
Individual significant other receivables of which provision for bad debts is made on an individual basis				
Other receivables of which provision for bad debts is made on a group basis	893,993,897.28	28,411,130.32	989,277,529.42	28,013,547.55
Individual insignificant other receivables of which provision for bad debts is made on an individual basis	47,523,424.67	47,523,424.67	48,882,935.05	48,882,935.05
Total	941,517,321.95	75,934,554.99	1,038,160,464.47	76,896,482.60

(2) Other receivables of which provision for bad debts is made on portfolio basis:

Aging	Closing balance		Opening balance	
	Book balance	Provision for bad debts	Book balance	Provision for bad debts
Within one year	750,333,461.50	22,548,649.73	873,640,986.50	22,317,036.56
1-2 years	85,678,706.51	3,472,500.09	60,265,756.01	2,927,971.65
2-3 years	30,718,969.68	1,450,084.92	21,037,477.39	1,051,873.86
Over 3 years	27,262,759.59	939,895.58	34,333,309.52	1,716,665.48
Total	893,993,897.28	28,411,130.32	989,277,529.42	28,013,547.55

(3) At the end of the period, total amount of top five other receivables was RMB 210,498,195.75, representing 22.36% of the book balance of other receivables, and the amount of provision for bad debts was RMB 1,750,000.00.

(4) Bad-debt provisions made, collected or reversed in the period:

Provisions for bad debts in the amount of RMB 2,436,120.66 were made in the period.

(5) **The other receivables actually written off** in the period was RMB 3,343,491.44.

(6) **Other receivables** mainly include the deposit, the quality retention money, staff borrowing, tax refunds, and advance money for another, etc.

8. Inventories

(1) Details of inventories

Items	Closing balance	Opening balance
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	Book balance	Impairment Provision	Book balance	Impairment Provision
Raw materials	2,768,478,339.49	41,202,173.80	3,459,878,187.81	33,888,186.04
Work in progress	115,584,274.92		212,212,549.56	
Unsettled payments of completed projects	214,481,301.96		187,935,341.58	
Finished goods	20,177,061,361.84	728,107,386.90	18,374,187,900.35	696,800,993.08
Total	23,275,605,278.21	769,309,560.70	22,234,213,979.30	730,689,179.12

(2) Impairment provision of inventories

Items	Opening balance	Increase for the period		Decrease for the period		Closing balance
		Provisions for the period	Other increase	Reversal	Write-off and others	
Raw materials	33,888,186.04	7,603,733.47		261,558.60	28,187.11	41,202,173.80
Finished goods	696,800,993.08	204,516,648.95		2,864,501.37	170,345,753.76	728,107,386.90
Total	730,689,179.12	212,120,382.42		3,126,059.97	170,373,940.87	769,309,560.70

(3) Unsettled payments of completed projects from the construction contracts at the end of the period

Items	Accumulated cost incurred	Accumulatively recognized gross profit	Settled Amounts	Unsettled payments of completed projects from the construction contracts
Amount	1,003,760,368.89	205,449,971.85	994,729,038.78	214,481,301.96

9. Assets held for sale and liabilities held for sale

Items	Closing balance	Opening balance
Assets held for sale	1,233,866,625.56	
Liabilities held for sale	296,505,653.77	
Net amount held for sale	937,360,971.79	

The Company intends to dispose 58.08% equity of Shengfeng Logistics Group Co., Ltd (hereinafter referred to as “Shengfeng Logistics”) at a consideration of RMB 0.798 billion in the period for business planning consideration. After the disposal, the Company will no longer hold any equity interests of Shengfeng Logistics. The equity disposal agreement provides that change in business registration and transfer of actual control shall be completed within one year, which includes update of shareholders’ joint operation agreement; update of Article of Associations; Appointment of directors by

new shareholders and dismissal of directors by Goodaymart Logistic, etc.

10. Other current assets

(1) Details of other current assets

Items	Closing balance		Opening balance	
	Book balance	Impairment Provision	Book balance	Impairment Provision
Bank Treasury deposit	2,231,850,307.37		2,007,051,839.54	
Deductable VAT	1,741,330,986.94	7,980,978.65	1,941,860,551.67	
Others	724,119,192.93		440,847,627.62	
Total	4,697,300,487.24	7,980,978.65	4,389,760,018.83	

(2) Impairment provision of other current assets

Items	Opening balance	Increase for the period		Decrease for the period		Closing balance
		Provisions for the period	Other increase	Reversal	Write-off and others	
Deductible VAT		7,980,978.65				7,980,978.65
Others						
Total		7,980,978.65				7,980,978.65

11. Available-for-sale financial assets

(1) Information of available-for-sale financial assets:

Items	Closing balance			Opening balance		
	Carrying Balance	Provision for impairment	Book value	Carrying balance	Provision for impairment	Book value
Available-for-sale equity instrument						
At fair value	1,435,064,752.28		1,435,064,752.28	26,931,420.99		26,931,420.99
At cost	153,615,971.20	30,225,000.00	123,390,971.20	1,418,647,886.83	30,225,000.00	1,388,422,886.83
Total	1,588,680,723.48	30,225,000.00	1,558,455,723.48	1,445,579,307.82	30,225,000.00	1,415,354,307.82

(2) Available-for-sale financial assets at fair value at the end of the period:

Categories of available-for-sale financial assets	Available-for-sale equity instrument
Cost of equity instrument	1,305,411,286.65
Fair value	1,435,064,752.28
Accumulated fair value changes credited into other comprehensive income	116,462,955.50

Allowance for impairment	
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(3) Movement in impairment of available-for-sale financial assets during the reporting period:

Item	Provision for impairment of available-for-sale equity instrument
Provision balance at the beginning of the period	30,225,000.00
Provision made in 2018	
Decrease in 2018	
Allowance for impairment amounts at the end of the period	30,225,000.00

12. Long-term equity investments

√Applicable □Not Applicable

Investees	Opening balance	Increase/decrease during the period				Declaration of cash dividends or profits
		Investments increased	Investment income recognized under equity method	Adjustment in other comprehensive income	Other changes in equity	
Associates:						
Haier Group Finance Co., Ltd.	4,682,887,227.73		329,018,613.88	23,160,510.46		
Bank of Qingdao co., Ltd.	2,462,624,099.78		126,969,897.23	40,527,018.36		-77,995,640.00
Haier Medical and Laboratory Products Co., Ltd.	332,230,371.89		18,665,089.87			
Wolong Electric Zhangqiu Haier Motor Co., Ltd.	118,897,337.40		1,085,772.63			
Qingdao Haier Software Investment Co., Ltd.	17,899,331.07		-30.81			
Qingdao Haier SAIF Smart Home Industry Investment Center (limited partnership)	270,536,881.98					
Qingdao Haier Special Steel Plate Research and Development Co., Ltd.	106,068,803.08					
Hefei Haier Special Steel Plate Research and Development Co., Ltd.	140,494,521.67					
Mitsubishi Heavy Industries Haier (Qingdao) Air-conditioners Co., Ltd.	529,934,750.95		38,033,746.45			-56,772,000.00
Qingdao Haier Carrier Refrigeration Equipment Co., Ltd.	305,185,137.09		6,006,028.41			
Beijing Mr. Hi Network Technology Company Limited	3,757,759.75					
Qingdao Haier	543,768,6		6,102,089.30			

Multi-media Co., Ltd.	56.24					
Beijing Xiaobei Technology Co., Ltd.	2,687,341.82					
Beijing ASU Tech Co., Ltd.		27,977,441.33	-12,972,276.93			
Qingdao HBIS New Material Technology Co. Ltd (青岛河钢新材料科技有限公司)		246,563,324.75	8,181,770.11			
Guangzhou Heying Investment Partnership (Limited Partnership) (广州合赢投资合伙企业(有限合伙))	152,047,535.44					
China Shengfeng Microfinance limited in Jin'an District of Fuzhou City	80,226,595.74		203,120.76			
Fujian ATL-Shengfeng Logistics Co., Ltd.	13,117,748.43					
Qingdao Jiavayun Network Technology Co., Ltd. (青岛家哇云网络科技有限公司)	1,755,356.84		-353,653.58			
Qingdao JSH Network Technology Co. Ltd.	5,511,749.00					
Hunan Electronic Co., Ltd. (湖南电机株式会社)	64,856,526.75		1,953,995.60	1,511,839.86		-264,154.48
HNR COMPANY (PRIVATE) LIMITED	91,578,227.62		15,255,570.62	-4,448,841.20		
HPZ LIMITED	80,588,570.01		1,879,469.24	1,066,314.42		
CONTROLADORA MABE S.A.deC.V.	2,985,062,320.58		42,484,513.97	24,980,259.95		
MiddleEast Air conditioning Company, Limited	22,050,543.42		-1,580,766.44	232,792.47		
Total	13,013,767,394.28	274,540,766.08	580,932,950.31	87,029,894.32		-135,031,794.48

Continued table

Investees	Increase/decrease during the period		Closing balance	Closing balance of provision for impairment
	Others	The disposal of the investment		
Associates:				
Haier Group Finance Co., Ltd.			5,035,066,352.07	
Bank of Qingdao Co., Ltd.	-35,459,345.18		2,516,666,030.19	
Haier Medical and Laboratory Products Co., Ltd.			350,895,461.76	
Wolong Electric Zhangqiu Haier Motor Co., Ltd.			119,983,110.03	
Qingdao Haier Software Investment Co., Ltd.			17,899,300.26	

Qingdao Haier SAIF Smart Home Industry Investment Center (limited partnership)			270,536,881.98	
Qingdao Haier Special Steel Plate Research and Development Co., Ltd.		-106,068,803.08		
Hefei Haier Special Steel Plate Research and Development Co., Ltd.		-140,494,521.67		
Mitsubishi Heavy Industries Haier (Qingdao) Air-conditioners Co., Ltd.			511,196,497.40	
Qingdao Haier Carrier Refrigeration Equipment Co., Ltd.			311,191,165.50	-21,000,000.00
Beijing Mr. Hi Network Technology Company Limited			3,757,759.75	
Qingdao Haier Multi-media Co., Ltd.			549,870,745.54	
Beijing Xiaobei Technology Co., Ltd.			2,687,341.82	
Beijing ASU Tech Co., Ltd.			15,005,164.40	
Qingdao HBIS New Material Technology Co. Ltd (青岛河钢新材料科技有限公司)			254,745,094.86	
Guangzhou Heying Investment Partnership (Limited Partnership)(广州合赢投资合伙企业(有限合伙))			152,047,535.44	
Shengfeng Microfinance limited in Jin'an District of Fuzhou City		-80,429,716.50		
Fujian ATL-Shengfeng Logistics Co., Ltd.		-13,117,748.43		
Qingdao Jiavayun Network Technology Co., Ltd. (青岛家哇云网络科技有限公司)			1,401,703.26	
Qingdao JSH Network Technology Co. Ltd.			5,511,749.00	
Hunan Electronic Co., Ltd. (湖南电机株式会社)			68,058,207.73	
HNR COMPANY (PRIVATE) LIMITED			102,384,957.04	
HPZ LIMITED			83,534,353.67	
CONTROLADORA MABE S.A.deC.V.			3,052,527,094.50	
MiddleEast Air conditioning Company Limited			20,702,569.45	
Total	-35,459,345.18	-340,110,789.68	13,445,669,075.65	-21,000,000.00

13. Investment properties

(1) Increase and decrease of **investment property under cost model** for the year are set out as follows:

Items	House, buildings	Land use rights	Total
I. Original value			
1. Opening balance	44,408,479.02	2,128,550.51	46,537,029.53
2. Increase for the period			
(1) Outsourced			
(2) Inventories\fixed assets\construction in progress transferred	347,500.00		347,500.00

(3) Increase in enterprise combinations			
3.Decrease for the period			
(1) Disposal			
(2) Other transferring out			
Impact of fluctuation in exchange rate for the period	311,192.00		311,192.00
4.Closing balance	45,067,171.02	2,128,550.51	47,195,721.53
II. Accumulated depreciation and accumulated amortization			
1.Opening balance	14,853,338.04	469,675.50	15,323,013.54
2.Increase for the period			
(1) provision or amortization	851,057.75	20,118.11	871,175.86
3.Decrease for the period			
(1) Disposal			
(2) Other transferring out			
Impact of fluctuation in exchange rate for the period	44,056.86		44,056.86
4.Closing balance	15,748,452.65	489,793.61	16,238,246.26
III. Provision for impairment			
1.Opening balance			
2.Increase for the period			
(1) Provision			
3、Decrease for the period			
(1) Disposal			
(2) Other transferring out			
4.Closing balance			
IV. Book value			
1.Book value at the end of the period	29,318,718.37	1,638,756.90	30,957,475.27
2.Book value at the beginning of the period	29,555,140.98	1,658,875.01	31,214,015.99

(2) Depreciated and amortized amount for the current period was RMB 871,175.86 .

(3) No provision for impairment was made as the recoverable amount of investment property was not less than the book value of the Company at the end of the period.

14. Fixed assets

Projects	Houses and buildings	Production equipment	Transportation equipment
I. Original value			
1. Opening balance	8,703,459,923.10	15,481,104,152.38	288,062,860.51
2. Increase amount for the period			
(1) Acquisition	77,341,110.30	120,206,848.18	3,132,410.90
(2) Transfer into construction in progress	77,064,914.36	477,923,850.95	25,535,754.67
(3) Increase in enterprise combinations			
3. Decrease for the period			
(1) Disposal or Write-off	-17,548,341.82	-399,396,221.73	-10,929,865.45
(2) Disposal of subsidiaries			
(3) Transfer into held for sale	-171,460,105.94	-16,042,322.05	-73,091,329.82
Impact of fluctuation in exchange rate for the period	14,012,790.41	61,703,290.85	-776,369.88
4. Closing balance	8,682,870,290.41	15,725,499,598.58	231,933,460.93
II. Accumulated depreciation			
1. Opening balance	2,504,185,797.82	6,292,261,294.47	144,327,969.99
2. Increase for the period			
(1) Provision	215,088,009.26	880,437,104.10	15,452,707.34
(2) Increase in enterprise combinations			
3. Decrease for the period			
(1) Disposal or Write-off	-6,619,572.50	-353,210,658.55	-10,413,738.26
(2) Disposal of subsidiaries			
(3) Transfer into held for sale	-22,411,152.92	-9,777,327.57	8,335,803.08
Impact of fluctuation in exchange rate for the period	3,910,590.77	27,917,182.42	-505,368.52
4. Closing balance	2,694,153,672.43	6,837,627,594.87	157,197,373.63
III. Provision for impairment			
1. Opening balance	30,703,168.88	11,490,036.50	2,019.29
2. Increase for the period			
(1) Provision			

(2) Increase in enterprise combinations			
3.Decrease for the period			
(1) Disposal or Write-off		-110,190.08	
Impact of fluctuation in exchange rate for the period	863,774.00	47,070.80	
4.Closing balance	31,566,942.88	11,426,917.22	2,019.29
IV. Book value			
1.Book value at the end of the period	5,957,149,675.10	8,876,445,086.49	74,734,068.01
2.Book value at the beginning of the period	6,168,570,956.40	9,177,352,821.41	143,732,871.23

Continued table

Items	Office equipment	Other	Total
I. Original value			
1.Opening balance	359,368,775.40	687,992,144.77	25,519,987,856.16
2.Increase for the period			
(1) Acquisition	19,781,702.09	30,543,129.96	251,005,201.43
(2) Transfer into construction in progress	12,853,719.22	37,310,537.76	630,688,776.96
(3) Increase in enterprise combinations			
3.Decrease for the period			
(1) Disposal or Write-off	-28,445,459.55	-18,157,754.46	-474,477,643.01
(2) Disposal of subsidiaries		-22,099.15	-22,099.15
(3) Transfer into held for sale		-26,279,861.14	-286,873,618.95
Impact of fluctuation in exchange rate for the period	-1,497,148.23	-1,538,089.27	71,904,473.88
4.Closing balance	362,061,588.93	709,848,008.47	25,712,212,947.32
II. Accumulated depreciation			
1.Opening balance	191,480,416.39	327,884,084.08	9,460,139,562.75
2.Increase for the period			
(1) Provision	17,722,512.15	39,844,685.91	1,168,545,018.76
(2) Increase in enterprise combinations			
3.Decrease for the period			
(1) Disposal or Write-off	-3,768,795.66	-5,244,383.32	-379,257,148.29
(2) Disposal of subsidiaries		-4,986.63	-4,986.63

(3) Transfer into held for sale		-15,605,475.58	-39,458,152.99
Impact of fluctuation in exchange rate for the period	-716,241.46	-365,962.07	30,240,201.14
4.Closing balance	204,717,891.42	346,507,962.39	10,240,204,494.74
III. Provision for impairment			
1.Opening balance		129,692.63	42,324,917.30
2.Increase for the period			
(1) Provision			
(2) Increase in enterprise combinations			
3.Decrease for the period			
(1) Disposal or Write-off			-110,190.08
Impact of fluctuation in exchange rate for the period			910,844.80
4.Closing balance		129,692.63	43,125,572.02
IV. Book value			
1.Book value at the end of the period	157,343,697.51	363,210,353.45	15,428,882,880.56
2.Book value at the beginning of the period	167,888,359.01	359,978,368.06	16,017,523,376.11

(1) Total fixed asset transferred from construction-in-progress balance for the period amounted to RMB 630,688,776.96.

(2) The pledged fixed assets were RMB 54,292,507.31 at the end of the period.

15. Construction in progress

(1). General information on Construction in progress

√Applicable □Not Applicable

Unit and currency: RMB

Projects	Closing balance			Opening balance		
	Carrying Balance	Provision for impairment	Book value	Carrying Balance	Provision for impairment	Book value
Intelligent kitchen (智慧厨房项目)	170,181,357.33		170,181,357.33	35,666,458.97		35,666,458.97
Qingdao medical refrigeration appliances (青岛特种制冷电器项目)	116,259,304.80		116,259,304.80	166,981.10		166,981.10

Hefei Air-Conditioner	116,224,367.60		116,224,367.60	25,181,280.17		25,181,280.17
Hefei Refrigerator	98,511,618.08		98,511,618.08	55,478,420.33		55,478,420.33
Hefei Electrical Air-Conditioner	77,052,787.74		77,052,787.74			
Electrical Air-Conditioner	53,794,749.16		53,794,749.16	5,193,377.89		5,193,377.89
Shenyang Refrigerator	47,535,209.10		47,535,209.10	50,298,040.73		50,298,040.73
Jiaozhou air-conditioner	36,710,172.40		36,710,172.40	5,809,318.63		5,809,318.63
Qingdao Refrigerator	31,201,435.45		31,201,435.45	13,248,362.54		13,248,362.54
Qingdao Special Freezer	28,040,062.89		28,040,062.89	2,148,406.14		2,148,406.14
Qingdao washing Appliances(青岛洗涤电器项目)	368,679,854.81		368,679,854.81	205,964,507.66		205,964,507.66
Tianjing Goodaymart (天津日日新项目)	193,315,039.43		193,315,039.43	108,020,326.49		108,020,326.49
Jiaozhou Goodaymart(胶州日日顺项目)	96,474,077.51		96,474,077.51	68,395,751.19		68,395,751.19
Nanjing Gooddaymart (南京日日顺项目)	96,450,984.23		96,450,984.23	54,845,708.25		54,845,708.25
Hefei Washing machine (合肥洗衣机项目)	67,387,231.96		67,387,231.96	4,916,153.85		4,916,153.85
Qingdao Front-loading	64,587,988.72		64,587,988.72	10,584,759.60		10,584,759.60
Foshan Front-loading	50,817,691.39		50,817,691.39			
Jin Zhou logistics	35,243,742.36		35,243,742.36	23,284,812.07		23,284,812.07
Harbin Goodaymart (哈尔滨日日顺项目)	25,770,319.83		25,770,319.83	15,254,265.96		15,254,265.96
US GEA (美国GEA 项目)	226,759,449.97		226,759,449.97	274,905,675.53		274,905,675.53
Mexican project (墨西哥项目)	62,344,304.18		62,344,304.18	58,343,819.44		58,343,819.44
Others	519,403,589.45		519,403,589.45	512,683,703.71		512,683,703.71
Total	2,582,745,338.39		2,582,745,338.39	1,530,390,130.25		1,530,390,130.25

(2) Changes in material construction in progress for the period

Projects	Opening balance	Increase for the period	Transfer to fixed assets	Other deductions	Impact of fluctuation in exchange rate for the period	Closing balance	Source of fund
Intelligent kitchen (智慧厨房项目)	35,666,458.97	134,514,898.36				170,181,357.33	Self-financing
Qingdao medical refrigeration appliances (青岛特种制冷电器项目)	166,981.10	116,092,323.70				116,259,304.80	Self-financing
Hefei Air-Conditioner	25,181,280.17	99,780,496.91	8,737,409.48			116,224,367.60	Self-financing
Hefei Refrigerator	55,478,420.33	60,229,143.34	17,195,945.59			98,511,618.08	Self-financing
Hefei Electrical Air-Conditioner		77,052,787.74				77,052,787.74	Self-financing
Electrical Air-Conditioner	5,193,377.89	52,277,012.32	3,675,641.05			53,794,749.16	Self-financing
Shenyang Refrigerator	50,298,040.73	2,784,198.48	5,547,030.11			47,535,209.10	Self-financing
Jiaozhou Air-Conditioner	5,809,318.63	35,462,868.60	4,562,014.83			36,710,172.40	Self-financing
Qingdao Refrigerator	13,248,362.54	24,509,693.00	6,556,620.09			31,201,435.45	Self-financing
Qingdao Special Freezer	2,148,406.14	27,641,526.31	1,749,869.56			28,040,062.89	Self-financing

Qingdao washing Appliances(青岛洗涤电器项目)	205,964,507.66	163,347,045.27	631,698.12			368,679,854.81	Self-financing
Tianjing Goodday mart (天津日日新项目)	108,020,326.49	85,294,712.94				193,315,039.43	Self-financing
Jiaozhou Goodday mart(胶州日日顺项目)	68,395,751.19	28,078,326.32				96,474,077.51	Self-financing
Nanjing Goodday mart (南京日日顺项目)	54,845,708.25	41,605,275.98				96,450,984.23	Self-financing
Hefei Washing machine	4,916,153.85	65,582,538.25	3,111,460.14			67,387,231.96	Self-financing
Qingdao Front-loading	10,584,759.60	60,494,218.71	6,490,989.59			64,587,988.72	Self-financing
Foshan Front-loading		97,887,279.14	47,069,587.75			50,817,691.39	Self-financing
Jin Zhou logistics	23,284,812.07	11,958,930.29				35,243,742.36	Self-financing
Harbin Goodday mart (哈尔滨日日顺项目)	15,254,265.96	10,718,276.09	202,222.22			25,770,319.83	Self-financing
US GEA (美国GEA项目)	274,905,675.53	214,197,010.27	241,839,138.39		-20,504,097.44	226,759,449.97	Self-financing
Mexican project (墨西哥项目)	58,343,819.44		3,531,727.16		7,532,211.90	62,344,304.18	Self-financing
Others	512,683,703.71	294,550,994.60	279,787,422.88	9,210,863.23	1,167,177.25	519,403,589.45	Self-financing
Total	1,530,390,130.25	1,704,059,556.62	630,688,776.96	9,210,863.23	-11,804,708.29	2,582,745,338.39	

No impairment provision has been made for construction in progress at the end of the period, and

the book balance equals the book value.

16. Disposals of fixed assets

Items	Closing balance	Opening balance	Reasons of transfer disposals
International Refrigerator Project	55,808,808.81	55,808,808.81	Demolition
Dalian Refrigerator	55,860.49		obsolescence disposal
Total	55,864,669.30	55,808,808.81	

17. Intangible assets

(1). General information on intangible assets

Applicable Not Applicable

Items	Technical expertise	Concession	Land use rights
I. Original value			
1. Opening balance	742,607,859.28	3,698,357,200.00	1,765,843,606.80
2. Increase for the period			
(1) Acquisition	1,293,275.47		349,011,322.09
(2) Inner R&D			
(3) Increase in enterprise combinations			
3. Decrease for the period			
(1) Disposal			
(2) Disposal of subsidiaries			
(3) Transfer into held for sale			-58,219,505.79
Impact of fluctuation in exchange rate for the period	9,063,065.83	46,638,400.00	-1,589,801.11
4. Closing balance	752,964,200.58	3,744,995,600.00	2,055,045,621.99
II. Accumulated amortization			
1. Opening balance	123,656,890.94	148,964,464.68	182,818,222.79
2. Increase for the period			
(1) Provision	36,141,130.31	41,880,508.14	17,589,464.35
(2) Increase in enterprise combinations			
3. Decrease for the period			
(1) Disposal			
(2) Disposal of subsidiaries			

(3)Transfer into held for sale			-1,267,907.98
Impact of fluctuation in exchange rate for the period	2,522,653.53	3,241,960.24	-362,317.37
4.Closing balance	162,320,674.78	194,086,933.06	198,777,461.79
III. Provision for impairment			
1.Opening balance			
2.Increase for the period			
(1)Provision			
(2)Increase in enterprise combinations			
3.Decrease for the period			
(1)Disposal			
(2)Disposal of subsidiaries			
(3)Transfer into held for sale			
Impact of fluctuation in exchange rate for the period			
4.Closing balance			
IV.Book value			
1.Book value at the end of the period	590,643,525.80	3,550,908,666.94	1,856,268,160.20
2.Book value at the beginning of the period	618,950,968.34	3,549,392,735.32	1,583,025,384.01

Continued Table

Items	Trademark right	Application management software and others	Total
I.Original value			
1.Opening balance	620,749,000.00	997,531,221.52	7,825,088,887.60
2.Increase for the period			
(1)Acquisition		39,842,045.89	390,146,643.45
(2)Inner R&D		683,268,017.49	683,268,017.49
(3)Increase in enterprise combinations			
3.Decrease for the period			
(1)Disposal		-6,903,507.31	-6,903,507.31
(2)Disposal of subsidiaries		-18,543,829.64	-18,543,829.64
(3)Transfer into held for sale		-3,479,171.03	-61,698,676.82
Impact of fluctuation in exchange rate	7,828,000.00	27,956,711.17	89,896,375.89

for the period			
4.Closing balance	628,577,000.00	1,719,671,488.09	8,901,253,910.66
II.Accumulated amortization			
1.Opening balance		353,572,422.07	809,012,000.48
2.Increase for the period			
(1)Provision		100,501,387.04	196,112,489.84
(2)Increase in enterprise combinations			
3.Decrease for the period			
(1)Disposal			
(2)Disposal of subsidiaries		-692,531.87	-692,531.87
(3)Transfer into held for sale		-1,087,102.68	-2,355,010.66
Impact of fluctuation in exchange rate for the period		3,703,092.33	9,105,388.73
4.Closing balance		455,997,266.89	1,011,182,336.52
III. Provision for impairment			
1.Opening balance		10,890,590.84	10,890,590.84
2.Increase for the period			
(1)Provision			
(2)Increase in enterprise combinations			
3.Decrease for the period			
(1)Disposal		-928,924.48	-928,924.48
(2)Disposal of subsidiaries			
(3)Transfer into held for sale			
Impact of fluctuation in exchange rate for the period		3,441.62	3,441.62
4.Closing balance		9,965,107.98	9,965,107.98
IV.Book value			
1.Book value at the end of the period	628,577,000.00	1,253,709,113.22	7,880,106,466.16
2.Book value at the beginning of the period	620,749,000.00	633,068,208.61	7,005,186,296.28

The intangible assets arising from inner R&D of the Company take up 12.68% of the original value of intangible assets at the end of the period.

18. Development expenses

Items	Opening balance	Increase for the period	Decrease for the period		Impact of fluctuation of exchange rate for the period	Closing balance
			Charged to profit or loss for the period	Recognized as an intangible asset		
91ABD.ERP PROGRAM	952,488,465.55	117,458,313.85		669,374,165.28	-5,956,369.72	394,616,244.40
Others	13,562,868.26	37,064,273.27	39,253.78	13,893,852.21	595,658.35	37,289,693.89
Total	966,051,333.81	154,522,587.12	39,253.78	683,268,017.49	-5,360,711.37	431,905,938.29

19. Goodwill

Items	Opening balance	Increase amount for the period	Decrease for the period	Impact of fluctuation in exchange rate for the period	Closing balance
GEA	19,418,454,197.34			240,377,342.98	19,658,831,540.32
Furniture after-sales service business	6,123,000.00				6,123,000.00
Shanghai Grand Logistics Co., Ltd. (上海广德物流有限公司)	29,079,469.66				29,079,469.66
GREEN one TEC Solarindustrie GmbH	3,298,757.75				3,298,757.75
Shanghai Boyol New Brothers Supply Chain Management Company Limited	68,407,241.86				68,407,241.86
Shengfeng Logistics Group Co., Ltd	317,954,690.69		317,954,690.69		
Total	19,843,317,357.30		317,954,690.69	240,377,342.98	19,765,740,009.59

The Company calculates the recoverable amount of the asset groups by estimating the present value of future cash flows. According to the cash flows in the next five to ten years based on the financial budget approved by the management, the perpetual growth rate of cash flow in the next years is

estimated to be 2%-3%, not more than the long-term average growth rate of the asset group business. The discount rate is within the range of 9.00%-18.50%. The management prepares the financial budget above based on the past performance and market development forecasts. Pursuant to the result of impairment test, no goodwill has been impaired by the end of the period.

20. Long-term deferred expenses

Types	Opening balance	Increase amount for the period	Amortization amount for the period	Other deductions	Impact of fluctuation in exchange rate for the period	Closing balance
Renovation fee	7,658,358.06		3,391,834.09	16,644.93		4,249,879.04
Expenditure for reconstruction of leased plant	83,720,074.13	37,948,667.82	14,505,884.55	19,218,987.27	-337,657.34	87,606,212.79
Others	32,390,239.14	19,744,045.12	4,454,129.06	1,219,107.96	6,054.79	46,467,102.03
Total	123,768,671.33	57,692,712.94	22,351,847.70	20,454,740.16	-331,602.55	138,323,193.86

21. Deferred income tax assets/ Deferred income tax liabilities

(1) The deferred income tax assets without consideration of the offsetting of balances

Items	Closing balance	Opening balance
Provision for assets impairment	184,309,780.09	185,051,809.02
Liabilities	1,491,060,824.72	1,514,275,639.33
Internal unrealized profit due to consolidation	489,050,580.01	418,158,297.39
Others	194,161,861.92	327,972,788.34
Total	2,358,583,046.74	2,445,458,534.08

(2) Deferred income tax liabilities without consideration of the offsetting of balances

Items	Closing balance	Opening balance
Changes of the fair value	6,469,995.59	5,298,198.09
Disposal of subsidiaries	20,013,800.12	20,938,261.74
Financial assets held for sale	94,421,609.22	81,922,539.71
Reserved foreign enterprise income tax	37,690,532.32	161,690,532.32
Depreciation and amortization of assets and the difference of the tax	434,785,781.50	471,732,062.64

laws		
Interest rate swap agreement	21,379,038.65	13,902,650.26
Others	71,102,951.00	73,875,505.00
Total	685,863,708.40	829,359,749.76

(3) The deferred income tax assets and the deferred income tax liabilities offsetted at the end of the period was RMB 523,261,027.55.

22. Other non-current assets

Applicable Not Applicable

Unit and currency: RMB

Items	Closing balance	Opening balance
Prepayments for equipment and land	833,226,998.35	757,518,103.03
Forward foreign exchange sale and purchase agreement	350,265,114.92	343,283,948.90
Others	321,137,033.81	153,262,129.83
Total	1,504,629,147.08	1,254,064,181.76

23. Short-term borrowings

Applicable Not Applicable

Unit and currency: RMB

Items	Closing balance	Opening balance
Pledged borrowings	4,069,979,063.47	3,914,042,669.00
Mortgage borrowings	61,325,808.17	130,394,916.35
Guaranteed borrowings	1,983,070,826.58	2,501,400,000.00
Unsecured borrowings	5,690,177,823.10	4,332,742,689.83
Total	11,804,553,521.32	10,878,580,275.18

24. Derivative financial liabilities

Applicable Not Applicable

Unit and currency: RMB

Items	Closing balance	Opening balance
Forward foreign exchange sale and purchase agreement	4,440,154.26	2,524,569.45
Total	4,440,154.26	2,524,569.45

25. Notes payable

Applicable Not Applicable

Unit and currency: RMB

Categories	Closing balance	Opening balance
Commercially acceptance bill	2,844,910,661.63	2,165,982,670.54
Bank acceptance bill	16,527,830,770.03	14,212,716,989.23
Total	19,372,741,431.66	16,378,699,659.77

26. Accounts payables

Applicable Not Applicable

Unit and currency: RMB

Items	Closing balance	Opening balance
Accounts payables	28,204,519,194.31	25,654,013,649.96

Total	28,204,519,194.31	25,654,013,649.96
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The book balance at the end of the period was mainly the unpaid expenditures on material, equipment and labor.

27. Receipts in advance

√Applicable □Not Applicable

Unit and currency: RMB

Items	Closing balance	Opening balance
Receipts in advance	3,485,578,719.92	5,833,552,815.05
Total	3,485,578,719.92	5,833,552,815.05

The book balance at the end of the period was mainly the prepayment.

28. Payables for staff's remuneration

(1). Presentation of payables for staff's remuneration

√Applicable □Not Applicable

Unit and currency: RMB

Items	Opening balance	Increase for the period	Decrease for the period	Closing balance
I . Short-term remuneration	2,130,024,644.0 1	8,086,543,734.5 9	8,484,942,412.4 2	1,731,625,966.1 8
II . Post-employment benefits-defined contribution plan	44,417,648.82	646,344,436.95	653,971,756.71	36,790,329.06
III. Termination benefits	14,959,967.19	187,362.24	10,941,391.57	4,205,937.86
IV . Other welfare due within one year	159,786,862.88	2,989,668.67	860,074.37	161,916,457.18
Total	2,349,189,122.9 0	8,736,065,202.4 5	9,150,715,635.0 7	1,934,538,690.2 8

(2). Presentation of short-term remuneration

Items	Opening balance	Increase for the period	Decrease for the period	Closing balance
(1) Salaries, bonus, allowance and benefit	1,257,065,187.6 1	5,510,985,821.4 0	5,850,082,040.4 1	917,968,968.60
(2) Employee welfare	297,270,715.36	140,889,006.31	146,540,689.66	291,619,032.01
(3) Social benefit	147,366,747.95	812,242,114.77	816,289,556.66	143,319,306.06
(4) Housing fund	7,727,158.93	135,473,605.37	134,374,421.77	8,826,342.53
(5) Labor union fee and education fee	2,875,359.31	38,365,968.50	38,640,762.52	2,600,565.29
(6) Short-term compensated leave	176,242,872.66	113,125,238.74	108,561,096.13	180,807,015.27
(7) Others	241,476,602.19	1,335,461,979.5 0	1,390,453,845.2 7	186,484,736.42
Total	2,130,024,644.0 1	8,086,543,734.5 9	8,484,942,412.4 2	1,731,625,966.18

(3). Presentation of defined contribution plan

√Applicable □Not Applicable

Unit and currency: RMB

Items	Opening balance	Increase for the period	Decrease for the period	Closing balance
1. Basic pension insurance	43,103,445.60	634,540,229.45	642,018,465.49	35,625,209.56

2. Unemployment insurance	765,277.29	11,149,536.79	11,209,557.33	705,256.75
3. Enterprise annuity payment	548,925.93	654,670.71	743,733.89	459,862.75
Total	44,417,648.82	646,344,436.95	653,971,756.71	36,790,329.06

(4) Presentation of termination benefits

Items	Closing balance	Opening balance
Termination compensation	4,205,937.86	14,959,967.19
Total	4,205,937.86	14,959,967.19

29. Taxes payable

√Applicable □Not Applicable

Unit and currency: RMB

Items	Closing balance	Opening balance
VAT	454,123,894.07	482,237,560.42
Business tax	7,253,589.46	6,482,581.69
Enterprise income tax	1,138,758,726.04	1,246,597,129.08
Individual income tax	26,694,034.04	22,133,761.57
Municipal maintenance tax	13,620,780.60	10,698,089.06
Education surcharge	5,781,675.20	4,651,788.94
The electrical and electronic products waste treatment fund	78,161,271.50	77,767,756.79
Additional taxes	46,037,574.63	58,691,859.87
Total	1,770,431,545.54	1,909,260,527.42

30. Interests payable

Items	Closing balance	Opening balance
Interest of long-term borrowings	56,521,386.59	46,938,624.99
Interest of short-term borrowings	12,511,765.92	10,717,833.80
Total	69,033,152.51	57,656,458.79

31. Dividends payable

Company	Closing balance	Opening balance
BRAVE LION (HK) LIMITED	122,756,874.10	122,756,874.10
Other minority shareholders	407,065,787.01	30,999,441.54
Total	529,822,661.11	153,756,315.64

32. Other payables

Items	Closing balance	Opening balance
Other payables	11,077,488,012.51	10,805,162,943.62
Total	11,077,488,012.51	10,805,162,943.62

The book balance at the end of the period mainly included the incurred but unpaid costs.

33. Non-current liabilities due within 1 year

Applicable Not Applicable

Items	Closing balance	Unit and currency: RMB
		Opening balance
Long-term borrowings due within one year	3,108,306,051.60	2,850,325,000.00
Total	3,108,306,051.60	2,850,325,000.00

34. Long-term borrowings

(1). Classification of Long-term borrowings

Applicable Not Applicable

Items	Closing balance	Unit and currency: RMB
		Opening balance
Mortgage loan	25,676,073.88	30,542,316.47
Guaranteed borrowings	5,293,279,998.61	5,227,360,000.00
Credit borrowings	298,982,650.05	288,741,397.35
Guaranteed and mortgage borrowings	7,340,453,621.57	10,489,849,095.99
Total	12,958,392,344.11	16,036,492,809.81

Description on classification of long-term borrowings:

Long-term borrowings – guarantee that the interest rate is the interest rate as provided in the borrowing agreement plus London inter-bank offered rate.

Long-term borrowings – the interest rate of domestic borrowing in the credit borrowings is the benchmark loan rate published by the People's Bank of China.

Long-term borrowings – the interest rate of international borrowings in the credit borrowings is the interest rate as provided in the borrowing agreement plus London inter-bank offered rate.

Long-term borrowings – pledge that the interest rate is the interest rate as provided in the borrowing agreement plus London inter-bank offered rate.

35. Bonds payables

On 21 November 2017, Harvest International Company, a wholly owned subsidiary of the Company issued convertible corporate bonds amounting to HK\$8 billion, the term of which is 5 years with nil coupon rate and an investors' return of 1%.

Convertible corporate bonds were divided into liability component and equity component upon initial recognition:

Items	Convertible corporate bonds issued in 2017
Initially recognized:	6,731,131,007.13
Including:	
Equity component of convertible corporate bonds	431,424,524.07
Liability component of convertible corporate bonds	6,299,706,483.06

Changes in liability component of convertible corporate bonds for the period:

Items	Opening balance	Increase for the period	Bond interests accrued for the period	Less: bond interests paid for the period	Impact of exchange rate	reclassified into due within one year for the period	Closing balance
Convertible corporate bonds issued in 2017	6,211,088,362.68		80,970,718.36		56,010,012.75		6,348,069,093.79
Total	6,211,088,362.68		80,970,718.36		56,010,012.75		6,348,069,093.79

36. Long-term payables

Items	Closing balance	Opening balance
CDB development fund investment fund	93,000,000.00	93,000,000.00
Lease	7,337,376.67	13,020,029.74
Total	100,337,376.67	106,020,029.74

Under the Investment Contract of China Development Fund executed by the Company and its subsidiaries including Qingdao Haier Refrigerator Co., Ltd., Qingdao Haier Air Conditioner Gen Corp., Ltd., Qingdao Haier (Jiaozhou) Air-conditioning Co., Limited together with China Development Fund Co. Ltd. in 2015 and 2016, China Development Fund Co. Ltd. invested RMB20 Million in Qingdao Haier Refrigerator Co., Ltd., and RMB73 Million in Qingdao Haier (Jiaozhou) Air-conditioning Co., Limited. China Development Fund Co. Ltd. obtains 1.2% of the earnings every year in dividend or through call premium. From 2020 to 2027, the Company and its subsidiaries will repurchase the investments made by China Development Fund Co. Ltd. to the subsidiary of the Company.

37. Long-term payables for staff's remuneration

Applicable Not Applicable

(1) Table of long-term payables for staff's remuneration

Items	Closing balance	Opening balance
I. Post-employment benefits: net liability of defined benefit plan	568,258,334.25	549,421,555.18
II. Termination benefits	197,840,493.92	153,682,943.65
III. Provision for work-related injury compensation	188,983,059.97	195,056,243.70
IV. Other long-term benefits		
Total	955,081,888.14	898,160,742.53

(2) Defined benefit plan

Some subsidiaries of the Company have set several defined benefit plans for the qualified staff. In these plans, the employees are entitled to enjoy the retirement benefits agreed in such defined benefit plans.

These plans are exposed to interest rate risks, changes in life expectancy of the beneficiary and other risks.

The recent actuarial evaluation of the assets and the present value of defined benefit obligations under such plans are determined by using the expected cumulative welfare unit method.

①.The defined benefit plan of Haier Asia Co., Ltd. (海尔亚洲株式会社), a subsidiary of the Company

Actuarial assumption used in the defined benefit plan

Items	Percentage
I. Discount rate	0.50%
II. Expected rate of return	2.00%

Present value of defined benefit obligations

Items	Amount
I. Opening balance	303,316,065.92
II. Defined benefit cost in current profit or loss	
1. Current period service cost	
2. Past service cost	
3. Settlement profit (loss indicated in“-”)	
4. Interest expenses	
III. Defined benefit cost in other comprehensive incomes	
1. Actuarial loss (gain indicated in“-”)	
IV. Other changes	10,477,238.90
1. Consideration paid upon settlement	
2. Prepaid benefits	
3.Exchange difference	10,477,238.90
V. Closing balance	313,793,304.82

Fair value of plan assets

Items	Amount
I. Opening balance	307,323,897.90
II. Defined benefit cost in current profit or loss	

1. Interest income	
III. Defined benefit cost in other comprehensive incomes	
1. Return on plan assets (except those included in net interests)	
2. Changes in impact of asset cap (except those included in net interests)	
IV. Other changes	10,615,678.69
1. Payments made by the employer	
2. Prepaid benefits	
3. Exchange difference	10,615,678.69
V. Closing balance	317,939,576.59

Neither the Company's common stocks or bonds, nor the properties occupied by the Company are included in the plan assets.

Net liability (net asset) of defined benefit plan

Items	Amount
I. Opening balance	-4,007,831.98
II. Defined benefit cost in current profit or loss	
III. Defined benefit cost in other comprehensive incomes	
IV. Other changes	-138,439.79
V. Closing balance	-4,146,271.77

The average term for the defined benefit obligation is 14.70 years at the balance sheet date.

②. The defined benefit plan of Roper Corporation, a subsidiary of the Company

Roper Corporation, a subsidiary of the Company, has set post-employment defined benefit plan of health care benefits for the qualified staff.

Actuarial assumption used in the defined benefit plan

Items	Percentage
I. Discount rate	3.98%

Present value of defined benefit obligations

Items	Amount
I . Opening balance	145,677,081.28
II . Consolidation of enterprises under non-common control	
III. Defined benefit cost in current profit or loss	16,018,353.15
1. Current period service cost	10,763,690.62
2. Past service cost	

3. Settlement profit (loss indicated in “-”)	
4. Interest expenses	5,254,662.53
IV. Defined benefit cost in other comprehensive incomes	
1. Actuarial loss (gain indicated in “-”)	
V. Other changes	-7,152,930.80
1. Consideration paid upon settlement	
2. Paid benefits	-9,211,583.30
3. Exchange difference	2,058,652.50
VI. Closing balance	154,542,503.63

Net liability (net asset) of defined benefit plan

Items	Amount
I . Opening balance	145,677,081.28
II . Consolidation of enterprises under non-common control	
III. Defined benefit cost in current profit or loss	16,018,353.15
IV. Defined benefit cost in other comprehensive incomes	
V. Other changes	-7,152,930.80
VI. Closing balance	154,542,503.63

The average term for the defined benefit obligation is 12.14 years at the balance sheet date.

③. The defined benefit plan of Haier US APPLIANCE SOLUTIONS, INC. a subsidiary of the Company.

Haier US APPLIANCE SOLUTIONS, INC., a subsidiary of the Company, has set post-retirement defined benefit plan of health care benefits for the qualified staff.

Actuarial assumption used in the defined benefit plan

Items	Percentage
I. Discount rate	3.68%

Present value of defined benefit obligations

Items	Amount
I . Opening balance	384,788,210.83
II . Consolidation of enterprises under non-common control	
III. Defined benefit cost in current profit or loss	29,106,878.98
1. Current period service cost	16,850,124.36
2. Past service cost	
3. Settlement profit (loss indicated in “—”)	

4. Interest expenses	12,256,754.62
IV. Defined benefit cost in other comprehensive incomes	
1. Actuarial loss (gain indicated in “—”)	
V. Other changes	-22,633,577.93
1. Consideration paid upon settlement	
2. Paid benefits	-27,537,079.18
3. Exchange difference	4,903,501.25
VI. Closing balance	391,261,511.88

Net liability (net asset) of defined benefit plan

Items	Amount
I . Opening balance	384,788,210.83
II .Consolidation of enterprises under non-common control	
III. Defined benefit cost in current profit or loss	29,106,878.98
IV. Defined benefit cost in other comprehensive incomes	
V. Other changes	-22,633,577.93
VI. Closing balance	391,261,511.88

④. The defined benefit plan of Haier US APPLIANCE SOLUTIONS, INC., a subsidiary of the Company.

Haier US APPLIANCE SOLUTIONS, INC., a subsidiary of the Company, has set a defined benefit plan of retirement pension for the qualified staff.

Actuarial assumption used in the defined benefit plan

Items	Percentage
I. Discount rate	3.21%

Present value of defined benefit obligations

Items	Amount
I . Opening balance	333,354,980.83
II .Consolidation of enterprises under non-common control	
III. Defined benefit cost in current profit or loss	17,965,772.49
1. Current period service cost	47,498.61
2. Past service cost	-
3. Settlement profit (loss indicated in “—”)	-

4. Interest expenses	17,918,273.88
IV. Defined benefit cost in other comprehensive incomes	9,339,933.04
1. Actuarial loss (gain indicated in “—”)	9,339,933.04
V. Other changes	-47,890,921.01
1. Consideration paid upon settlement	-
2. Paid benefits	-51,313,200.62
3. Exchange difference	3,422,279.61
VI. Closing balance	312,769,765.35

Fair value of plan assets

Items	Amount
I . Opening balance	226,737,778.94
II. Defined benefit cost in current profit or loss	94,562.86
1. Interest income	94,562.86
III. Defined benefit cost in other comprehensive incomes	-
1. Return on plan assets (except those included in net interests)	-
2. Changes in impact of asset cap (except those included in net interests)	
IV. Other changes	-25,946,523.34
1. Payments made by the employer	23,412,557.16
2. Paid benefits	-51,313,200.62
3. Exchange difference	1,954,120.12
V. Closing balance	200,885,818.46

Net liability (net asset) of defined benefit plan

Items	Amount
I . Opening balance	106,617,201.89
II. Consolidation of enterprises under non-common control	
III. Defined benefit cost in current profit or loss	17,871,209.63
IV. Defined benefit cost in other comprehensive incomes	9,339,933.04
V. Other changes	-21,944,397.67
VI. Closing balance	111,883,946.89

(3) Provision for work-related injury compensation

Our subsidiary Haier US APPLIANCE SOLUTIONS, INC. made a provision for the occupational injury claims filed by the injured due to production accidents starting from 1 January 1991. The provision will be used to pay the claims to the employees injured during the accidents. The provision accrued was prepared by Beecher Carlson Insurance Services, LLC., adopting the

actuarial method. The discount rate used in the actuarial method is 3.72%.

Items	Amount
I . Opening balance	267,182,167.75
II . Consolidation of enterprises under non-common control	
III. Compensation expenses in current profit or loss	-11,690,699.39
IV. Compensation amount actually paid for the period	
V. Other changes	2,988,751.96
VI. Closing balance	258,480,220.32

Classification of the balance of defined benefit plan

Items	Closing balance	Opening balance
Short-term remuneration	89,429,628.15	87,660,938.82
Long-term remuneration	568,258,334.25	549,421,555.18
Total	657,687,962.40	637,082,494.00

38. Estimated liabilities

Items	Closing balance	Opening balance
Estimated charges of “three guarantees” and installations	2,860,993,355.02	2,600,696,051.30
Pending litigation	18,636,207.41	19,003,500.11
Others		
Total	2,879,629,562.43	2,619,699,551.41

Significant assumptions and estimates related to the estimated charges of “three guarantees” and installations: the Company rationally estimates the rate of “three guarantees” and installations according to the previous actual expenditures and sales data on “three guarantees” and installations, and estimates the potential charges of “three guarantees” and installations based on the policy of “three guarantees” and installations and the realized sales data.

39. Deferred income

Explanations of deferred income

Applicable Not Applicable

Unit and Currency: RMB

Items	Opening balance	Increase for the period	Decrease for the period	Closing balance
Governmental subsidy	494,192,627.62	99,531,200.00	49,572,405.71	544,151,421.91
Leaseback	2,948,461.10		2,948,461.10	
Total	497,141,088.72	99,531,200.00	52,520,866.81	544,151,421.91

40. Other non-current liabilities

Applicable Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Forward foreign exchange sale and purchase contracts	242,658,549.02	242,417,657.63
Repurchase obligation for minority equity interests	969,992,212.60	916,938,153.36
Intangible consideration	5,612,008.70	5,384,860.29
Fair value change on sold-out share options		6,196,157.27
Long term guarantee deposit	10,222,491.86	
Total	1,228,485,262.18	1,170,936,828.55

41. Share capital

Class of shares	Opening balance	Increase for the period	Decrease for the period	Closing balance
I. Restricted shares				
1. State-owned shares				
2. Shares held by domestic non-state-owned legal entities				
3. Shares held by domestic natural persons				
4. Shares held by foreign non-state-owned legal entities				
II. Non-restricted shares	6,097,402,727			6,097,402,727
1. Ordinary shares in RMB	6,097,402,727			6,097,402,727
2. Domestic listed foreign shares				
3. Overseas listed foreign shares				
4. Others				
III. Total shares	6,097,402,727			6,097,402,727

42. Other equity instruments

Items	Opening balance	Increase for the period	Decrease for the period	Closing balance
Equity component of convertible corporate bonds	431,424,524.07			431,424,524.07
Total	431,424,524.07			431,424,524.07

43. Capital reserve

Applicable Not Applicable

Unit and Currency: RMB

Items	Opening balance	Increase for the period	Decrease for the	Closing balance
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			period	
Capital premium (share capital premium)		47,000,347.59		47,000,347.59
Other capital reserve	826,883,093.84			826,883,093.84
Total	826,883,093.84	47,000,347.59		873,883,441.43

Other explanations, including the explanations on increases or decreases for the period and the reasons thereof:

Movements in share capital premium due to: ①an increase of RMB 46,742,074.11 in capital premium due to the capital contribution to subsidiaries not on the original proportion of equity interest for the period led to the changes in the shareholdings of the Parent Company; ②an increase in share capital premium of RMB 258,273.48 due to acquisition of minority equity interests of subsidiaries for the period.

44. Other comprehensive income

Items	Opening balance	Amounts incurred for the period					Closing balance
		The pre-income amount for the period	Less: income tax expense	Attributable to the parent company, net of tax	Attributable to minority shareholders, net of tax	Others	
a	-272,839,961.93	87,029,894.32		86,716,737.89	313,156.43	40,228,127.70	-145,895,096.34
b	3,074,994.11	125,566,608.41	12,373,907.34	47,583,273.64	65,609,427.43	-17.11	50,658,250.64
c	39,797,118.61	29,653,932.68	7,070,873.51	22,583,059.17	-		62,380,177.78
d	203,472,980.90	174,678,517.32		116,511,067.77	58,167,449.55		319,984,048.67
e	-9,868,941.65	-9,601,565.98	-2,649,298.25	-6,952,267.73	-		-16,821,209.38
Total	-36,363,809.96	407,327,386.75	16,795,482.60	266,441,870.74	124,090,033.41	40,228,110.59	270,306,171.37

Notes:

(1) Item a, b, c, and d are other comprehensive income that will be reclassified to profit or loss in the future, including:

Item a represents other comprehensive income of investees accounted for using the equity method, which will be reclassified subsequently to profit or loss.

Item b represents profit and loss in change in fair value of financial assets available-for-sale.

Item c represents effective portion of gain or loss arising from cash flow hedging instruments

Item d represents exchange differences from translation of foreign currency financial statements.

(2) Item e represents changes arising from remeasurement of net liabilities or assets of defined benefit plans, which may not be subsequently reclassified to profit or loss.

45. Surplus reserve

√Applicable □Not Applicable

Unit and Currency: RMB

Items	Opening balance	Increase for the period	Decrease for the period	Closing balance
Statutory surplus reserve	2,055,400,980.82			2,055,400,980.82
Discretionary surplus reserve	26,042,290.48			26,042,290.48
Reserve fund	11,322,880.64			11,322,880.64
Enterprise expansion fund	10,291,630.47			10,291,630.47
Others				
Total	2,103,057,782.41			2,103,057,782.41

46. Undistributed profits

√Applicable □Not Applicable

Items	Amount
Undistributed profits at the end of last year	22,793,110,884.09
Add: correction of accounting errors	
Adjustment on implementation of ASBE	
Adjustment on business combination under common control	
Undistributed profits at the beginning of the year	22,793,110,884.09
Add: net profit attributable to owners of the Parent company	4,858,795,529.42
Profit available for appropriation for the year	27,651,906,413.51
Less: appropriation of statutory surplus reserve	
Appropriation of staff incentive and welfare fund	
Dividend payable for ordinary shares	2,085,311,732.63
Changes on accounting policies of the Company calculated by equity method	75,417,874.90
Undistributed profits at the end of the period	25,491,176,805.98

47. Operating income and Operating cost

(1) Operating income

Categories	Amount for the current period	Amount for the previous period
Principal Business	88,331,661,405.98	77,251,885,539.39
Other Business	259,965,220.09	333,122,374.54
Total	88,591,626,626.07	77,585,007,913.93

(2) Income and cost of principle operations presented by product categories

Categories	Amount for the current period		Amount for the previous period	
	Income of principal business	Cost of principal business	Income of principal business	Cost of principal business

Air conditioner	19,193,725,621.51	13,362,512,685.18	16,327,368,124.73	11,125,241,053.36
Refrigerator	25,442,769,193.45	17,561,134,268.46	22,743,000,584.94	15,418,659,922.43
Kitchen appliance	10,472,786,314.52	6,835,672,573.70	9,963,072,558.48	6,440,792,921.03
Water Heater	3,871,786,733.03	2,191,843,437.52	3,198,650,838.72	1,826,219,892.11
Washing machine	16,282,315,159.48	10,869,602,567.57	13,845,106,171.68	9,062,281,717.42
Equipment product	1,248,084,170.06	1,089,213,193.13	1,494,754,632.57	1,261,495,445.43
Integrated channel services and others	11,820,194,213.93	10,862,693,587.38	9,679,932,628.27	8,963,031,315.36
Total	88,331,661,405.98	62,772,672,312.94	77,251,885,539.39	54,097,722,267.14

48. Taxes and surcharge√Applicable Not Applicable

Unit and Currency: RMB

Items	Amount for the current period	Amount for the previous period
City maintenance and construction tax	136,407,185.16	120,193,292.32
Education surcharge	58,321,187.99	52,303,868.63
Property tax	29,657,440.18	26,032,307.24
Land use tax	20,661,100.58	18,718,053.00
Stamp tax	106,036,603.21	78,858,626.83
Others	53,332,114.80	49,424,564.78
Total	404,415,631.92	345,530,712.80

49. Expenses of sales√Applicable Not Applicable

Unit and Currency: RMB

Items	Amount for the current period	Amount for the previous period
Expenses of sales	13,106,599,051.97	12,180,499,014.03
Total	13,106,599,051.97	12,180,499,014.03

Other explanations:

Expenses of sales of the Company mainly include compensation, transportation and warehousing costs, advertising and sales promotion expenses, after-sale expenses and so on.

50. Management expenses√Applicable Not Applicable

Unit and Currency: RMB

Items	Amount for the current period	Amount for the previous period
Management expenses	5,951,531,296.20	5,393,556,967.87
Total	5,951,531,296.20	5,393,556,967.87

Other explanations:

Management expenses of the Company mainly include compensation, research and development costs, administrative expenses, taxes, rental payments and so on.

51. Financial expenses

Items	Amount for the current period	Amount for the previous period
Interest expenses	595,874,019.79	612,416,699.07
Less: interest income	225,158,944.99	132,915,870.10
Less: cash discount	72,886,733.41	86,520,731.41
Exchange gain or loss	59,249,129.28	172,272,254.88
Others	67,905,794.68	46,422,344.80
Total	424,983,265.35	611,674,697.24

52. Loss in assets impairment

Items	Amount for the current period	Amount for the previous period
Loss on Bad debts (negatives indicate reversal)	-38,732,329.17	124,869,464.91
Loss from price drop in inventory	208,994,322.45	97,707,495.91
Other impairment losses	7,980,978.65	
Total	178,242,971.93	222,576,960.82

53. Profit or loss of changes in fair value

Items	Amount for the current period	Amount for the previous period
Financial instruments measured in fair value through current profit or loss - derivative financial instruments	36,661,921.50	412,063,845.15
Total	36,661,921.50	412,063,845.15

54. Investment Income

Applicable Not Applicable

Items	Amount for the current period	Amount for the previous period
Long-term equity investments income calculated by the equity method	580,932,950.31	585,960,632.76
Investment income from disposal of long-term equity investments	18,266,787.10	21,438,092.72
Investment income from financial assets available for sale during the holding period	75,468,156.04	21,465,578.23
Investment income from disposal of financial assets at fair value and its changes recognized in the current profit and loss	156,598,679.71	13,850,304.84
Wealth management products return	36,192,415.80	11,128,105.80

Total	867,458,988.96	653,842,714.35
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55. Income on disposal of assets

Items	Amount for the current period	Amount for the previous period
Income on disposal of non-current assets	6,918,487.21	39,226.66
Loss on disposal of non-current assets	1,250,413.68	7,187,565.90
Total	5,668,073.53	-7,148,339.24

56. Other income

Items	Amount for the current period	Amount for the previous period	Related to assets/income
Government grants	214,614,016.20	129,003,732.73	Related to income
Government grants	9,678,395.82	5,738,834.79	Related to assets
Total	224,292,412.02	134,742,567.52	

57. Non-operating income

Items	Amount for the current period	Amount for the previous period
Income on disposal of non-current assets	1,998,891.62	49,388,374.65
Others	216,259,009.15	197,575,745.83
Total	218,257,900.77	246,964,120.48

58. Non-operating expenses

Items	Amount for the current period	Amount for the previous period
Loss on disposal of non-current assets	23,192,643.17	42,658,864.35
Charitable donation expenses	9,112,854.70	11,183,710.06
Others	16,087,040.22	23,548,882.84
Total	48,392,538.09	77,391,457.25

59. Income tax expense**(1) Table of income tax expense**

Items	Amount for the current period	Amount for the previous period
Current income expense	1,017,160,671.22	778,856,781.57
Deferred tax expenses	-50,520,990.09	-20,834,623.34
Total	966,639,681.13	758,022,158.23

(2) Adjustment process of accounting profit and income tax expenses for the period

Items	Amount
Total accounting profit	6,905,057,359.61
Income tax expenses calculated at statutory tax rate	1,726,264,339.90
Impact from different tax rates applicable to subsidiaries	-569,886,234.04
Impact from adjustment to income tax in prior periods	-94,046,913.98
Effect from non-taxable income	-107,876,434.03
Impact from non-deductible costs, fees and losses	35,131,799.83
Effect on deductible provisional differences or deductible losses of unrecognized deferred tax	96,124,044.22
Others	-119,070,920.77
Total income tax expenses	966,639,681.13

60. Other comprehensive income√Applicable Not Applicable

Please refer to item 44 of Note VII. for further details.

61. Cash received from other operation related activities

Items	Amount
Margins and securities	57,752,210.91
Government grants	54,441,945.89
Non-operating income excluding government grants	123,431,292.75
Interest income	176,938,213.17
Others	94,409,270.27
Total	506,972,932.99

62. Cash paid to other operation related activities

Items	Amount
Cash paid on operating expenses	4,693,457,442.70
Cash paid on management expenses	2,133,348,610.43
Cash paid on financial expenses	64,096,512.88
Non-operating expenses	41,086,384.22
Others	22,812,950.09
Total	6,954,801,900.32

63. Cash received from other investment related activities

Items	Amount
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Government subsidies related to assets	8,945,900.00
Income on disposal of fixed exchange rate instrument	93,502,174.88
Total	102,448,074.88

64. Cash paid to other investment related activities

Items	Amount
Payment of investment tax	15,071,145.00
Net cash of disposal of subsidiaries	57,211,358.66
Total	72,282,503.66

65. Cash paid to other financing related activities

Items	Amount
Bonds Issuance fee	59,211,565.84
cash payment for withdrawal of investments from minority shareholders	247,350.00
Acquisition of minority equity of subsidiaries	8,425,241.25
Bill margins	445,643,964.99
Total	513,528,122.08

66. Information of net profit adjusted to cash flows of operating activities:**(1) Supplementary information on the statement of cash flow**

√Applicable □Not Applicable

Unit and Currency: RMB

Supplementary information	Amount for the current period	Amount for the previous period
1. Net profit adjusted to cash flows of operating activities		
Net profit	5,938,417,678.48	5,274,592,619.16
Add: impairment provision for assets	178,242,971.93	222,576,960.82
Depreciation of fixed assets, Depletion of gas and oil assets, depreciation of productive biological assets	1,169,416,194.62	1,156,635,794.09
Amortization of intangible assets	196,112,489.84	174,140,085.27
Amortization of long term expenses payable	22,351,847.70	9,834,689.02
Loss on disposal of fixed assets, intangible assets and other long term assets (“-” represents “gains”)	15,525,678.02	418,828.94
loss on retirement of fixed assets (“-” represents “gains”)		
Gain and loss on change of fair value (“-” represents “gains”)	-36,661,921.50	-412,063,845.15
Financial expenses (“-” represents “gains”)	555,821,678.49	559,989,195.34
Loss on investments (“-” represents “gains”)	-867,458,988.96	-653,842,714.35
Decrease of deferred income tax assets	110,034,637.01	274,672,665.40

(“-” represents “increase”)		
Increase of deferred income tax liabilities (“-” represents “decrease”)	-160,555,627.10	-295,507,288.73
Decrease of inventories (“-” represents “increase”)	-1,211,765,239.79	-2,039,892,028.23
Decrease of operational account receivables (“-” represents “increase”)	-4,038,288,227.69	-720,284,772.02
Increase of operational account payables (“-” represents “decrease”)	3,405,405,176.07	4,678,863,994.24
Others	91,787,606.90	204,268,474.66
Net cash flows generated from operational activities	5,368,385,954.02	8,434,402,658.46
2. Significant investment and financing activities not involving cash inflows and outflows:		
Capital transferred from debts		
Convertible corporate bonds due within 1 year		
Financial leased fixed assets through financing		
3. Net changes of cash and cash equivalents:		
Cash balance at the end of the period	32,185,029,539.59	28,773,619,133.86
Less: cash balance at the beginning of the period	34,340,013,574.22	23,295,239,445.05
Add: cash equivalents balance at the end of the period		
Less: cash equivalents balance at the beginning of the period		
Net increase of cash and cash equivalents	-2,154,984,034.63	5,478,379,688.81

67. Cash and cash equivalents

Items	Closing balance	Opening balance
I. Cash	32,185,029,539.59	34,340,013,574.22
Including: treasury cash	698,625.89	513,781.37
Bank deposit available for payment at any time	30,859,017,076.82	32,994,884,486.17
Other monetary capital available for payment at any time	1,325,313,836.88	1,344,615,306.68
II. Cash equivalents		
Including: bond investment due within three months		
III. Closing balance of cash and cash equivalents	32,185,029,539.59	34,340,013,574.22
Including: restricted cash and cash equivalents used by the parent company or subsidiaries of the Group		

68. Monetary Items in Foreign Currency

Items	Closing balance			Opening balance		
	Foreign currency	Exchange rate	RMB balance	Foreign currency balance	Exchange rate	RMB balance

	balance					
Monetary capital						
Dollar	1,226,265,171.00	6.6166	8,113,706,130.43	1,249,816,041.00	6.5342	8,166,547,975.10
Euro	34,990,910.61	7.6515	267,732,952.52	20,058,292.65	7.8023	156,500,816.74
Yen	4,243,413,546.49	0.059914	254,239,879.22	5,007,949,886.95	0.057883	289,875,163.31
HKD	78,331,649.28	0.8431	66,041,413.51	1,029,213,931.69	0.8359	860,319,925.50
Others			1,061,687,326.27			772,356,596.65
Sub-total			9,763,407,701.95			10,245,600,477.30
Receivables						
Dollar	1,403,378,931.47	6.6166	9,285,597,037.96	1,036,244,584.01	6.5342	6,771,029,360.84
Euro	82,169,646.73	7.6515	628,721,051.96	46,516,973.55	7.8023	362,939,382.73
Yen	3,918,000,824.60	0.059914	234,743,101.41	3,875,029,615.17	0.057883	224,298,339.21
Others			2,207,477,333.76			1,744,262,398.17
Sub-total			12,356,538,525.09			9,102,529,480.95
Short-term borrowings						
Dollar	1,092,610,120.39	6.6166	7,229,364,122.58	1,048,141,122.69	6.5342	6,848,763,723.88
Euro	19,868,970.27	7.6515	152,027,426.03	11,319,902.42	7.8023	88,321,274.65
Yen	3,042,500,000.00	0.0599	182,245,750.00	740,217,334.97	0.057883	42,846,000.00
HKD						
Others			142,232,842.09			296,567,076.35
Sub-total			7,705,870,140.71			7,276,498,074.88
Payables						
Dollar	1,150,676,035.35	6.6166	7,613,563,055.50	897,463,561.23	6.5342	5,864,206,401.79
Euro	154,122,289.33	7.6515	1,179,266,696.81	15,125,382.24	7.8023	118,012,769.85
Yen	3,105,923,438.90	0.0599	186,044,813.99	1,215,454,339.45	0.057883	70,354,143.53
Others			2,386,497,594.37			1,010,745,873.14
Sub-total			11,365,372,160.67			7,063,319,188.31
Non-current liabilities due within one year						
Dollar	409,319,900.00	6.6166	2,708,306,050.34	375,000,000.00	6.5342	2,450,325,000.00
Sub-total			2,708,306,050.34			2,450,325,000.00
Long-term borrowings						
Dollar	1,909,399,634.28	6.6166	12,633,733,620.18	2,449,565,439.28	6.5342	16,005,950,493.34
Yen	4,991,363,106.01	0.0599	298,982,650.05			
Euro	3,355,691.55	7.6515	25,676,073.88			
Sub-total			12,958,392,344.10			16,005,950,493.34

VIII. Changes in consolidation scope

1. The consolidation of enterprises under non-common control

□Applicable √Not Applicable

2. The consolidation of enterprises under common control

□Applicable √Not Applicable

3. Disposal of subsidiaries

Single disposal of investments in subsidiaries representing loss of control:

Name of subsidiaries	Jiangsu Goodaymart Sunflower Supply Chain Management Co., Ltd. (江苏日日顺向日葵供应链管理有 限公司)	Qingdao Haishengda Refrigeration Appliances Co., Ltd. (青岛海昇达 制冷电器有限公司)	Qingdao Haizhijie Refrigeration Co., Ltd. (青岛海智捷 制冷有限公司)
Consideration for disposal of equity interest	715,469.69	-	-
Proportion of equity disposal	51.00%	-	-
Method of equity disposal	Disposal	Deregistration	Deregistration
Date of loss-of-control	2018/5/30	2018/5/30	2018/5/30
Basis of determination of date of loss-of-control	Date of disposal	Date of deregistration	Date of deregistration
Difference between disposal consideration and its share of net assets of the subsidiary in the consolidated financial statements as respect to the disposal of investment	241,648.70	-	-

Continued,

Name of subsidiaries	Hefei Hailan Household Appliances Manufacturing Co., Ltd. (合肥海蓝家电制 造有限公司)	Hefei Haice Household Appliances Manufacturing Co., Ltd. (合肥海 策家电制造有限公 司)	Beijing ASU Tech Co., Ltd.
Consideration for disposal of equity interest	-	-	30,000,000.00
Proportion of equity disposal	-	-	16.65%
Method of equity disposal	Deregistration	Deregistration	Disposal
Date of loss-of-control	2018/5/30	2018/5/30	2018/1/1
Basis of determination of date of loss-of-control	Date of deregistration	Date of deregistration	Date of disposal
Difference between disposal consideration and its share of net assets of the subsidiary in the consolidated financial statements as respect to the disposal of investment	-	-	18,025,138.40

4. Changes of consolidation scope for other reasons

Notes for the change of consolidation scope for other reasons (such as establishment of new subsidiaries, liquidation of subsidiaries, etc.) and the relevant information:

√Applicable □Not Applicable

(1) Qingdao Haier Intelligent Technology Development Co., Ltd. (青岛海尔智能技术研发有限公司), a subsidiary of the Company, funded the establishment of Haier (Shanghai) Household Appliances R&D center Co., Ltd. (海尔(上海)家电研发中心有限公司), a wholly-owned subsidiary for the period.

(2) Haier Industrial Holding Limited (海尔工业控股有限公司), a subsidiary of the Company, funded the establishment of Haier Digital Technology (Qingdao) Co., Ltd (海尔数字科技(青岛)有限公司), a wholly-owned subsidiary for the period.

(3) Qingdao Haier Air Conditioner Gen Corp., Ltd (青岛海尔空调器有限总公司), a subsidiary of the Company, funded the establishment of Guangzhou Haier Air Conditioner Appliances Co., Ltd. (广州海尔空调器有限公司), a wholly-owned subsidiary for the period.

IX. Interests in other entities

1. Interests in subsidiaries

(1) Composition of the Group

Name of subsidiaries	Principal place of business	Registration place	Business nature	Shareholding Percentage (%)		Voting share (%)	Acquisition method
				Direct	Indirect		
Haier Electronics Group Co., Ltd.	Mainland of China and Hong Kong	Bermuda	This company is a group company, mainly engaging in investment holding, the production and sale of washing machines and water heaters, distribution service and logistics service	14.01	29.67	55.69	common control combination
Wonder Global (BVI) Investment Limited	The US and other overseas areas	British Virgin Islands	Household appliances production distribution business		100.00	100.00	Establishment
Haier Singapore Investment Holding Co., Ltd.	Singapore and other overseas areas	Singapore	Household appliances production distribution business		100.00	100.00	common control combination
Qingdao Haier Air Conditioner Gen Corp., Ltd.	Qingdao High-tech Zone	Qingdao High-tech Zone	Manufacture and operation of household air-conditioners	100.00		100.00	common control combination
Guizhou Haier Electronics Co., Ltd.	Huichuan District, Zunyi	Huichuan District, Zunyi	Manufacture and sale of refrigerator	59.00		59.00	common control combination

	City, Guizhou Province	City, Guizhou Province					ion
Hefei Haier Air-conditioning Co., Limited	Hefei Haier Industrial Park	Hefei Haier Industrial Park	Manufacture and sale of air-conditioners	100.00		100.00	common control combination
Wuhan Haier Electronics Co., Ltd.	Wuhan Haier Industrial Park	Wuhan Haier Industrial Park	Manufacture and sale of air-conditioners	60.00		60.00	common control combination
Qingdao Haier Air-Conditioner Electronics Co., Ltd.	Qingdao Development Zone	Qingdao Development Zone	Manufacture and sale of air-conditioners	100.00		100.00	common control combination
Qingdao Haier Information Plastic Development Co., Ltd.	Qingdao High-tech Zone	Qingdao High-tech Zone	Manufacture of plastic products	100.00		100.00	common control combination
Dalian Haier Precision Products Co., Ltd.	Dalian Export Expressing Zone	Dalian Export Expressing Zone	Manufacture and sale of precise plastics	90.00		90.00	common control combination
Hefei Haier Plastic Co., Ltd.	Hefei Economic & Technological Development Area	Hefei Economic & Technological Development Area	Manufacture and sale of plastic parts	94.12	5.88	100.00	common control combination
Qingdao Haier Moulds Co., Ltd.	Qingdao High-tech Zone	Qingdao High-tech Zone	Research and manufacture of precise mould and product	75.00	25.00	100.00	common control combination
Qingdao Meier Plastic Powder Co., Ltd.	Qingdao Development Zone	Qingdao Development Zone	Manufacture of plastic powder, plastic sheet and high performance coatings	40.00	60.00	100.00	common control combination
Chongqing Haier Precision Plastic Co., Ltd.	Jiangbei District, Chongqing City	Jiangbei District, Chongqing City	Plastic products, sheet metal work, electronics and hardware	90.00	10.00	100.00	common control combination
Chongqing Haier Intelligent Electronics Co., Ltd.	Jiangbei District, Chongqing City	Jiangbei District, Chongqing City	Manufacture and sale of electronics and automatic control system equipment	90.00	10.00	100.00	common control combination
Qingdao Haier Robot Co., Ltd.	Qingdao High-tech Zone	Qingdao High-tech Zone	Research, development, manufacture and sale of robot	50.00		50.00	common control combination
Qingdao Haier Refrigerator Co., Ltd.	Qingdao High-tech Zone	Qingdao High-tech Zone	Manufacture and production of fluorine-free	100.00		100.00	Establishment

Qingdao Haier Refrigerator (International) Co., Ltd.	Pingdu Development Zone, Qingdao	Pingdu Development Zone, Qingdao	refrigerators Manufacture and production of refrigerators	75.00		75.00	Establishment
Qingdao Household Appliance Technology and Equipment Research Institute	Qingdao High-tech Zone	Qingdao High-tech Zone	Research and development of home appliances mould and technological equipment	100.00		100.00	Establishment
Qingdao Haier Whole Set Home Appliance Service Co., Ltd.	Qingdao High-tech Zone	Qingdao High-tech Zone	Research, development and sales of health series of small home appliance	98.33		98.33	Establishment
Qingdao Haier Intelligent Electronics Co., Ltd.	Qingdao High-tech Zone	Qingdao High-tech Zone	Design and development of electronics and automatic control system	100.00		100.00	Establishment
Qingdao Haier Special Refrigerator Co., Ltd.	Qingdao Development Zone	Qingdao Development Zone	Manufacture and sales of fluorine-free refrigerators	100.00		100.00	Establishment
Qingdao Haier Dishwasher Co., Ltd.	Qingdao Development Zone	Qingdao Development Zone	Manufacture and production of dish washing machine and gas stove	100.00		100.00	Establishment
Qingdao Haier Special Freezer Co., Ltd.	Qingdao Development Zone	Qingdao Development Zone	Research, manufacture and sales of freezer and other refrigeration products	96.06		96.06	Establishment
Dalian Haier Air-conditioning Co., Ltd.	Dalian Export Expressing Zone	Dalian Export Expressing Zone	Manufacture and production of air-conditioners	90.00		90.00	Establishment
Dalian Haier Refrigerator Co., Ltd.	Dalian Export Expressing Zone	Dalian Export Expressing Zone	Manufacture and production of refrigerators	90.00		90.00	Establishment
Qingdao Haier Electronic Plastic Co., Ltd.	Qingdao Development Zone	Qingdao Development Zone	Development, assembling and sales of plastics, electronics and product	80.00		80.00	Establishment
Wuhan Haier Freezer Co., Ltd.	Wuhan Economic & Technological Development Zone High-tech Industrial Park	Wuhan Economic & Technological Development Zone High-tech Industrial Park	Research, manufacture and sales of freezer and other refrigeration products	95.00	5.00	100.00	Establishment

Qingdao Haidarui Procurement Service Co., Ltd.	Qingdao High-tech Zone	Qingdao High-tech Zone	Development , purchase and sales of electrical product and components	98.00	2.00	100.00	Establishment
Qingdao Haier Intelligent Home Appliance Technology Co., Ltd.	Qingdao High-tech Zone	Qingdao High-tech Zone	Development and application of household appliances, communication, electronics and network engineering technology	98.91	1.09	100.00	Establishment
Chongqing Haier Air-conditioning Co., Ltd.	Jiangbei District, Chongqing City	Jiangbei District, Chongqing City	Manufacture and sales of air conditioners	76.92	23.08	100.00	Establishment
Qingdao Haier Precision Products Co., Ltd.	Qianwangan Road, Jiaonan City	Qianwangan Road, Jiaonan City	Development and manufacture of precise plastic, metal plate, mould and electronic products for household appliances		70.00	70.00	Establishment
Qingdao Haier Air Conditioning Equipment Co., Ltd.	Jiaonan City, Qingdao	Jiaonan City, Qingdao	Manufacture of household appliances and electronics		70.00	70.00	Establishment
Dalian Free Trade Zone Haier Air-conditioning Trading Co., Ltd.	Dalian Export Expressing Zone	Dalian Export Expressing Zone	Domestic trade		100.00	100.00	Establishment
Dalian Free Trade Zone Haier Refrigerator Trading Co., Ltd.	Dalian Export Expressing Zone	Dalian Export Expressing Zone	Domestic trade		100.00	100.00	Establishment
Qingdao Ding Xin Electronics Technology Co., Ltd.	Qingdao Development Zone	Qingdao Development Zone	Manufacture and sale of electronic Parts.		100.00	100.00	Establishment
Chongqing Haier Electronics Sales Co., Ltd.	Jiangbei District, Chongqing City	Jiangbei District, Chongqing City	Household appliance sales	95.00	5.00	100.00	Establishment
Chongqing Haier Refrigeration Appliance Co., Ltd.	Jiangbei District, Chongqing City	Jiangbei District, Chongqing City	Manufacture and production of refrigerator	84.95	15.05	100.00	Establishment
Hefei Haier Refrigerator Co., Ltd.	Hefei Haier Industrial Park	Hefei Haier Industrial Park	Manufacture and production of refrigerator	100.00		100.00	Establishment
Wuhan Haier Energy and Power Co., Ltd.	Wuhan Haier Industrial Park	Wuhan Haier Industrial Park	Energy service		75.00	75.00	Establishment
Qingdao Haier	Qingdao	Qingdao	Air-conditioning		100.00	100.00	Establishment

HVAC Engineering Co., Ltd	Development Zone	Development Zone					ment
Chongqing Gooddaymart Electric Appliance Sale Co., Ltd	Jiangbei District, Chongqing City	Jiangbei District, Chongqing City	Sales of household appliances and electronics		51.00	51.00	Establishment
Qingdao Haier (Jiaozhou) Air-conditioning Co., Limited	Jiaozhou City, Qingdao	Jiaozhou City, Qingdao	Manufacture and sale of air-conditioners		100.00	100.00	Establishment
Qingdao Haier Component Co., Ltd.	Jiaozhou City, Qingdao	Jiaozhou City, Qingdao	Manufacture and sales of plastic and precise sheet metal products		100.00	100.00	Establishment
Haier Shareholdings (Hong Kong) Limited	Hong Kong	Hong Kong	Investment	100.00		100.00	Establishment
Harvest International Company	Cayman Islands	Cayman Islands	Investment		100.00	100.00	Establishment
Shenyang Haier Refrigerator Co., Ltd.	Shenbei New Area, Shenyang City	Shenbei New Area, Shenyang City	Manufacture and sales of refrigerator	100.00		100.00	Establishment
Foshan Haier Freezer Co., Ltd.	Shanshui District, Foshan City	Shanshui District, Foshan City	Manufacture and sales of freezer	100.00		100.00	Establishment
Zhengzhou Haier Air-conditioning Co., Ltd.	Zhengzhou Economic and Technological Development Zone	Zhengzhou Economic and Technological Development Zone	Manufacture and sales of air conditioner	100.00		100.00	Establishment
Qingdao Haidayuan Procurement Service Co., Ltd.	Qingdao Development Zone	Qingdao Development Zone	Development, purchase and sales of electrical product and components	100.00		100.00	Establishment
Qingdao Haier Intelligent Technology Development Co., Ltd.	Qingdao High-tech Zone	Qingdao High-tech Zone	Development and research of household appliances	100.00		100.00	Establishment
Qingdao Hai Ri High-Tech Model Co., Ltd.	Qingdao High-tech Zone	Qingdao High-tech Zone	Design, manufacture and sales of product model and mould		100.00	100.00	common control combination
Qingdao Hai Gao Design and Manufacture Co., Ltd.	Qingdao High-tech Zone	Qingdao High-tech Zone	Industrial design and prototype production		75.00	75.00	common control combination
Beijing Haier Guangke Digital Technology Co.,	Beijing	Beijing	Development, promotion and transfer		55.00	55.00	common control combination

Ltd.			of technology				ion
Shanghai Haier Medical Technology Co., Ltd.	Shanghai	Shanghai	Wholesale and retail of medical facility		100.00	100.00	Establishment
Qingdao Haier Technology Co., Ltd.	Qingdao	Qingdao	Development and sales of software and information product	100.00		100.00	common control combination
Qingdao Haier Technology Investment Co., Ltd.	Qingdao	Qingdao	Entrepreneurship investment and consulting	100.00		100.00	Establishment
Qingdao Casarte Smart Living Appliances Co., Ltd.	Qingdao	Qingdao	Development, production and sales of appliances	100.00		100.00	Establishment
Qingdao Haichuangyuan Appliances Sales Co., Ltd.	Qingdao	Qingdao	Sales of household appliances and digital products		100.00	100.00	Establishment
Haier Overseas Electric Appliance Co., Ltd.	Qingdao	Qingdao	Sales of household appliances, international freight forwarding	100.00		100.00	Establishment
Haier Group (Dalian) Electrical Appliances Industry Co., Ltd.	Dalian	Dalian	Sales of household appliances, international freight forwarding	100.00		100.00	common control combination
Qingdao Haier Central Air-conditioner Co., Ltd.	Qingdao	Qingdao	Production and sales of air conditioners and refrigeration equipment		100.00	100.00	Establishment
Beijing Haier Yunchu Technology Co., Ltd.(北京海尔云厨科技有限公司)	Beijing	Beijing	Technology development, promoting and transfer		90.00	90.00	Establishment
Chongqing Haier Home Appliance Sale Hefei Co., Ltd.	Hefei	Hefei	Household appliance sales		100.00	100.00	Establishment
Beijing Chuangshi Magic Mirror Technology Co., Ltd.	Beijing	Beijing	Smart home		100.00	100.00	Establishment
Beijing Haier Zhongyou Netmedia Co., Ltd.	Beijing	Beijing	Radio and television program		51.00	51.00	Establishment
Qingdao Weixi Smart Technology Co., Ltd.	Qingdao	Qingdao	Intelligent bathroom		71.43	71.43	Establishment
Haier U+smart Technology (Beijing) Co., Ltd.	Beijing	Beijing	Software development	100.00		100.00	Establishment
Haier (Shanghai) Appliance Co.,	Shanghai	Shanghai	Sales, research and development	100.00		100.00	Establishment

Ltd.			of household appliances				
Shanghai Haier Zhongzhifang Maker Space Management Co., Ltd.(上海海尔众智坊创客空间管理有限公司)	Shanghai	Shanghai	Corporate management consultation, operation and management of makers	100.00		100.00	Establishment
Haier Industrial Holding Limited(海尔工业控股有限公司)	Qingdao	Qingdao	Industrial investment, R&D of robots and automation, etc.	100.00		100.00	Establishment
Qingdao Mannike Intelligent Equipment Co., Ltd.(青岛曼尼科智能装备有限公司)	Qingdao	Qingdao	R&D and design of Internet of things, robots and automation, etc.		100.00	100.00	Establishment
Haier Digital Technology (Shanghai) Co., Ltd.(海尔数字科技(上海)有限公司)	Shanghai	Shanghai	R&D, promotion and transfer of technology, sale of materials, etc.		100.00	100.00	Establishment
Qingdao Haier Smart Kitchen Appliance Co., Ltd.(青岛海尔智慧厨房电器有限公司)	Qingdao	Qingdao	Manufacture and sales of intelligent kitchen appliances		100.00	100.00	Establishment
Jiyi Appliance (Shanghai) Co., Ltd.(际壹电器(上海)有限公司)	Shanghai	Shanghai	Sales of household appliances		100.00	100.00	Establishment
Qingdao Haopin Hairui Information Technology Co., Ltd.(青岛好品海瑞信息技术有限公司)	Qingdao	Qingdao	Development, purchase and sale of electronic appliances products and components		100.00	100.00	Establishment
FISHER & PAYKEL PRODUCTION MACHINERY LIMITED	New Zealand	New Zealand	Manufacture of automatic and customized special devices		100.00	100.00	common control combination
Maniiq (Singapore) Intelligent Equipment Co. Ltd.	Singapore	Singapore	Investment management		100.00	100.00	Establishment
Maniiq (HK) Intelligent Equipment Co. Ltd.	Hong Kong	Hong Kong	Investment management		100.00	100.00	Establishment
Qingdao Haier Medical Refrigeration Appliances Co., Ltd.(青岛海尔特种制冷电器有限公司)	Qingdao	Qingdao	Manufacture and sales of household appliances		100.00	100.00	Establishment

Beijing Lingwei Technology Co., Ltd.(北京零微科技有限公司)	Beijing	Beijing	Development and promotion of technology		55.00	55.00	Establishment
Laiyang Haier Smart Kitchen Appliance Co., Ltd.(莱阳海尔智慧厨房电器有限公司)	Laiyang	Laiyang	Manufacture and sales of household appliances		100.00	100.00	Establishment
Aituling (Shanghai) Information Technology Co., Ltd.(爱图瓴(上海)信息科技有限公司)	Shanghai	Shanghai	Development and promotion of technology		72.22	72.22	Establishment
Qingdao Hailian Rongchuang Technology Co., Ltd.(青岛海联融创科技有限公司)	Qingdao	Qingdao	Industrial intelligent technology	100.00		100.00	Establishment
Hefei Haier Air conditioner electronic Co., Ltd (合肥海尔空调电子有限公司)	Hefei	Hefei	Manufacture and sales of household appliances		100.00	100.00	Establishment
Qingdao Jiuzhidao Intelligent Technology Co., Ltd (青岛酒知道智能科技有限公司)	Qingdao	Qingdao	R&D and sales of wine set		100.00	100.00	Establishment
Taizhou Haier Medical technology Co., Ltd. (泰州海尔医疗科技有限公司)	Taizhou	Taizhou	R&D and promotion of Medical devices		100.00	100.00	Establishment
Haier Digital Technology (Qingdao) Co., Ltd (海尔数字科技(青岛)有限公司)	Qingdao	Qingdao	Technology development, promoting, Transfer, sale of materials, etc.		100.00	100.00	Establishment
Haier (Shanghai)House hold Appliances R&D Center Co., Ltd (海尔(上海)家电研发中心有限公司)	Shanghai	Shanghai	Development and promotion of technology		100.00	100.00	Establishment
Guangzhou Haier Air Conditioner Appliances Co., Ltd.(广州海尔空调器有限公司)	Guangzhou	Guangzhou	Manufacture and sales of household appliances		100.00	100.00	Establishment
Small companies such as Qingdao Hai Heng Feng Electrical Appliances Sale & Service Co.,	All over the country	All over the country	Sales of household appliances				Establishment

Ltd.							
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Reasons for including subsidiaries which the Company has 50% or less of the equity into the scope of consolidated financial statements:

At the end of the reporting period, the Company had substantial control over the finance and operating decision of small companies, such as Haier Electronics Group Co., Ltd., Qingdao Hai Heng Feng Electrical Appliances Sale & Service Co., Ltd, thus, they were included into the scope of consolidated financial statements.

Reason for the ratio of voting rights higher than the ratio of shareholding of Haier Electronics Group Co., Ltd.: on 10 July 2015, HCH (HK) Investment Management Co., Limited (hereinafter referred to as —“HCH”) signed a Shareholder Voting Right Entrustment Agreement with the Company. HCH entrusted the Company to exercise the underlying shareholder voting rights of 336,600,000 shares of Haier Electronics Group Co., Ltd. Both parties agreed that HCH will not revoke the entrustment and authorization to the Company unless the Company issues a written notice of revoking trustee to HCH.

(2) Significant non-wholly owned subsidiaries

Name of subsidiaries	Percentage of shareholding of minority shareholders	Profit or loss attributed to minority shareholders for the period	Dividend declared to minority shareholders for the period	Balance of minority equity interest at the end of the period
Haier Electronics Group Co., Ltd.	56.32%	1,049,772,645.21	401,256,639.68	14,711,947,220.03
Guizhou Haier Electronics Co., Ltd.	41.00%	5,503,276.05		113,903,459.43
Wuhan Haier Electronics Co., Ltd.	40.00%	13,982,246.86		237,062,970.80
Qingdao Haier Refrigerator (International) Co., Ltd.	25.00%	176,283.21		79,897,030.01

(3) Main financial information of significant non-wholly owned subsidiaries

Name of subsidiaries	Closing balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Haier Electronics Group Co., Ltd.	34,689,849,769.14	9,212,205,564.25	43,902,055,333.39	17,188,789,561.14	2,353,096,063.90	19,541,885,625.04
Guizhou Haier Electronics Co., Ltd.	488,002,807.13	33,889,963.41	521,892,770.54	243,906,160.61	173,294.24	244,079,454.85

Wuhan Haier Electronics Co., Ltd.	1,021,283,555.27	135,788,832.62	1,157,072,387.89	564,011,890.81	403,070.08	564,414,960.89
Qingdao Haier Refrigerator (International) Co., Ltd.	281,866,791.42	55,808,808.81	337,675,600.23	18,087,480.21		18,087,480.21

Continued

Name of subsidiaries	Opening balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Haier Electronics Group Co., Ltd.	34,425,125,631.08	8,943,099,505.92	43,368,225,137.00	18,004,664,972.39	2,334,453,969.47	20,339,118,941.86
Guizhou Haier Electronics Co., Ltd.	382,643,646.95	36,428,561.26	419,072,208.21	154,508,222.80	173,294.24	154,681,517.04
Wuhan Haier Electronics Co., Ltd.	978,695,296.94	131,215,185.69	1,109,910,482.63	551,805,602.69	403,070.08	552,208,672.77
Qingdao Haier Refrigerator (International) Co., Ltd.	280,498,996.95	55,808,808.81	336,307,805.76	17,424,818.56		17,424,818.56

Name of subsidiaries	Amount for the current period			
	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities
Haier Electronics Group Co., Ltd.	42,389,647,175.11	1,793,614,855.39	2,019,002,389.18	1,839,859,233.08
Guizhou Haier Electronics Co., Ltd.	652,944,777.30	13,422,624.52	13,422,624.52	23,036,480.98
Wuhan Haier Electronics Co., Ltd.	1,533,784,050.67	34,955,617.14	34,955,617.14	-89,385,955.23
Qingdao Haier Refrigerator (International) Co., Ltd.		705,132.82	705,132.82	-226,577.69

Continued

Name of subsidiaries	Amount for the previous period			
	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities
Haier Electronics Group Co., Ltd.	35,859,899,261.80	1,447,319,410.67	1,391,001,266.18	1,837,812,414.48
Guizhou Haier Electronics Co., Ltd.	530,268,800.91	12,070,830.44	12,070,830.44	-10,146,559.16
Wuhan Haier Electronics Co., Ltd.	1,317,041,564.88	24,571,940.73	24,571,940.73	2,692,599.62
Qingdao Haier Refrigerator (International) Co., Ltd.		943,417.45	943,417.45	-38,323.32

2. Transactions leading to the change of owners' equity in subsidiaries but not losing the control

√Applicable □Not Applicable

(1). Explanation to the change of owners' equity in subsidiaries:

√Applicable □Not Applicable

Minority shareholders of Haier Electronics Group Co., Ltd., a subsidiary of the Company exercised their rights leading to changes in shareholding proportion of the Company; capital contribution and acquisition of minority equity on non-original proportion by the Company led to changes in shareholding proportion of Beijing ASU Tech Co., Ltd. (北京一数科技有限公司), Qingdao Haier Air Conditioner Gen Corp., Ltd. (青岛海尔空调器有限总公司) and Beijing Haier Yunchu Technology Co., Ltd. (北京海尔云厨科技有限公司), all of which are subsidiaries of the Company.

(2) Impact of the transactions on the minority equity interest and the equity attributable to owners of the Parent company:

Items	Haier Electronics Group Co., Ltd.	Others
Total of cost of acquisition/disposal consideration		31,635,700.00
Less: share of net assets of subsidiaries calculated with reference to the proportion of the share acquired/disposed	9,357,993.52	69,278,054.07
The difference	-9,357,993.52	-37,642,354.07
Including: adjustment and increase to capital reserve	9,357,993.52	37,642,354.07

3. Interests in joint ventures or associates

√Applicable □Not Applicable

(1) Joint ventures

The name of joint ventures	Principal place of business	Registration place	Business nature	Shareholding percentage (%)	The accounting treatment for the investment
Wolong Electric Zhangqiu Haier Motor Co., Ltd.	Zhangqiu	Zhangqiu	Motor Manufacturing	30.00	Equity method
Haier Medical and Laboratory Products Co., Ltd.	Qingdao	Qingdao	Medical freezer	27.37	Equity method
Qingdao Hebei Iron & Steel New Material Technology Co. Ltd	Qingdao	Qingdao	Manufacture of steel plate	25.65	Equity method
Beijing ASU Tech Co., Ltd.	Beijing	Beijing	Development of technology	45.88	Equity method
Qingdao Haier SAIF Smart Home Industry Investment Center (limited partnership)	Qingdao	Qingdao	Venture capital investment	63.00	Equity method
Mitsubishi Heavy Industries Haier (Qingdao) Air-conditioners Co., Ltd.	Qingdao	Qingdao	Manufacture of household	45.00	Equity method

			d applian ces		
Qingdao Haier Carrier Refrigeration Equipment Co., Ltd.	Qingdao	Qingdao	Manufac ture of househol d applian ces	49.00	Equity method
Haier Group Finance Co., Ltd.	Qingdao	Qingdao	Financin g	42.00	Equity method
Qingdao Haier Software Investment Co., Ltd.	Qingdao	Qingdao	Software develop ment	25.00	Equity method
Beijing Mr. Hi Network Technology Company Limited	Beijing	Beijing	Technol ogy develop ment	36.00	Equity method
Bank of Qingdao Co., Ltd.	Qingdao	Qingdao	Commer cial bank	9.61	Equity method
Beijing Xiaobei Technology Co., Ltd.	Beijing	Beijing	Sales of househol d applian ces	42.75	Equity method
Qingdao Haier Multi-media Co., Ltd. (青 岛海尔多媒体有限公司)	Qingdao	Qingdao	R&D and sale of televisions	20.20	Equity method
Guangzhou Heying Investment Partnership (Limited Partnership)(广州合 赢投资合伙企业(有限合伙))	Guangzho u	Guangzho u	Investmen t	50.00	Equity method
Qingdao Java Cloud Network Technology Co., Ltd.	Qingdao	Qingdao	Online househol d service	24.93	Equity method
Qingdao JSH Network Technology Co. Ltd.	Qingdao	Qingdao	E-comm erce platform	24.02	Equity method
Hunan Electronic Co., Ltd.	Hunan	Hunan	Motor Manufac turing	50.00	Equity method
HPZ LIMITED	Nigeria	Nigeria	Manufac ture of household appliances	25.01	Equity method
HNR COMPANY (PRIVATE) LIMITED	Pakistan	Pakistan	Manufac ture of househol d applian ces	31.72	Equity method
CONTROLADORA MABE S.A.de C.V.	Mexico	Mexico	Manufac ture of househol d applian ces	48.41	Equity method
Middle East Air Conditioning Company Limited	Saudi	Saudi	Sales of household	49.00	Equity method

	Arabia	Arabia	appliances		
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(2) Basic information of important associates and financial information

① Basic information of important associates:

a. Haier Group Finance Co., Ltd. (hereinafter referred to as “Finance Company”) is established by Haier Group Corporation and its three affiliates. Registration place and principal place of business: Qingdao High-tech Zone Haier Park (青岛市高科技工业园海尔工业园).. The Company’s subsidiaries hold an aggregate of 42.00% equity interest in Finance Company.

b. General Electric Company has participated in the capital contribution to the establishment of CONTROLADORA MABE S.A.de C.V. (hereinafter referred to as “MABE”). In June 2016, a subsidiary of the Company acquired 48.41% of equity interests in MABE held by General Electric Company. The registered address and principal place of business of MABE is Mexico. The subsidiaries of the Company hold approximately 48.41% of equity interests in MABE in total.

c. Bank of Qingdao Co., Ltd. (hereinafter referred to as “Qingdao Bank”), one of the first city commercial banks in China, was established in November 1996. The registered place and principal place of business of Qingdao Bank is No.68 Hong Kong Middle Road, Shinan District, Qingdao, Shandong Province. The Company and its subsidiaries hold approximately 9.61% of equity interests in Qingdao Bank in total at the end of the period.

② Financial information of significant associates:

Items	Closing balance/ Amount for the current period	Opening balance/ Amount for the previous period
	Finance company	Finance company
Current assets	59,997,414,241.31	68,438,104,678.89
Non-current assets	9,185,842,122.12	7,913,830,198.85
Total assets	69,183,256,363.43	76,351,934,877.74
Current liabilities	54,955,121,811.93	62,029,645,645.42
Non-current liabilities	2,239,881,332.29	3,172,557,737.73
Total liabilities	57,195,003,144.22	65,202,203,383.15
Minority equity interests		
Equity interest attributable to shareholders of the Parent company	11,988,253,219.21	11,149,731,494.59
Including: share of net assets calculated based on shareholding percentage	5,035,066,352.07	4,682,887,227.73
Operating income	1,297,821,635.65	1,248,590,983.58
Net profit	783,377,652.09	695,130,748.49
Other comprehensive income	55,144,072.53	-31,950,742.84
Total comprehensive income	838,521,724.62	663,180,005.65

Dividend received from associates for the year		
Items	Closing balance/ Amount for the current period	Opening balance/ Amount for the previous period
	MABE	MABE
Current assets	5,927,756,029.73	5,825,075,945.00
Non-current assets	10,308,505,523.42	10,303,936,800.80
Total assets	16,236,261,553.15	16,129,012,745.80
Current liabilities	7,210,006,859.70	7,048,408,869.00
Non-current liabilities	5,642,997,150.87	5,836,693,752.60
Total liabilities	12,853,004,010.57	12,885,102,621.60
Minority equity interests		
Equity interest attributable to shareholders of the Parent company	3,383,257,542.58	3,243,910,124.20
Including: share of net assets calculated based on shareholding percentage	1,637,997,372.73	1,570,532,598.81
Operating income	9,150,137,891.10	9,329,282,700.19
Net profit	87,751,088.45	205,064,142.44
Other comprehensive income	51,596,329.94	-139,395,846.73
Total comprehensive income	139,347,418.39	65,668,295.71
Dividend received from associates for the year		34,405,195.14

Items	Closing balance/ Amount for the current period	Opening balance/ Amount for the previous period
	Qingdao Bank	Qingdao Bank
Current assets	172,319,593,000.00	130,366,445,000.00
Non-current assets	129,839,603,000.00	175,909,647,000.00
Total assets	302,159,196,000.00	306,276,092,000.00
Current liabilities	222,104,215,000.00	203,654,201,000.00
Non-current liabilities	53,361,544,000.00	76,498,682,000.00
Total liabilities	275,465,759,000.00	280,152,883,000.00
Minority equity interests	501,146,000.00	493,355,000.00
Equity interest attributable to shareholders of the Parent company	26,192,291,000.00	25,629,854,000.00
Including: share of net assets calculated based on shareholding percentage	2,516,666,030.19	2,462,624,099.78
Operating income	3,131,390,000.00	2,835,194,000.00

Net profit	1,321,444,000.00	1,278,760,000.00
Other comprehensive income	421,494,000.00	-404,519,000.00
Total comprehensive income	1,742,938,000.00	874,241,000.00
Dividend received from associates for the year	77,995,640.00	76,868,844.93

(3) Summarized financial information of insignificant joint ventures and associates

investment to associates	Closing balance/ Amount for the current period	Opening balance/ Amount for the previous period
Wolong Electric Zhangqiu Haier Motor Co., Ltd.	119,983,110.03	118,897,337.40
Haier Medical and Laboratory Products Co., Ltd.	350,895,461.76	332,230,371.89
Beijing ASU Tech Co., Ltd.	15,005,164.40	
Qingdao Hebei Iron & Steel New Material Technology Co. Ltd	254,745,094.86	
Qingdao HBIS Composite New Material Technology Co., Ltd.(青岛河钢复合新材料科技有限公司)		106,068,803.08
Hefei HBIS New Material Technology Co., Ltd.(合肥河钢新材料科技有限公司)		140,494,521.67
Qingdao Haier Multi-media Co., Ltd.	549,870,745.54	543,768,656.24
Qingdao Haier SAIF Smart Home Industry Investment Center (limited)	270,536,881.98	270,536,881.98
Mitsubishi Heavy Industries Haier (Qingdao) Air-conditioners Co., Ltd.	511,196,497.40	529,934,750.95
Qingdao Haier Carrier Refrigeration Equipment Co., Ltd.	290,191,165.50	284,185,137.09
Qingdao Haier Software Investment Co., Ltd.	17,899,300.26	17,899,331.07
Beijing Mr. Hi Network Technology Company Limited	3,757,759.75	3,757,759.75
Beijing Xiaobei Technology Ltd.	2,687,341.82	2,687,341.82
Guangzhou Heying Investment Partnership (Limited Partnership)(广州合赢投资合伙企业(有限合伙))	152,047,535.44	152,047,535.44
China Shengfeng Microfinance limited in Jin'an District of Fuzhou City		80,226,595.74
Fujian ATL-Shengfeng Logistics Co., Ltd.		13,117,748.43
Qingdao Java Cloud Network Technology Co., Ltd.	1,401,703.26	1,755,356.84
Qingdao JSH Network Technology Co.Ltd.	5,511,749.00	5,511,749.00
Konan Electronic Co., Ltd.	68,058,207.73	64,856,526.75
HPZ LIMITED	102,384,957.04	91,578,227.62
HNR COMPANY (PRIVATE) LIMITED	83,534,353.67	80,588,570.01
MiddleEastAirconditioningCompany,Limited	20,702,569.45	22,050,543.42
Total book value of investment	2,820,409,598.89	2,862,193,746.19
Total amount of the following items of associates' financial amounts calculated based on shareholding percentage		
--Net profit	82,459,925.23	73,900,402.83
--Other comprehensive income	-1,637,894.45	-3,044,759.55

--Total comprehensive income	80,822,030.78	70,855,643.28
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X. Segment Information

The Company principally engaged in manufacture and sales of household appliances and relevant services business, manufacture of upstream household appliances parts business and distribution of products of third-party, logistics and after-sale business. The Company has 6 business segments, including refrigerator segment, air-conditioner segment, washing machine segment, kitchen appliance segment, equipment components segment, integrated channel services segment and other segment. The management of the Company assesses operating performance of each segment and allocates resources according to the division. Sales between segments were mainly based on market price.

Refrigerator segment mainly engaged in manufacture and sales of refrigerator and freezers products.

Air-conditioner segment mainly engaged in manufacture and sales of household air conditioners and commercial air conditioners.

Washing machine segment mainly engaged in manufacture and sales of washing machine products.

Kitchen appliance segment mainly engaged in manufacture and sales of kitchen appliances products.

Water heater segment mainly engaged in manufacture and sales of water heater products.

Equipment components segment mainly engaged in procurement, manufacture and sales of upstream matching accessories for household appliances, manufacture and sales of mould.

COSMO segment mainly engaged in providing intelligent manufacturing ecological service and integrated solution on transformation and upgrade of intelligent manufacturing for external corporates.

Segment of integrated channel services and others mainly engaged in distribution business, logistics business, after-sale business, small home appliance business and others.

The Company's 3rd and 4th tier markets channel business is treated as integrated channel services and assessed separately with other segments. Accordingly, operating profit from 3rd and 4th tier markets of refrigerator, air-conditioner, kitchen appliance, water heater, washing machine business segment was not reflected in operating profit of each segment.

As the centralized management under the headquarters or not being included in the assessment scope of segment management, the total assets of segment exclude monetary capital, financial assets held for trading, dividends receivable, other current assets, available-for-sale financial assets, long-term equity investment, goodwill, deferred income tax assets; the total liabilities of segment exclude long-term and short-term borrowings, financial liabilities held for trading, dividends payables, tax payable, bonds payable, deferred income tax liabilities; operating profit of segment exclude profit/loss in fair value, income from investment, and financial expenses, income on disposal of assets, Non-VAT

refundable upon imposition component of other income, non-operating incomes and expenses and income tax.

(1) Information of reportable segments

Segment information for the period

Segment information	Air-conditioner segment	Refrigerator segment	Kitchen appliance segment	Water heater segment	Washing machine segment
Segment revenue	19,994,274,671.40	23,347,332,742.58	10,130,626,492.48	3,299,177,229.02	14,409,457,635.26
Including: revenue from external consumers	6,871,932,961.03	13,285,358,774.66	9,331,150,261.21	720,592,747.71	7,534,958,460.83
Inter-segment revenue	13,122,341,710.37	10,061,973,967.92	799,476,231.27	2,578,584,481.31	6,874,499,174.43
Total segment operating cost	18,813,671,440.21	21,440,213,300.55	9,475,212,757.00	2,947,615,022.72	13,063,184,883.29
Segment operating profit	1,180,603,231.19	1,907,119,442.03	655,413,735.48	351,562,206.30	1,346,272,751.97
Total segment assets	17,847,705,371.13	15,642,117,029.44	10,997,663,044.17	1,366,025,467.38	13,572,621,044.70
Total segment liabilities	8,937,902,636.12	25,373,966,372.29	4,905,637,782.42	1,476,850,517.97	5,861,881,891.56

Continued

Segment information	Equipment components segment	COSMO segment	Segment of integrated channel services and others	Inter-segment elimination	Total
Segment revenue	30,397,624,212.00	3,310,521,126.55	52,857,748,036.57	-69,067,990,606.52	88,678,771,539.34
Including: revenue from external consumers	1,377,578,092.60	2,782,907,580.17	46,774,292,661.13		88,678,771,539.34
Inter-segment revenue	29,020,046,119.40	527,613,546.38	6,083,455,375.44	-69,067,990,606.52	
Total segment operating cost	30,159,338,365.48	3,309,600,418.34	52,165,398,940.06	-68,808,702,367.85	82,565,532,759.80
Segment operating profit	238,285,846.52	920,708.21	692,349,096.51	-259,288,238.67	6,113,238,779.54
Total segment assets	32,462,017,888.53	257,810,772.52	36,009,664,222.18	-45,477,323,667.54	82,678,301,172.51
Total segment liabilities	34,669,495,063.36	322,611,220.11	30,464,150,224.08	-43,069,415,715.18	68,943,079,992.73

Segment information for the corresponding period of last year

Segment information	Air-conditioner segment	Refrigerator segment	Kitchen Appliance segment	Water heater segment	Washing machine segment
Segment revenue	16,065,232,785.84	20,664,137,087.68	9,817,927,768.00	2,699,723,615.97	12,223,265,112.69
Including: revenue from external consumers	5,935,165,349.29	11,674,637,424.70	9,116,143,612.41	554,974,308.80	6,419,268,474.84

Inter-segment revenue	10,130,067,436.55	8,989,499,662.98	701,784,155.59	2,144,749,307.17	5,803,996,637.85
Total segment operating cost	15,051,615,417.92	19,005,739,766.51	9,210,335,248.27	2,394,447,541.46	11,082,170,369.17
Segment operating profit	1,013,617,367.92	1,658,397,321.17	607,592,519.73	305,276,074.51	1,141,094,743.52
Total segment assets	14,045,226,564.02	15,092,982,587.34	10,932,907,864.36	1,528,663,785.89	10,774,302,199.29
Total segment liabilities	8,164,863,742.03	23,320,161,709.92	4,688,733,103.46	1,779,427,399.65	5,649,976,080.52

Continued

Segment information	Equipment components segment	Segment of integrated channel services and others	Inter-segment elimination	Total
Segment revenue	20,111,049,804.31	48,268,853,383.36	-52,192,439,797.88	77,657,749,759.97
Including: revenue from external consumers	1,535,626,710.80	42,421,933,879.13		77,657,749,759.97
Inter-segment revenue	18,575,423,093.51	5,846,919,504.23	-52,192,439,797.88	
Total segment operating cost	19,938,885,515.00	47,624,071,358.79	-52,003,473,326.81	72,303,791,890.31
Segment operating profit	172,164,289.31	644,782,024.57	-188,966,471.07	5,353,957,869.66
Total segment assets	26,193,061,725.41	31,818,076,218.88	-34,661,005,792.71	75,724,215,152.48
Total segment liabilities	28,088,630,394.16	26,753,925,068.41	-33,224,692,236.96	65,221,025,261.19

(2) Geographical information

“Other countries/regions” in this report refers to all other countries/regions (including Hong Kong and Macau Special Administration Region and Taiwan) other than the mainland China for the purpose of information disclosure.

External transaction income	Amount for the current period	Amount for the previous period
Mainland China	52,880,695,930.62	42,565,075,285.62
Other countries/regions	35,798,075,608.72	35,092,674,474.35
Including: America	24,722,080,204.20	24,189,346,249.11
South Asia	3,685,609,648.58	2,879,372,340.27
Europe	2,213,871,684.84	1,808,826,381.86

Continued

Total non-current assets	Closing balance	Opening balance
Mainland China	13,466,483,340.65	12,248,609,942.72
Other countries/regions	14,586,931,768.26	14,735,396,871.62
Total	28,053,415,108.91	26,984,006,814.34

The total non-current assets exclude: available-for-sale financial assets, long-term equity investment, goodwill, deferred income tax assets.

XI. Disclosure of fair value**1. Fair value of assets and liabilities at fair value at the end of the period**

Items	Fair value at the end of the period		
	Level 1 fair value measurement	Level 2 fair value measurement	Total
Recurring fair value measurement			
I. Financial asset designated to be measured by fair value and change of which is recorded in current profit and loss		1,738,394,432.81	1,738,394,432.81
II. Financial liability designated to be measured by fair value and change of which is recorded in current profit and loss		247,098,703.28	247,098,703.28
III. Financial asset designated to be measured by fair value and change of which is recorded in other comprehensive income		81,409,329.08	81,409,329.08
IV. Available-for-sale financial assets	20,783,227.42	1,414,281,524.86	1,435,064,752.28

2. Basis for determination of level 1 fair value at recurring fair value measurement: Unadjusted quoted prices of similar assets or liabilities in active markets as at the measurement date.

3. Basis for determination of level 2 fair value at recurring fair value measurement: Inputs other than quoted prices included within level 1 that are observable for the assets or liabilities, either directly or indirectly.

XII. Related parties and Related-party transactions**(I) Explanation for basis of identifying related party**

According to Accounting Standards for Business Enterprises No. 36 — Related Party Disclosures, parties are considered to be related if one party has the ability to control or jointly control the other party or exercise significant influence over the other party. Parties (two or more than two) are also considered to be related if they are subject to common control, joint control or significant influence.

According to Management Practices for Information Disclosure of The Company (China Securities Regulatory Commission Order No. 40), in certain occasions, related legal person and natural person will be identified as related parties.

(II) Relations between related parties**1. Information about the Parent Company and other companies holding shares of the Company**

Name of enterprises	Type of enterprises	Registered address	Registered capital	legal representative	Relationship with the Company	Equity Interest of the Company(100%)	Voting share of the Company(100%)
Haier Group Corporation	Collective owned enterprise	Qingdao High-tech Zone Haier Park	311,180,000	Zhang Ruimin	the Parent Company	17.59	17.59
Haier Electric Appliances International Co., Ltd.	Joint-stock company	Qingdao High-tech Zone Haier Park	631,930,635	Zhang Ruimin	The subsidiary of the parent company	20.64	20.64
Qingdao Haier Venture & Investment Information Co., Ltd.	Company with limited liabilities.	Qingdao Free Trade Zone	100,000,000	Zhou Yunjie	The party acting in concert with the parent company	2.83	2.83

2. Subsidiaries

Detailed information of subsidiaries is disclosed in item 1 of note IX. interests in subsidiaries.

3. Information about associates and joint ventures

Information about the associates or joint ventures of the Company are set out in item 11 of note VII and item 3 of Note IX.

4. Related companies without controlling relationship

Name of enterprises	Relationship with the enterprises
FISHER & PAYKEL APPLIANCES LIMITED	Subsidiary of Haier Group
HAIER INFORMATION APPLIANCES S.R.L.	Subsidiary of Haier Group
HAIER INTERNATIONAL (HK) LTD.	Subsidiary of Haier Group
HAIER INTERNATIONAL CO., LTD	Subsidiary of Haier Group
Feima Electronic (Qingdao) Co., Ltd.	Subsidiary of Haier Group
Haier Group Finance Co., Ltd.	Subsidiary of Haier Group
Haier Group Electric Appliance Industry Co., Ltd.	Subsidiary of Haier Group
Haier Energy Power Co., Ltd.	Subsidiary of Haier Group
Haier Brothers Animation Industry Co., Ltd.	Subsidiary of Haier Group
Hefei Haier Logistics Co., Limited	Subsidiary of Haier Group
Laiyang Haier Electrical Co. Ltd.	Subsidiary of Haier Group
Qingdao Haier Whole House Furniture Co., Ltd.(青岛海尔全屋家具有限公司)	Subsidiary of Haier Group
Qingdao Haier Tooling Development and Manufacturing Co., Ltd.	Subsidiary of Haier Group
Qingdao Haier International Travel Agency Co., Ltd.	Subsidiary of Haier Group
Qingdao Haier International Trading Co., Ltd.	Subsidiary of Haier Group
Qingdao Haier Household Integration Co., Ltd.	Subsidiary of Haier Group
Qingdao Haier Parts Procurement Co., Ltd.	Subsidiary of Haier Group
Qingdao Haier Strauss Water Equipment Co., Ltd.	Subsidiary of Haier Group
Qingdao Haier Special Plastic Development Co., Ltd.	Subsidiary of Haier Group
Qingdao Haier Communications Co., Ltd.	Subsidiary of Haier Group
Qingdao Haier Logistics Consulting Co., Ltd.	Subsidiary of Haier Group
Qingdao Haiyongda Property Management Co., Ltd.	Subsidiary of Haier Group
BRAVE LION (HK) LIMITED	Subsidiary of Haier Group
Chongqing Haier Electrical Appliances Sales Co., Ltd.	Subsidiary of Haier Group
Chongqing Haier Logistics Co., Ltd	Subsidiary of Haier Group
Qingdao Goodaymart Lejia Logistics Technology Co., Ltd.(青岛日日顺乐家物联科技有限公司)	Subsidiary of Haier Group
Suzhou Haixin Information Technology Co., Ltd.(苏州海新信息科技有限公司)	Subsidiary of Haier Group

Haier Finance Leasing (China) Co., Ltd.	Subsidiary of Haier Group
Qingdao Haier New Material Research and Development Co., Ltd.(青岛海尔新材料研发有限公司)	Joint venture of a subsidiary of Haier Group
CONTROLADORA MABE S.A.de C.V.	Joint venture
HNR Company (Pvt) Limited	Joint venture
MiddleEast Airconditioning Company,Limited	Joint venture
Qingdao Haier Software Investment Co., Ltd.	Joint venture
Hefei HBIS New Material Technology Co., Ltd.(合肥河钢新材料科技有限公司)	Subsidiary of a joint venture
Qingdao Haier Carrier Refrigeration Equipment Co., Ltd.	Joint venture
Haier Medical and Laboratory Products Co., Ltd.	Joint venture
Qingdao HBIS Composite New Material Technology Co., Ltd.(青岛河钢复合新材料科技有限公司)	Subsidiary of a joint venture
Mitsubishi Heavy Industries Haier (Qingdao) Air-conditioners Co., Ltd.	Joint venture
Wolong Electric Zhangqiu Haier Motor Co., Ltd.	Joint venture

(III) Information on Related-party transaction

1. The detailed information of the Company procuring goods and services from related-party are as follows:

Name of related parties	Amount for the current period	Amount for the previous period
CONTROLADORA MABE S.A.de C.V.	3,797,313,988.61	3,524,320,229.06
Qingdao Haier Parts Procurement Co., Ltd.	2,737,668,714.18	4,101,092,652.62
Chongqing Haier Electrical Appliances Sales Co., Ltd.	2,117,428,201.15	2,215,820,324.20
HNR Company (Pvt) Limited	1,258,923,720.84	919,404,923.83
Chongqing Haier Logistics Co., Ltd.	1,028,328,519.82	983,636,882.26
Hefei Haier Logistics Co., Limited	747,478,902.47	999,455,393.51
Qingdao Haier International Trading Co., Ltd.	683,580,146.91	526,417,908.74
Qingdao Haier Strauss Water Equipment Co., Ltd.	405,789,607.19	225,881,787.55
Hefei HBIS New Material Technology Co., Ltd.(合肥河钢新材料科技有限公司)	372,624,744.03	324,233,684.39
Wolong Electric Zhangqiu Haier Motor Co., Ltd.	364,904,854.05	355,699,474.19
Qingdao Haier Special Plastic Development Co., Ltd.	357,967,509.26	332,029,641.38
Qingdao HBIS Composite New Material Technology Co., Ltd.(青岛河钢复合新材料科技有限公司)	313,670,642.04	291,804,265.09
Haier Energy Power Co., Ltd.	211,221,875.25	223,432,383.88
Qingdao Haier Tooling Development and Manufacturing Co., Ltd.	165,704,463.60	184,193,856.07
Qingdao Haiyongda Property Management Co., Ltd.(青岛海永达物业管理有限公司)	117,606,114.96	91,155,393.46

Qingdao Haier Whole House Household Co., Ltd.(青岛海尔全屋家居有限公司)	56,987,019.04	104,798,646.07
Qingdao Haier Communications Co., Ltd.	50,908,272.82	286,602,718.51
HAIER INTERNATIONAL CO., LTD	34,081,851.31	48,993,253.14
Mitsubishi Heavy Industries Haier (Qingdao) Air-conditioners Co., Ltd.	31,785,595.57	26,906,682.16
Qingdao Haier Household Integration Co., Ltd.	27,538,593.82	7,055,871.66
FISHER&PAYKEL AUSTRALIA PTY	4,949,393.94	24,607,963.96
Other related parties	1,033,772,885.49	751,211,974.44
Total	15,920,235,616.35	16,548,755,910.17

2. The detailed information of the Company procuring goods and services from related-party are as follows:

Name of related parties	Amount for the current period	Amount for the previous period
FISHER&PAYKEL AUSTRALIA PTY	520,944,530.24	453,206,822.74
CONTROLADORA MABE S.A.de C.V.	411,595,719.20	172,940,605.38
Qingdao Haier International Trading Co., Ltd.	365,258,871.55	382,386,502.01
Qingdao Haier Special Plastic Development Co., Ltd.	338,525,883.67	94,854,275.54
Hefei HBIS New Material Technology Co., Ltd.(合肥河钢新材料科技有限公司)	200,819,911.53	377,550,381.70
Qingdao Haier New Material Research and Development Co., Ltd.	185,265,679.09	216,055,389.34
Wolong Electric Zhangqiu Haier Motor Co., Ltd.	174,636,996.00	303,051,955.98
Qingdao HBIS Composite New Material Technology Co., Ltd.(青岛河钢复合新材料科技有限公司)	119,670,204.88	167,992,052.29
Qingdao Haier Tooling Development and Manufacturing Co., Ltd.	93,196,412.80	80,082,974.19
Qingdao Haier International Travel Agency Co., Ltd.	39,380,799.45	18,529,608.83
Chongqing Haier Electrical Appliances Sales Co., Ltd.	1,907,239.75	96,889,976.15
Suzhou Haixin Information Technology Co., Ltd.(苏州海新信息科技有限公司)	1,175,782.46	52,583,658.53
Other related parties	282,217,115.92	217,869,905.73
Total	2,734,595,146.54	2,633,994,108.41

3. Unsettled amounts of related parties

Items and names of consumers	Ending balance	Beginning balance
Notes receivables		
Other related parties		827,490.67
Dividends receivables:		
Qingdao Haier Software Investment Co., Ltd.	4,524,472.84	4,524,472.84
Other related parties	136,377.05	

Trade receivables:

Items and names of consumers	Book balance	Provision for bad debts	Book balance	Provision for bad debts
FISHER & PAYKEL APPLIANCES LIMITED	345,582,591.66	17,279,129.58	240,525,663.08	12,026,283.15
CONTROLADORA MABE S.A.deC.V.	174,604,786.17	8,730,239.31	85,868,137.29	4,293,406.86
Haier Group Electric Appliance Industry Co., Ltd.	119,136,930.68	5,956,846.53	172,889,483.50	8,644,474.17
Haier Finance Leasing (China) Co., Ltd.	107,389,479.68	5,369,473.98	33,979,469.96	1,698,973.50
Qingdao Haier International Travel Agency Co., Ltd.	41,638,089.61	2,081,904.48	33,535,331.94	1,676,766.60
Qingdao Haier Special Plastic Development Co., Ltd.	40,606,062.73	2,030,303.14	30,061,911.52	1,503,095.58
Hefei HBIS New Material Technology Co., Ltd.(合肥河钢新材料科技有限公司)	18,423,413.03	921,170.65	37,553,831.20	1,877,691.56
Suzhou Haixin Information Technology Co., Ltd.(苏州海新信息科技有限公司)	16,664,234.97	833,211.75	18,580,938.10	929,046.91
Haier Medical and Laboratory Products Co., Ltd.	8,908,758.81	445,437.94	5,293,566.32	264,678.32
Mitsubishi Heavy Industries Haier (Qingdao) Air-conditioners Co., Ltd.	5,252,096.64	262,604.83	2,609,651.81	130,482.59
Qingdao HBIS Composite New Material Technology Co., Ltd.(青岛河钢复合新材料科技有限公司)	3,449,271.12	172,463.56	5,271,174.28	263,558.71
Other related parties	266,296,532.54	13,314,826.63	239,136,247.91	11,956,812.40

Prepayments:

Qingdao Haier International Trading Co., Ltd.	278,331,689.34	25,694,085.49
Haier Group Electric Appliance Industry Co., Ltd.	52,791,945.93	18,666,136.33
Qingdao Haier Parts Procurement Co., Ltd.	46,876,371.70	26,855,446.50
Other related parties	22,656,983.95	57,909,844.51

Interests receivables:

Haier Group Finance Co., Ltd.	7,152,358.68	16,597,598.16
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Other receivables:

Items and names of consumers	Book balance	Provision for bad debts	Book balance	Provision for bad debts
Haier Group Electric Appliance Industry Co., Ltd.	647,646.88	32,382.34	5,054,271.27	252,713.56
Other related parties	82,569,992.51	4,128,499.63	43,505,955.80	2,175,297.79

Notes payable:

Wolong Electric Zhangqiu Haier Motor Co., Ltd.	61,412,756.84	
Laiyang Haier Electrical Co. Ltd.	10,411,869.81	56,557,892.89
Other related parties	4,553,992.51	6,544,689.10

Accounts payables:

Qingdao Haier Parts Procurement Co., Ltd.	1,451,149,605.13	975,508,354.98
CONTROLADORA MABE S.A.deC.V.	375,635,705.91	359,468,427.60
HNR Company (Pvt) Limited	268,478,148.47	49,389,796.48

Qingdao Haier International Trading Co., Ltd.	161,106,745.95	268,481,130.24
Chongqing Haier Logistics Co., Ltd.	99,263,199.78	304,825,911.96
Qingdao Haier Strauss Water Equipment Co., Ltd.	65,396,566.95	61,152,328.59
Chongqing Haier Electrical Appliances Sales Co., Ltd.	56,957,430.58	90,092,109.31
Qingdao Haier Communications Co., Ltd.	51,061,886.32	4,801,675.32
Qingdao Haier Special Plastic Development Co., Ltd.	44,686,429.40	52,784,094.74
Hefei Haier Logistics Co., Limited	31,386,951.96	257,354,153.49
HAIER INTERNATIONAL CO., LTD	26,626,665.50	56,102,305.76
Goodaymart Electronics Co., Ltd.	10,665,808.18	10,665,813.13
Qingdao Haier Whole House Household Co., Ltd.(青岛海尔全屋家居有限公司)	5,920,605.71	33,084,367.38
HAIER INTERNATIONAL (HK) LIMITED	5,075,546.70	162,909,377.32
Other related parties	390,069,403.51	410,633,223.32
Receipts in advance:		
Hefei Haizhi Real Estate Co., Ltd.(合肥海智房地产有限公司)	155,358,260.10	155,000,000.00
Haier Group Electric Appliance Industry Co., Ltd.	6,720,145.87	5,984,613.13
Other related parties	16,124,629.79	12,369,377.54
Other payable:		
Haier Brothers Animation Industry Co., Ltd.	357,387,470.54	384,741,409.54
Chongqing Haier Logistics Co., Ltd.	51,830,739.06	51,830,739.06
Haier Group Electric Appliance Industry Co., Ltd.	18,308,757.39	2,413,136.73
Haier Energy Power Co., Ltd.	15,412,788.34	42,485,111.74
Hefei Haier Logistics Co., Limited	8,663,500.00	8,663,500.00
Other related parties	175,837,677.92	159,066,947.95
Interests payables:		
Haier Group Finance Co., Ltd.	5,442,616.18	5,953,652.09
Dividends payables:		
BRAVE LION (HK) LIMITED	122,756,874.10	122,756,874.10
Other related parties	407,065,787.01	30,999,441.54

4. Other Related-party transactions

(1) One of the Company's subsidiaries entered into a loan contract with Haier Group Finance Co., Ltd.. The borrowed amount as of 30 June 2018 was RMB 3.101 billion and the interest and fees payable to Haier Group Finance Co., Ltd. for the period was RMB77 million in total.

(2) Information about the guarantor of the Company's ending guaranteed borrowing who is a related party:

Borrowers	Amounts	Guarantees
Hefei Haier Refrigerator Co., Ltd.	300,000,000.00	Haier Group Corporation

Qingdao Haier Special Freezer Co., Ltd.	830,000,000.00	Haier Group Corporation
Zhengzhou Haier Air-conditioning Co., Ltd.	300,000,000.00	Haier Group Corporation
Qingdao Haidayuan Procurement Service Co., Ltd.	550,000,000.00	Haier Group Corporation
Qingdao Haier (Jiaozhou) Air-conditioning Co., Limited	400,000,000.00	Haier Group Corporation
HAIER US APPLIANCE SOLUTIONS, INC	15,342,039,671.91	Haier Group Corporation
Total	17,322,039,671.91	

(3) Income on deposit interests received by the Company and its subsidiaries from Haier Group Finance Co., Ltd. for the period was RMB 36 million.

(4) Balance of interbank borrowing of Haier Pakistan (Private) Limited, a subsidiary of the Company, to HNR COMPANY (PRIVATE) LIMITED, a joint ventures at the end of the period was RMB 0.366 billion.

(5) Qingdao Haier Goodaymart Logistic Co., Ltd., a subsidiary of the Company and other companies provided logistics services to other related companies under Haier Group, the logistics income for the period was RMB 0.108 billion.

(6) Leasing

Lessees	Lessors	Application of leased assets	Lease expense recognized for the period
Subsidiary of the Company	Qingdao Haier Investment and Development Co., Ltd. and its subsidiaries	Production and operation	10,120,984.12
Subsidiary of the Company	Other companies of Haier Group	Production and operation	47,305,599.89
Total			57,426,584.01

(IV) Pricing policies

1. Connected sales

Following the acquisition of the overseas white household appliances assets, the Company's original overseas sales model, being exports through the Group's exporting platform, was changed. The trading company under the company holding overseas white household appliances assets was fully responsible for sales of export-oriented products. Meanwhile, the trading company was also responsible for the overseas sales of some of the Group's products (such as brown goods). As such, the Company entered into a Sales Framework Agreement with Haier Group Corporation. Under which, it was agreed that the Company and Haier Group Corporation will sell products and provide sales-related services (including but not limited to agency sales services, after-sales services and technical support) on a reciprocal basis for a term of three years.

Connected sales among Haier Electronics Group Co., Ltd. ("Haier Electronics"), a holding subsidiary of the Company, Qingdao Haier Investment and Development Co., Ltd, Haier Group Corporation are carried out according to relevant provisions of Goods Export Agreement, After-sales Service Agreement, Logistics Service Agreement entered into among parties.

2. Connected Procurements

In addition to independent procurement platform, the Company entrusted Haier Group Corporation and its subsidiaries for procurements of part of raw materials and distribution of goods and materials.

The business is conducted according to the Purchase and Distribution Contract entered among the Company, Haier Group Corporation and other parties. The Company, Haier Group Corporation and its subsidiaries purchase materials from agents. They purchase and distribute goods for production and non-production use according to the specific material procurement target proposed by the Company. The price of materials purchased and delivered consist of the actual purchase price and the agency fee, of which the agency fee was calculated by 1.25% of the actual purchase price, while in principle the price of materials should not be higher than the price that the Company independently purchased from the market.

Connected procurements among Haier Electronics, Qingdao Haier Investment and Development Co., Ltd, Haier Group Corporation are carried out according to relevant provisions of Materials Procurement Agreement and Production and Experimental Equipment Procurement Agreement entered among parties.

3. Related-party Transactions of Financial and Logistics Services

Some of the financial services such as deposit and loan service, discounting service and foreign exchange derivatives needed by the Company are provided by Haier Group Corporation, its subsidiaries and other companies. According to the Financial Service Agreement entered among the Company, Haier Group Corporation and other parties, the price of financial services is determined by the principle that is not less favorable of market value fair. The Company is entitled to decide whether to keep cooperation relationship with them with the knowledge of the price prevailing on the market and in combination with its own interests. While performing the agreement, the Company could also require other financial service institutions to provide related financial services basing on actual situation. In order to meet the Company's demands such as the avoidance of foreign exchange fluctuation risk, the Company may choose Haier Group Finance Co., Ltd. ("Finance Company") to provide some foreign exchange derivative service after comparing with comparable companies. The Company will uphold the safe and sound and appropriately reasonable principle, under which all foreign exchange capital business shall have a normal and reasonable business background to eliminate speculative operation. At the same time, the Company has specified the examination and permission rights, management positions and responsibilities at all levels for its foreign exchange capital business to eradicate the risks of operation by persons and improved its response speed to risks on the premise that the risks are effectively controlled.

Related-party transactions of financial services among Haier Electronics, Finance Company, Qingdao Haier Investment and Development Co., Ltd and Haier Group Corporation are carried out according to relevant provisions of Financial Service Agreement entered into among parties.

In order to further standardize the logistics services provided by the related companies of Haier Group Corporation, the Company signed the Logistics and Service Agreement with Qingdao Haier Investment and Development Co., Ltd and Haier Group Corporation, the Company entrusted the subsidiaries of Haier Group to provide energy and power, basic research and detection, equipment leasing, house rental and maintenance, landscaping and sanitation, gift purchasing, design, consultation, all kinds of booking and other services.

In accordance with the Comprehensive Service Agreement, Promotion Agreement, Product Research and Development Agreement entered into among Haier Electronics, Qingdao Haier Investment and Development Co., Ltd and Haier Group Corporation, Haier Electronics entrusted subsidiaries of Haier Group to provide Haier Electronics with hydropower energy and related support; meeting, accommodation, ticket agent; integrated services such as product certification, software, food and beverage agent, property decoration, house lease, finance and marketing, product research and development services.

4. Others

In order to expand the sales businesses in the third and fourth-tier markets, Haier Electronics renewed the Products Procurement Agreement and Internal Sales Agreement with Qingdao Haier Investment and Development Co., Ltd and Haier Group Corporation, according to which, while Haier Electronics purchases products from contract parties, the purchasing price shall be determined basing on the prices of which Haier Electronics purchases the same type of product in similar transactions from independent third parties in the market, and are not less favorable than the terms and conditions provided by the independent third parties to Haier Electronics; while Haier Electronics sales products to contract parties for their own use or distributes products through sales network, the selling price shall be determined basing on the prices of which Haier Electronics sells the same type of product in similar transactions to independent third parties in the market, and are not less favorable than the terms and conditions provided by Haier Electronics to independent third parties.

The Company and its subsidiaries entered into a series of contracts, including the Framework Agreement Regarding the Procurement of Modular Products with Wolong Electric Zhangqiu Haier Motor Co., Ltd. and other companies. Pursuant to which, they agreed to supply modular products to the Company at the most favorable price which is no higher than the price it offered to other clients.

The Company and its subsidiaries entered into a series of contracts, including the Contract Arrangement Regarding the Procurement of Special Steel Plate Products with Qingdao HBIS Composite New Material Technology Co., Ltd.(青島河鋼復合新材料科技有限公司), Hefei HBIS New Material Technology Co., Ltd.(合肥河鋼新材料科技有限公司). Under which, it is agreed that they shall supply goods to the Company on terms which are not less favorable than terms offered by other suppliers.

XIII. Share-based payments

1. General information on share-based payments

Applicable Not Applicable

2. Share-based payments settled in cash

Applicable Not Applicable

XIV. Commitments and contingent events

1. Material commitment

Applicable Not Applicable

2. Contingent events

(1). Material contingent events on the balance sheet date

Applicable Not Applicable

XV. Events Subsequent to the Balance Sheet date

1. Description on the events subsequent to the balance sheet date

Applicable Not Applicable

1. The Company intends to acquire 100% equity of Haier New Zealand Investment Holding Company Limited(hereinafter referred to as “Haier New Zealand”) held by Haier (Singapore) Management Holding Co. Pte. Limited, an oversea subsidiary of Haier Group Corporation (hereinafter referred to as “Haier Singapore”) through Haier Singapore Investment Holding Pte. Ltd., another

oversea subsidiary of the Company in cash. Haier Singapore Investment Holding Pte. Ltd. entered into a Sale and Purchase Agreement with Hair Singapore on 24 April 2018, pursuant to which Haier Singapore Investment Holding Pte. Ltd. intended to acquire 100% equity of Haier New Zealand held by Haier Singapore at a consideration of USD 303,040,997.28 in cash. The transaction was completed on 31 July 2018.

2. Guanmei (Shanghai) Corporate Management Co., Ltd.(贯美 (上海) 企业管理有限公司) an indirect subsidiary of the Company, intends to swap its 55% equity in Bingji (Shanghai) Corporate Management Co., Ltd.(冰戟 (上海) 企业管理有限公司) with 51% equity of Qingdao HSW Water Appliance Co., Ltd.(青岛海施水设备有限公司) (hereinafter referred to as “Water Appliance”) held by Haier Electric Appliances International Co., Ltd.

The connected transaction has been approved and passed in the eighteenth meeting of the ninth session of the Board meeting held by the Company on 30 August 2018, and is not subject to the approval of the general meeting.

3. The Company has no material events subsequent to the balance sheet date which need to be disclosed.

XVI. Financial Instruments Related Risks

The Company’s financial assets include notes receivables, receivables and etc., and the Company’s financial liabilities include Notes payable, account payable, long- and short- term borrowings and etc. Please refer to relevant items in Note VII for detailed descriptions of various financial instruments. Risks relating to these financial instruments and the risk management policies the Company adopts to mitigate these risks are summarized below. The Company’s management manages and monitors these risk exposures in order to ensure these risks are well within their respective risk limits.

1. Credit risk

The credit risk the Company exposed to mainly comes from bank deposits, notes receivables, accounts receivables, interest receivables, other receivables and wealth management products in other current assets.

(1) The Company’s bank deposits and wealth management products are mainly deposited with Haier Group Finance Co., Ltd., national banks and other large and medium size listed banks. The interest receivables mainly refer to the accrued interest from time deposits placed with the aforesaid banks. The Group doesn’t believe there is any significant credit risk due to defaults of its counterparties which would cause any significant loss.

(2) Accounts receivables and notes receivables: The Company only trades with recognized and creditworthy third parties. It is the Company’s policy that all consumers who wish to trade on credit terms are subject to credit verification procedures. The payment terms shall be determined on a reasonable basis. The Company monitors the balances of accounts receivables on an ongoing basis and maintains credit insurances for significant accounts receivables due from its credit clients, so as to ensure the Company will not expose to significant risk of bad debts.

(3) The Company's other receivables mainly include export tax rebate receivable, recurrent loans and advances to its employees. The Company strengthened the management of these receivables and corresponding business activities based on their historical reasons of occurrence, and continued to monitor such receivables, so as to ensure that the Company's significant risk of bad debts are controllable and to further reduce such risks.

2. Liquidity risk

Liquidity risk is the risk that an enterprise may encounter deficiency of funds in meeting obligations associated with financial liabilities. In order to control liquidity risk, the Company integrates the utilization of various financing methods such as settlement with bills and bank loans, to strive for a sustainable and flexible financing. The Company has secured line of credit with a great number of commercial banks to satisfy its needs for working capital and capital expenditures.

3. Exchange rate risk

The Company's businesses are based in mainland China, the US, Japan, Southeast Asia, South Asia, central and east Africa, Europe, and Australia, etc. and are settled in RMB, US dollar, and other currencies.

The Company's overseas assets and liabilities denominated in foreign currencies as well as transactions settled in foreign currencies in the future expose the Company to fluctuations in exchange rates. The Company's finance department is responsible for monitoring the size of transactions in foreign currencies and assets and liabilities denominated in foreign currencies, so as to reduce its exposure to fluctuations in exchange rates to the largest extent. The Company avoid its exposure to fluctuations in exchange rates by entering into forward foreign exchange contracts.

4. Interest rate risk

The Company mainly faces interest rate risk from its long- and short- term bank loans and bonds payables which are interest-bearing. Financial liabilities with floating interest rates expose the Company to cash flow interest rate risk, while financial liabilities with fixed interest rates expose the Company to fair value interest rate risk. The Group determines the percentage of fixed-interest rate and floating interest rate contracts in light of the prevailing market conditions.

XVII. Other Important Events

1. Proposal on the intended initial public offering and listing of shares by Qingdao Haier Co., Ltd on CEINEX D-Share Market(《青岛海尔股份有限公司关于公司拟在中欧国际交易所D股市场首次公开发行股票并上市的议案》) was considered and approved at the twelfth meeting of the ninth session of the Company's board meeting on 19 April 2018. The Company intends for initial public offering and listing of the shares on the D-Share Market of the China Europe International Exchange AG (hereinafter referred to as "the D-Share Market"), which will be achieved through admittance of and listing transactions on Frankfurt Stock Exchange. China Europe International Exchange AG is a joint venture established by Shanghai Stock Exchange, Deutsche Börse Group, and China Financial Futures Exchange.

Deutsche Börse Group is the main operating body of Frankfurt Stock Exchange, and the listing rules of Frankfurt Stock Exchange applies to the D-Share Market. In compliance with regulations such as the minimum offering proportion on the market where the shares of company are listed, coupled with the capital requirement for the future development of the Company's business, the number of proposed offering of the shares shall not exceed 400 million (prior to the exercise of the over-allotment options), and the bookrunner may be granted over-allotment options not exceeding 15% of the number of the aforesaid D shares to be issued. Final offering number are determined by the Board authorized by the general meeting and the parties authorized by the Board according to the laws, approval of the regulatory institutions and the market conditions.

2. The first 2017 Extraordinary general meeting of the Company was convened on 23 November 2017, on which Proposal of the plan on public offering of convertible corporate bonds by Qingdao Haier Co., Ltd(《青岛海尔股份有限公司关于公开发行可转换公司债券方案的议案》) was passed. In the meantime, according to the grant to the Board by the general meeting, the Company held the seventeenth meeting of the ninth session of the Board meeting on 24 August 2018 and considered and approved the proposal on adjustments of the offering plans; according the proposal, the Company will issue convertible corporate bonds not exceeding RMB3,007,490,000 (including RMB3,007,490,000), with book value of RMB100 per convertible bonds, and the term of less than 6 years commencing on the date of issue. The general meeting of the Company authorized the Board to determine the specific scale, term, coupon rate and the final interest rate of each interest-bearing year of the offering. The public offering of the convertible corporate bonds of the Company is pending on the approval of CSRC, and there exists uncertainty on whether the approval can be obtained.

XVIII. Notes to Main Items of Financial Statements of the Parent Company

1. Trade receivables

(1) Disclosure of trade receivables by consumer categories is set out as follows:

Items	Closing balance		Opening balance	
	Book balance	Provision for bad debts	Book balance	Provision for bad debts
Individual significant trade receivables of which provision for bad debts is made on an individual basis				
Trade receivables of which provision for bad debts is made on a group basis	325,758,771.22	16,287,938.56	303,683,922.18	15,184,196.11
Individual insignificant trade receivables of which provision for bad debts is made on an individual basis				
Total	325,758,771.22	16,287,938.56	303,683,922.18	15,184,196.11

(2) Trade receivables of which provision for bad debts is made on a group basis:

Aging	Closing balance	Opening balance
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	Book balance	Provision for bad debts	Book balance	Provision for bad debts
Within one year	296,299,594.02	14,814,979.70	274,306,287.64	13,715,314.38
One to two years	10,708,925.11	535,446.26	29,377,634.54	1,468,881.73
Two to three years	18,750,252.09	937,512.60		
Total	325,758,771.22	16,287,938.56	303,683,922.18	15,184,196.11

(3) The total debt amount of the top 5 debtors in the ending trade receivables amounted to RMB 320,002,571.10, representing 98.23% of the book balance of the trade receivables.

2. Other receivables

(1) Disclosure of **other receivables by consumer categories** is set out as follows:

Items	Closing balance		Opening balance	
	Book balance	Provision for bad debts	Book balance	Provision for bad debts
Individual significant other receivables of which provision for bad debts is made on an individual basis				
Other receivables of which provision for bad debts is made on a group basis	1,918,876,574.69	95,943,828.73	16,731,629.93	836,581.50
Individual insignificant other receivables of which provision for bad debts is made on an individual basis				
Total	1,918,876,574.69	95,943,828.73	16,731,629.93	836,581.50

(2) Other receivables of which provision for bad debts is made on a group basis:

Aging	Closing balance		Opening balance	
	Book balance	Provision for bad debts	Book balance	Provision for bad debts
Within one year	1,918,876,574.69	95,943,828.73	16,731,629.93	836,581.50
Total	1,918,876,574.69	95,943,828.73	16,731,629.93	836,581.50

(3) The total debt amount of the top 5 debtors in the ending trade receivables amounted to RMB 1,885,933,217.49, representing 98.28% of the book balance of the trade receivables.

3. Long-term equity investments

Applicable Not Applicable

(1) Details of long-term equity investments:

Items	Closing balance		Opening balance	
	Book balance	Provision for impairment	Book balance	Provision for impairment
Long-term equity investments				
Including: long-term equity investments to subsidiaries	20,548,154,444.94	7,100,000.00	20,490,178,326.42	7,100,000.00

Long-term equity investments to associates	3,178,177,202.58	21,000,000.00	3,119,176,601.66	21,000,000.00
Total	23,726,331,647.52	28,100,000.00	23,609,354,928.08	28,100,000.00

(2) Long-term equity investments to subsidiaries

Name of Investee Companies	Opening balance	Increase or decrease for the period	Closing balance	Impairment provision closing balance
I. Subsidiaries:				
Chongqing Haier Electronics Sales Co., Ltd.	9,500,000.00		9,500,000.00	
Haier Group (Dalian) Electrical Appliances Industry Co., Ltd.	34,735,489.79		34,735,489.79	
Qingdao Haier Refrigerator Co., Ltd.	402,667,504.64		402,667,504.64	
Qingdao Haier Special Refrigerator Co., Ltd.	329,832,047.28		329,832,047.28	
Qingdao Haier Information Plastic Development Co., Ltd.	102,888,407.30		102,888,407.30	
Dalian Haier Precision Products Co., Ltd.	41,836,159.33		41,836,159.33	
Hefei Haier Plastic Co., Ltd.	42,660,583.21		42,660,583.21	
Qingdao Haier Technology Co., Ltd.	16,817,162.03		16,817,162.03	
Qingdao Haier Moulds Co., Ltd.	273,980,796.30		273,980,796.30	
Qingdao Haier Intelligent Electronics Co., Ltd.	294,453,513.06		294,453,513.06	
Qingdao Household Appliance Technology and Equipment Research Institute	66,778,810.80		66,778,810.80	
Qingdao Meier Plastic Powder Co., Ltd.	24,327,257.77		24,327,257.77	
Chongqing Haier Precision Plastic Co., Ltd.	47,811,283.24		47,811,283.24	
Chongqing Haier Intelligent Electronics Co., Ltd.	11,870,511.98		11,870,511.98	
Qingdao Haier Electronic Plastic Co., Ltd.	48,000,000.00		48,000,000.00	
Dalian Haier Refrigerator Co., Ltd.	99,000,000.00		99,000,000.00	
Dalian Haier Air-conditioning Co., Ltd.	99,000,000.00		99,000,000.00	
Guizhou Haier Electronics Co., Ltd.	96,904,371.71		96,904,371.71	
Hefei Haier Air-conditioning Co., Limited	67,110,323.85		67,110,323.85	
Qingdao Haier Refrigerator (International) Co., Ltd.	158,387,576.48		158,387,576.48	
Qingdao Haier Robot Co., Ltd.	3,149,188.69		3,149,188.69	
Qingdao Haier Air-Conditioner Electronics Co., Ltd.	1,113,433,044.51		1,113,433,044.51	
Qingdao Haier Air Conditioner Gen Corp., Ltd.	218,245,822.50	2,390,483.52	220,636,306.02	
Qingdao Haier Special Freezer Co., Ltd.	442,684,262.76		442,684,262.76	
Qingdao Haier Dishwasher Co., Ltd.	206,594,292.82		206,594,292.82	
Wuhan Haier Freezer Co., Ltd.	47,310,000.00		47,310,000.00	
Wuhan Haier Electronics Co., Ltd.	100,715,445.04		100,715,445.04	

Chongqing Haier Air-conditioning Co., Ltd.	100,000,000.00		100,000,000.00	
Hefei Haier Refrigerator Co., Ltd.	49,000,000.00		49,000,000.00	
Qingdao Haier Whole Set Home Appliance Service Co., Ltd.	118,000,000.00		118,000,000.00	
Chongqing Haier Refrigeration Appliance Co., Ltd.	91,750,000.00		91,750,000.00	
Qingdao Haier Industry Intelligence Research Institute Co., Ltd.	8,000,000.00	-8,000,000.00	-	
Haier Shareholdings (Hong Kong) Limited	13,561,203,702.07		13,561,203,702.07	
Shenyang Haier Refrigerator Co., Ltd.	100,000,000.00		100,000,000.00	
Foshan Haier Freezer Co., Ltd.	100,000,000.00		100,000,000.00	
Zhengzhou Haier Air-conditioning Co., Ltd.	100,000,000.00		100,000,000.00	
Qingdao Haidayuan Procurement Service Co., Ltd.	20,000,000.00		20,000,000.00	
Qingdao Haier Intelligent Technology Development Co., Ltd.	130,000,000.00		130,000,000.00	
Qingdao Haier Technology Investment Co., Ltd.	200,000,000.00	13,585,635.00	213,585,635.00	
Qingdao Casarte Smart Living Appliances Co., Ltd.	10,000,000.00		10,000,000.00	
Haier Overseas Electric Appliance Co., Ltd.	40,000,000.00		40,000,000.00	
Haier (Shanghai) Electronics Co., Ltd.	12,500,000.00		12,500,000.00	
Haier U+smart Intelligent Technology (Beijing) Co., Ltd.	143,000,000.00		143,000,000.00	
Haier Electronics Group Co., Ltd.	669,830,769.26		669,830,769.26	7,100,000.00
Qingdao Haidarui Procurement Service Co., Ltd.	107,800,000.00		107,800,000.00	
Shanghai Haier Zhong Zhi Fang Chuang Ke Space Management Co., Ltd.	2,000,000.00		2,000,000.00	
Haier Industries Holdings Limited	100,000,000.00	50,000,000.00	150,000,000.00	
Qingdao Haier Medical Refrigeration Appliance Co., Ltd (青岛海尔特种制冷电器有限公司)	100,000,000.00		100,000,000.00	
Qingdao Haier Intelligent Household Appliances Co., Ltd.	326,400,000.00		326,400,000.00	
Total	20,490,178,326.42	57,976,118.52	20,548,154,444.94	7,100,000.00

(3) Long-term equity investments to associates

Name of investee companies	Opening balance	Increase or decrease for the Period			Closing balance	Impairment Provision Closing balance
		Increase or decrease for the Period	Investment income recognized under the equity method	Others		
QingDao Haier-Medical Co., Ltd	229,914,790.86		22,937,226.22		252,852,017.08	
Wolong Electric Zhangqiu Haier Motor Co., Ltd.	106,957,786.56		2,976,713.78		109,934,500.34	
Qingdao HBIS Composite New	106,068,803.08	-106,068,803.08			-	

Material Technology Co., Ltd.(青岛河钢复合新材料科技有限公司)						
Hefei HBIS New Material Technology Co., Ltd.(合肥河钢新材料科技有限公司)	109,289,567.00	-109,289,567.00				-
Qingdao Haier SAIF Smart Home Industry Investment Center (limited partnership)	270,536,881.98				270,536,881.98	
Bank of Qingdao Co., Ltd.	917,520,227.90		47,306,223.44	-27,171,376.14	937,655,075.20	
Mitsubishi Heavy Industries Haier (Qingdao) Air-conditioners Co., Ltd.	529,934,750.95		38,033,746.45	-56,772,000.00	511,196,497.40	
Qingdao Haier Carrier Refrigeration Equipment Co., Ltd.	305,185,137.09		6,006,028.41		311,191,165.50	21,000,000.00
Qingdao Haier Multi-media Co., Ltd. (青岛海尔多媒体有限公司)	543,768,656.24		6,102,089.30		549,870,745.54	
Qingdao Hebei Iron & Steel New Material Technology Co. Ltd		226,758,549.43	8,181,770.11		234,940,319.54	
Total	3,119,176,601.66	11,400,179.35	131,543,797.71	-83,943,376.14	3,178,177,202.58	21,000,000.00

4. Operation Income and Operation Expense:

√Applicable □Not Applicable

Unit and Currency: RMB

Items	Amount for the current period		Amount for the previous period	
	Revenue	Cost	Revenue	Cost
Principal Business	1,621,944,396.28	1,119,899,681.97	1,541,395,774.74	1,124,839,769.04
Other Business	2,209,632.18	162,870.29	1,716,550.91	259,972.03
Total	1,624,154,028.46	1,120,062,552.26	1,543,112,325.65	1,125,099,741.07

5. Investment Income

Items	Amount for the current period	Amount for the previous period
Long-term equity investments income calculated by the equity method	131,543,797.71	93,545,425.01
Long-term equity investments income calculated by cost method	87,976,272.14	58,348,342.72
Total	219,520,069.85	151,893,767.73

XIX. The approval of Financial Statements

The financial statements were approved to be issued by the board of the Company on 30 August 2018.

XX. Supplementary Information**1. Basic earnings per share and diluted earnings per share**

√Applicable □Not Applicable

Items	Amount for the current period			Amount for the previous period		
	Weighted average return on net assets	Earnings per share (RMB)		Weighted average return on net assets	Earnings per share (RMB)	
		Basic earnings per share	Diluted earnings per share		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the company	14.10%	0.797	0.786	15.40%	0.724	0.724
Net profit attributable to ordinary shareholders of the company after deduction of non-recurring gain or loss	12.99%	0.734	0.723	13.20%	0.619	0.619

2. Non-recurring gain or loss

Items	Amount for the current period	Amount for the previous period
Net profit attributable to ordinary shareholders of the Company	4,858,795,529.42	4,416,867,240.37
Less: non-recurring gain or loss	382,803,964.15	639,527,785.42
Net profit attributable to ordinary shareholders of the Company after deduction of non-recurring gain or loss	4,475,991,565.27	3,777,339,454.95

Breakdown of non-recurring profit or loss for the period

Non-recurring profit or loss items	Amount for the period
Profit or loss from disposal of non-current assets	23,934,860.63
Income from disposal of long-term equity investments	
Income from disposal of financial assets available for sale	-
Government grants included in current profit or loss, except that closely related to the normal operating business, complied with requirements of the national policies, continued to be granted with the amount and quantity determined under certain standards	137,147,498.76

Gains accrued for that investment costs made by the corporate for acquisition of subsidiaries, associate companies and joint ventures were less than fair value of the investees' identifiable net assets upon the investments	
Corporate reorganization fee, including staff settlement expenses and consolidation fee, etc.	
Profit and loss of changes in fair value arising from holding of trading financial assets and trading financial liabilities except for valid straddle business relevant to normal business of the company, as well as investment gain realized from disposal of trading financial assets, trading financial liabilities and financial assets available for sale	193,260,601.21
Trustee fee income from entrusted operations	943,396.22
Other non-operating income and expenses except for the above mentioned	169,865,362.68
Effect of minority equity interests	-91,861,955.96
Effect of income tax	-50,485,799.39
Effect on profit from combination of companies under common control	
Total	382,803,964.15

2. Difference on figures by domestic and foreign Accounting Standards

Applicable Not Applicable

3. Others

Applicable Not Applicable

SECTION XI SECTION XIDOCUMENTS AVAILABLE FOR INSPECTION

Documents Available for Inspection	(I) Interim Report of 2018 of Qingdao Haier Co., Ltd with signatures of the legal representative.
	(II) Financial report with signatures and seals of the legal representative, chief accountant and person in charge of accounting department.
	(III) All documents which have been publicly disclosed on the newspaper designated by China Securities Journal, Shanghai Securities News, Securities Times, Securities and the website of Shanghai Stock Exchange (www.sse.com.cn) during the reporting period.

Chairman: Liang Haishan

Publish approved by the Board on 30 August 2018