

Stock Code: 600690

Short Name: Qingdao Haier

Qingdao Haier Co., Ltd

2017 Interim Report

Stock Code : 600690

Haier

**INTELLIGENCE
CREATES SMART
LIFE**

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 or 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. Are there any funds held 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.

25 August 2017

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SECTION I DEFINITIONS

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

CSRC	refers to	China Securities Regulatory Commission
SSE	refers to	Shanghai Stock Exchange
CSDCCL	refers to	China Securities Depository and Clearing Corporation Limited Shanghai Branch
The Company, Qingdao Haier	refers to	Qingdao Haier Co., Ltd.
Four Major Securities Newspapers	refers to	China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily
KKR (GROUP)	refers to	KKR & Co. L.P. and its subsidiary. KKR & Co. L.P., is a limited partnership incorporated and existed in accordance with the laws of the state of Delaware, USA. KKR & Co. L.P. is listed on the New York Stock Exchange (both stock name and stock ticker: KKR).
KKR, KKR (Luxembourg)	refers to	KKR Home Investment S.à.r.l., a wholly owned subsidiary of KKR China Growth Fund L.P., is a project company incorporated in Luxembourg in accordance with international practices for the sole purpose of a strategic investment in the Company.
Haier Electronics, 1169	refers to	Haier Electronics Group Co., Ltd. (a company listed in Hong Kong, stock code: 01169.HK)
GEA	refers to	GE Appliances, a company of Qingdao Haier, helps its users to enjoy every beautiful moment of life by producing high-performance household appliances and providing unparalleled services. GE Appliances owns brands including Hotpoint, GE, GE Café GE Profile and Monogram; thus enables its users to have many options. Its products include refrigerator, freezer, cooking products, dishwasher, washing machine, drier, air-conditioner and water filtration system.
FPA	refers to	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 a famous luxury brand of the world. It has products including ventilator, gas stove, oven, dishwasher, microwave oven, freezer, washing machine, clothes dryer, etc. Its business covers over 50 countries across the world. In 2012, it became a wholly owned subsidiary of Haier Group. In order to perform the undertaking of Haier Group in respect of eliminating horizontal competition, the Company entered into the Trust Agreement on Fisher & Paykel Appliances Holdings

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		Limited between Haier Group Corporation and Qingdao Haier Co., Ltd. on 25 th of May 2015, whereby Haier Group entrusted its assets held in Fisher & Paykel Appliances Holdings Limited to the Company for operation and management.
CMM	refers to	China Market Monitor Co., Ltd., established in 1994, has been focusing on research on retail sales in China's consumption market for a long term and is the nationally recognized market research institute in terms of the appliance industry.
Euromonitor	refers to	Euromonitor International, established in 1972, is the worlds' leading strategic market information supplier and owns over 40-year experience in respect of publishing market reports, commercial reference data and on-line database. Euromonitor offer data and analysis on thousands of products and services around the world.

SECTION II GENERAL INFORMATION OF THE COMPANY AND 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	Liang Haishan

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 Changes in General Information

There was no change in the general information of the Company during the reporting period.

Details of the latest conditions are set out in the 2016 annual report of the Company.

IV. Information Disclosure and Location

Designated newspaper for information disclosure	China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily
Website for publishing interim report as designated by the CSRC	www.sse.com.cn
Company interim report location	Department of Securities of Qingdao Haier Co., Ltd. Haier Information Industrial Park, No.1 Haier Road, Qingdao City
Enquiry index of changes during the reporting period	Nil

V. Information on 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	1H 2017 (January - June)	1H 2016 (January - June)	Increase/decrease YoY(%)
Operating revenue	77,575,749,980.10	48,786,606,924.87	59.01
Net profit attributable to shareholders of the Company	4,427,068,404.51	3,315,173,171.70	33.54
Net profit after deduction of non-recurring profit or loss attributable to shareholders of the Company	3,777,339,454.95	2,765,423,757.22	36.59
Net cash flows from operating activities	8,393,200,906.18	4,754,556,382.69	76.53
	As of June 30,2017	As of June 30,2016	Increase/decrease YoY(%)
Net assets attributable to shareholders of the Company	29,343,093,829.35	26,364,725,409.83	11.30
Total assets	139,773,857,467.20	131,255,290,325.24	6.49

(II) Key financial indicators

Key financial indicators	1H 2017 (January - June)	1H 2016 (January - June)	Increase/decrease YoY(%)
Basic earnings per share (RMB per share)	0.726	0.543	33.70
Diluted earnings per share (RMB per share)	0.726	0.543	33.70
Basic earnings per share after deducting non-recurring profit or loss (RMB per share)	0.619	0.453	36.64
Weighted average return on net assets (%)	15.47	13.78	Increased by 1.69 pct pt
Weighted average return on net assets after deducting non-recurring profit or loss (%)	13.20	11.49	Increased by 1.71 pct pt

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

Applicable Not Applicable

1. In the first half of 2017, contribution to the revenue of the Company by GEA amounted to RMB22.5 billion, contribution to net profit attributable to the parent company amounted to RMB1.16 billion, and contribution to net profit attributable to the parent company after deduction of non-recurring profit or loss amounted to RMB630 million.

2. In the first half of 2017, the original business of the Company (excluding GEA) recorded an increase in revenue of 22.8% over the same period of last year, among which, revenue from white appliances increased by 27.2% by products as follows: revenue from refrigerator and freezer up by 16.5%, revenue from washing machine up by 20.7%, revenue from air conditioner up by 50.5%, and revenue from kitchen&sanitary products up by 22.7%.

3. Since 1 January 2016, the Company has changed the accounting method for Bank of Qingdao Co., Ltd. from available-for-sale financial assets to long-term equity investment and recognized the profit or loss using equity method, while the net profit attributable to the parent company for the first half of 2016 was adjusted upward accordingly.

4. In the first half of 2017, net profit attributable to the parent company after deduction of non-recurring profit or loss increased by 37% as compared with the same period of last year, of which the net profit attributable to the parent company after deduction of non-recurring profit or loss of the original business of the Company (excluding GEA) increased by 21.5% over the same period of last year.

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	-418,828.94
Gain from disposal of long-term equity investment	21,438,092.72
Government grants included in current profit or loss, but closely related to the normal operating business, and in compliance with requirements of national policies, continues to be granted with an amount and quantity determined under certain standards	118,072,782.97
In addition to the effective hedging business related to 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	425,914,149.99
Other non-operating net income and expenses except the aforementioned items	162,843,152.93
Minority interests	-70,417,181.68

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Effect of income tax	-7,703,218.43
Total	649,728,949.56

X. Others

Applicable Not Applicable

SECTION III SUMMARY OF THE COMPANY'S BUSINESS

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

(I) Major Business of the Company

The Company mainly engages in research, development, production and sales of home appliances with product portfolios covering refrigerators/freezers, washing machines, air-conditioners, water heaters, kitchen appliances products, small home appliances, U-home smart home business, etc., offering integrated smart home solutions to our consumers, and channel integration service business including logistics, home appliances and other product distribution business.

Since its establishment, the Company has been upholding the concept of “taking the user as right and ourselves as wrong”, while adhering to the spirit of entrepreneurship and innovation and the strategy of keeping up with the new era. Through its persistent efforts and the acquisition of the white goods business of Sanyo of Japan and the household appliances business of GE, and entrusted management of the Fisher & Paykel business in New Zealand, the Company has established its competitive edge with integrated capabilities in R&D, manufacturing and marketing at home and abroad.

According to retail sales statistics on large home appliances for the year 2016 published by Euromonitor, the world's leading independent provider of strategic market research, in 2016, sales of Haier's large home appliances represented a global market share of 10.3%, ranked No. 1 in the world for the 8th consecutive year. Meanwhile, global sales of Haier's refrigerators, washing machines, wine cellars and freezers continued to rank No. 1 in the world.

The Company's U+ SmartLife platform (U+ home OS) + industrial internet platform (COSMOPlat): In face of the opportunities and challenges arising in the Internet of Things (“IOT”) era, the Company has initiated a transformation to the IOT platform and established its leading role in the development of consumer-oriented smart homes, and the development of smart manufacturing for those industrial enterprises through the construction of the U+ SmartLife platform and the industrial internet platform.

U+ SmartLife platform: Through the U+ home OS operating system, the Company provides the support to the transformation of household appliances into smart appliances, as well as the transition of household appliances into internet appliances, and realizes the interconnection between things, the interconnection between humans and things, as well as the interconnection among various services through the interconnection of big data, cloud computing and service resources of third-parties, thus creating a complete ecosystem and providing consumers with a full scene experience of smart life.

Industrial Internet Platform (COSMOPlat): As the original ground-breaking project in China, Haier's global-leading industrial internet platform with independent intellectual property rights was built on its models 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, will be able to offer comprehensive solutions and value-added services enabled by the combination of software and hardware as well as the mix of virtual and real factors for the transformation and upgrading from mass manufacturing to mass customization for enterprises.

(II) Industry Review

In the first half of 2017, the domestic macro economy operated stable, and the stable trend of the exchange rate of Renminbi strengthened the market confidence. In respect of the cost, the price of mass raw materials remained high and put pressure on profits. In respect of demand, the domestic market of white appliances witnessed an increasing trend while the performance of each sub-industry faced a different situation: ① affected by factors such as high temperature weather, growth of real estate sector, improvement of rural penetration rate, the demand for air conditioners increased rapidly. According to data released by CMM, retail sales and retail volumes increased by 26.3% and 31.9%, respectively, in the first half of the year; ② demand for refrigerators was inadequate: retail sales and retail volumes increased by 1.7% and 4.8%, respectively; ③ demand for washing machines grew steadily: retail sales and retail volumes increased by 8.2% and 10.3%, respectively. Domestic demand for kitchenware and sanitary ware grew steadily: retail volumes of water heaters and kitchen & electricity products increased by 8.0% and 14.9%, respectively. Benefiting from the recovery of the global economy, export of household appliances from China grew strongly: according to data released by China Industry Online,

export sales of refrigerators, air-conditioners and washing machines increased by 17.2%, 13.2%, 14.4%, respectively, in the first half of the year.

As the domestic white appliance market entered a development stage led by the demand of replacement and upgrading, brand, quality, design and technique become the main factors that affect the consumption decisions and consumers are likely to pay the premium of “good products”. Consumption upgrading is steadfast: high-capacity, healthy, intellectual and artistic products become more popular, and the average price of products increases steadily; the penetrate rate of smart products improves: according to CMM, the penetration rate of smart white appliances will reach over 20% in 2017.

The market favors leading enterprises who put a long term focus on innovation and keep leading the trend and build on comprehensive advantages accumulated in long term competition. Such enterprises will continue to benefit from the upgrading of domestic consumption and market concentration.

II. Explanation of Significant Changes of Major Assets of the Company during the Reporting Period

Applicable Not Applicable

During the reporting period, the proportion of overseas assets of the Company remained stable as compared with the 2016 annual report:

Overseas assets amounted to RMB62,732.7948 million, representing 44.9% of the total assets.

III. Analysis on Core Competitiveness during the Reporting Period

Applicable Not Applicable

Since the foundation of the Company in 1984, Haier always adhered to the principle of driving sustainable and healthy development with innovation focusing on the needs of users, and the Company has successfully transformed 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 evolution on development strategy and operating mode, brand, research and development, intelligent manufacturing, development of foreign and domestic markets to achieve competitiveness and adapt to ever-changing conditions.

(I) Brand competitiveness

According to data published by Euromonitor, Haier has been ranked No. 1 among global large home appliances brands for the 8th consecutive years. In the segments of refrigerators, washing machines, wine cellars, freezers, the Company continues to be ranked 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 global strategic synergies 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.

(II) R&D and technological competitiveness

1. Layout of R&D resources around the world: With its 10 large open R&D centers around the world, Haier has established 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 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 the PRC and worldwide. At present, Haier held a total of 66 expert seats in IEC and ISO, two international standardization organizations. Haier also held 28 expert seats in the UL standardization organization. Of the 90 proposal for the development of and amendments to international standards put forward by Haier, 43 proposals have been published and implemented. Haier ranks No. 1 among household appliances companies in the PRC in terms of the number of proposals raised. Haier took a leading role in the formulation of first international standards for fresh-keeping capabilities of refrigerators issued by IEC. Its proposal for electricity insulation wall technologies have been incorporated into IEC international standards. Haier has led or participated in the development of national/industrial standards and its amendments with a total of 430, marking the highest level of household appliance companies in China.

3. The number of invention patents accounts for more than 70% of total invention patents. And the network of global patents covers 25 countries and regions, making Haier the leader in household appliances companies in the PRC in terms of the amount of overseas invention patents. Haier has

obtained more than one hundred international design awards, and was granted the unique gold award in the China industrial design awards for two consecutive years, demonstrating its industry-leading industrial design. Apart from the 14 National Science and Technology Progress awards, it also obtained the first prize in 2016, which was unprecedented in the household appliances 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 process of materialization 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

The core competitiveness of Haier’s smart manufacturing lies in its commitment to realizing 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 eight 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, 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: orders from mass customization in which users are involved in the whole process accounted for up to 16% of the total, and orders from mass customization in which customers are involved accounted for up to 52% of the total, achieved the breakthrough which eliminated or shortened the period of products in the warehouses. In addition, operational efficiency throughout the process has been enhanced.

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 from mass manufacturing to mass customization for enterprises.

(IV) Competitiveness in domestic market

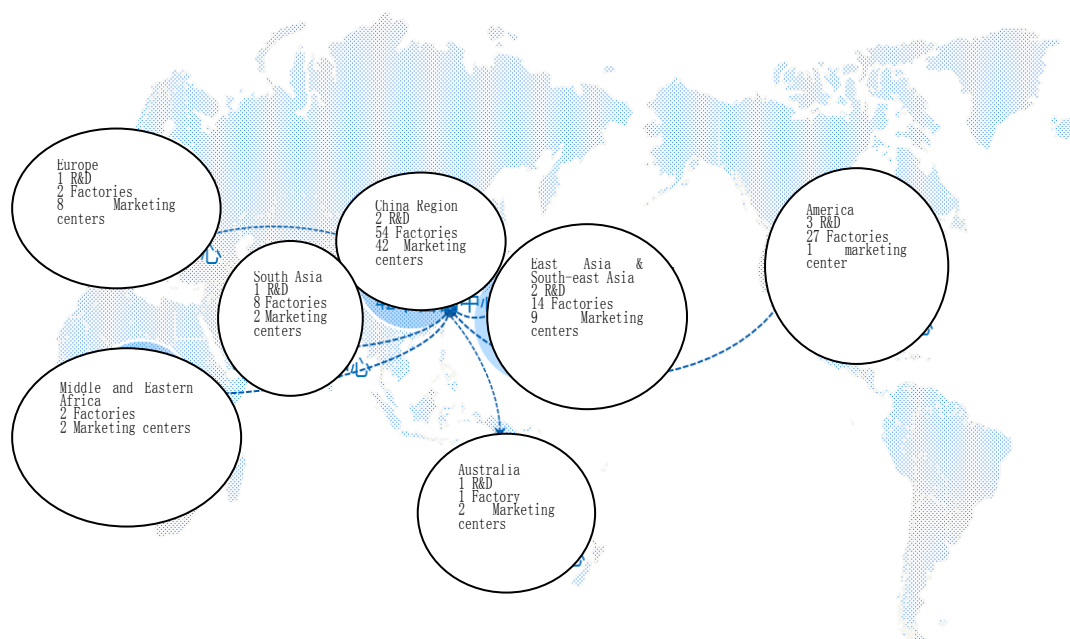
1. Through our diversified channel system, we have achieved full coverage of the domestic market and provide convenient shopping experience anywhere, anytime. We have also maintained strong strategic cooperation relationship with professional chains for household appliances, such as Gome and Suning, 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 and country-level networks. With regard to 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.

2. The network of the warehouses of Gooday Logistics covers more than 100 cities and regions in the PRC, with a total storage area of 3.57 million square meters, of which self-owed warehouses was 1.05 million square meters, representing 30% of the total areas, besides, it strengthened its terminal service capacity and continues to make investment in the terminal core network contribution. Through the whole-process visualization system and users' timely comment system, Gooday Logistics constantly improves the customers' experience, leading presence in the last mile.

(V) Competitiveness in overseas market

We have been adhering to the strategy of building our own brand independently. The Company has completed the localization layout of a triple network comprising R&D, manufacturing and marketing in the overseas market through self-construction and mergers and acquisition, with overseas capacity up to 20 million units, which helped us gain insight into and meet the needs of local consumers in a short time.

The Company has completed its acquisition of GEA a year ago and there is strong complementarity between the two parties in R&D of technologies, market channels, product categories as well as procurement and other aspects. The integration of GEA will promote the realization of synergies for each of the parties involved.



(VI) Cultural competitiveness

Credibility culture based on quality and service is the core driver of Haier's growth, and is also the essential reason 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 always seize development opportunities. The win-win model of combining individual and goal is the assurance of sustainable operation of Haier. In exploring the "Individual-goal combination, Co-create and Win-win ecosystem", Haier endeavors to build a win-win ecosystem based on user value interaction in the next stage of the 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 a win-win situation, which is critical to parties in the system.

SECTION IV DISCUSSION AND ANALYSIS ON OPERATIONS

I. Discussion and Analysis on Operations

The Company adheres to the transformation and upgrading of the globalization development direction, focusing on “electric appliance leading”, “internet appliances leading”, “ecological leading”, maintaining the leading position in respect of business scale, globalized operation, high-end structure, market share, ecological layout and other aspects, to achieve the breakthrough from “No. 1 in China to the leader of white appliances throughout the world”, the transformation from “single brand operation to multi-brands synergy operation” and the transition from “traditional household appliance manufactory to the leader of smart life platform in the internet of things era”.

In the first half of 2017, the Company recorded revenue of RMB77.576 billion, representing an increase of 59.01%, of which overseas revenue amounted to RMB35.083 billion, accounting for 45%. Revenue of self-owned brands of global household appliance business accounts for approximately 100%; recorded net profit attributable to the parent company amounted to RMB4.427 billion, representing an increase of 33.54%. Casarte, the high-end brand, recorded an increase in revenue of 46%.

Market share of the whole product lineup improved. ① Refrigerators, washing machines, water heaters expanded their leadership, with market share of domestic retail sales from January to June increasing by 3.12, 2.04 and 1.63 percentage points, respectively, ranking No. 1 in each industry in terms of market share; ② household air-conditioners, range hoods, cookers and other key growth businesses grew steadily, with market share of retail sales increasing by 0.42, 0.7 and 0.76 percentage points, respectively. Intelligent air conditioner of the Company accounted for 33.5% of total, ranking No.1 in the industry.

(I) Continued Introduction of Original Products, Leading the Industry Trend

Each industry of the Company provides consumers with solutions for quality life by building on the global top 10 R&D centers where the Company has first class resources and focuses on the R&D of original technology, leading the industry trend through continuing to promote product innovation.

Refrigerator/freezer business: The listing of F+ wholly-new MSA oxygen sensor freshness refrigerator, embedded infrared thermostat refrigerator, whole space freshness refrigerator and other products meet the market demand of super-large volume, premium classification storage, whole space freshness and household integration. F+ wholly-new MSA oxygen sensor freshness refrigerator combines the advantages of super-large volumes of French refrigerators and premium classification storage of T-type refrigerators. The MSA oxygen sensor and freshness technology achieves prolonged freshness for double the time while the nutrition loss is lower than 1/10 of ordinary refrigerators; Haier whole-space freshness refrigerators enlarge the fresh-maintaining space to the freezing compartment, achieving separated storage of dry and wet products, freezing the original taste and flavor. VDE (Verband Deutscher Elektrotechniker) awarded the first worldwide VDE fresh-maintaining certificate to Haier refrigerator, which is currently the first brand that passed the 537 strict inspections and obtained a VDE-QTM quality certificate, which is one of the strictest quality certificates throughout the world.

The market share of retail sales of refrigerators in the domestic market for the first half of the year was 30.64%, which is 2.39 times of the No. 2 ranked company; the market share of retail sales in the high-end market of RMB10,000 to RMB15,000 was 35.6% and increased by 11.1 percentage points as compared with the same period last year.

Washing machine business: In order to meet the demand for “healthier, more economical, separate rinsing, large-diameter drum” requirements, the Company constantly upgrades the rinsing and care solution through the application of advanced technology to clean water rinsing, smart rinsing, cloth identification and other advanced technologies; and making good products becomes visible through the marketing activities of “coin challenge” and “egg care washing”. The “FabriCare” washing machine of Casarte achieved accurate identification of fabric materials, colors of clothes through cloud connection, and achieved smart and healthy washing through the automatic and accurate matching of washing procedures and automatically added suitable detergent. The products are priced at RMB35,999, raising the high-end segment and leading the industry.

As the No.1 brand in respect of global rinsing and care solution, the upgrading effect of the washing machine on the business structure of the Company’s is obvious: leading the industry by differentiation through direct-drive converter drum, revenue of front-loading washing machines increased by 50%; and the share of retail sales in the first half of the year was 29%, increased by 2.04 percentage points as compared with the same period last year, and which is 1.67 times of the No. 2; market share of products priced above RMB10,000 rose from 53% to 65%, increased by 12 percentage points as compared with the same period last year.

Household air-conditioner business: benefitting from Haier air-conditioner’s continuous leading position in terms of technologies such as intelligent self-cleaning, temperature sensing, temperature and humidity self-controlling, as well as the market network, marketing innovation, revenue of the first half of the year increased by over 50%, of which domestic revenue increased by 60%. Sales of household air-conditioners of the Company during January to July this year has exceeded the whole of last year. Global sales in the cold year of 2017 (August 2016 to July 2017) exceeded 10 million sets. In respect of product innovation: ① from cleaning air-conditioner to providing clean air, and from cleaning heat

exchanger to automatic inspection and purifying of indoor air. The Company introduced an air-cleaning integrated air-conditioner, which has a purifying capacity of 450 cubic meters/h, reaching professional purifier levels. In the first half of 2017, the share of Haier's self-cleaning air-conditioners was 79.9%.

② from refrigeration and heating to human perception: the air-conditioner of Casarte was the first to creat temperature and humidity self-controlling technology to achieve the most comfortable experience through the intelligent adjustment of temperature and humidity. From the healthy and steady air of the Tian Zun air-conditioner to the zoned air of the Casarte series in 2017, the Company realized personalized air supply for different individuals in the same space. Share of sales of products above RMB16,000 during January to July amounted to 39.8%, ranking No. 1 in the industry and achieving a breakthrough in the high-end market.

③ from intelligent control to artificial intelligence: the market share of Haier intelligent air-conditioners was 33.5% in the first half of 2017, ranking No.1 in the industry.

Through the establishment of a win-win sharing mechanism with customers, the number of self-owned networks in 2017 realized a rapid increase, which promises a rapid development for future business. In respect of marketing, the Company promoted clean air experience brought by Haier intelligent self-cleaning air-conditioners by digital marketing to strengthen customers' attachment to the products.

Central air-conditioner business: focusing on “smart energy-saving”, industry segmentation and customization, launching ecological services

According to statistics, the energy consumption of central air-conditioners typically account for 40%-60% of the total energy consumption of a building. Aiming at energy-saving of central air-conditioners, the Company provided smart energy-saving solutions for users through cloud services, magnetic suspension, wireless communication and other advanced technology. By realizing magnetic suspension, the Company's central air-conditioners continue leading the era and launched the largest refrigerating capacity air-conditioner of the world with 4200 ton of refrigeration and magnetic levitation, which could cover more than 95% of central air-conditioner users, achieving double growth in magnetic suspension through the advantage of 'saving 50% power'.

Aiming at users' energy-saving and upgrading opportunities, the Company launched the exchange of connected machines, to realize the "exchange of central air-conditioners without impairment" by the "five don'ts" differentiated solution. For heating supply of clean energy, the Company introduced new central air-conditioner products and solutions such as combining air-conditioner with floor heating, two-stage compressive screw machines, heat resource machines, which gained popularity among users; for home users, the Company launched a central air-conditioner with butterfly-wing home-type features, which overturned traditional air supply mode, and the ultrathin design addressed the installation space problem. Product customization was achieved for heat recovery, corrosion resistance and other customized solutions for hotel, railway, industry, etc..

The Company launched central air-conditioner with a "three-free" energy-saving mode with ecological layout and achieved a breakthrough of energy conservation through big data analysis to realize intelligent energy-saving.

Market share improves steadily and high-end customization takes the lead: ① market share in the first half of 2017 rose 1.3 percentage points; ② for high-end intelligent energy-saving products, the share of magnetic suspension was 76%; ③ the market share of railway, hotel and other subdivided industries ranked No.1.

Kitchenware and sanitary ware business:

Water heater business: ① **electric water heater:** targeting at users' demand of "clean water rinsing", "safe rinsing", "quick heating", the Company progressed electric water heater product innovation with the support of core technologies such as "SMART instantaneous heat cleaning technique", "double-effect scale control and triple-step purification", which achieved the effect of saving 90% time and increasing 10 times capacity, effectively addressing the drawback of "slow heating speed"; the technique of "double-effect scale control and triple-step purification" controls scale effectively while at the same time purifying the water in three steps, which effectively removes harmful substances such as sediments, rust, residual chlorine, bacteria, etc., sufficiently safeguarding water for users. ② **gas water heater:** targeting at the requirement of safe and constant temperature, by leveraging aerospace nano-platinum catalytic technology (航天纳米铂金催化技术), the Company's gas water heater adopted Nuoco technology (诺客技术) to automatically eliminate carbon monoxide so as to safeguard the safety

of bathing; through cross-border cooperation and resource sharing, the Company applied space exploration power line carrier technique (天探测电力载波技术) in the area of gas water heaters to break the industry barrier of space control.

Haier's water heater products in the first half of the year increased retail price by 23%. The high-end market share improved sharply: electric water heaters from RMB2,800 to RMB4,000, accounted for 27.2%, up by 9 percentage points; gas water heaters above RMB4,000 accounted for 16.6%, up by 9 percentage points compared with the same period last year.

Kitchen appliances business: targeting at the portfolio requirement of different kitchen appliances for differentiated home decoration style, the Company integrated the features of global advanced techniques from FPA, GEA, and was enhanced by differentiation, kitting, high-end and intelligence to provide users with a set of smart free-combination solutions to realize the goal of becoming a leader.

The Company integrated the GEA technique to launch the five-burner gas stoves, which divided into a heat preservation area, soup-cooking area, stew area, auxiliary heating area, stir frying area and other main kitchen areas, to provide users with more abundant choices for kitchen life. The Company newly established 70 smart kitchen experience centers in the first half of 2017 to propel the transformation towards high-end kitting kitchen appliances.

Domestic revenue from kitchen appliances for the first half of 2017 increased by 55%, of which Casarte increased by 79%, which is double the industry's average.

(II) Domestic market: Focusing on retail, making investments in network, optimizing efficiency and improving structure

For more than one year after the commencement of the retail transformation, the Company provided consumers with the best quality and services by focusing on the value of products, upgrading user experience and customer services by focusing on the competitive force in the market, proactively following the development under the consumption upgrading era, through which the Company realized a sharp improvement both in results and quality: revenue from the household appliances business in the

PRC during January to June 2017 increased by 28%, the increase of average prices exceeded 10%, and the channel turnaround efficiency improved 15% compared with the same period of last year.

During the reporting period, the Company strengthened and expanded the competitive strength of the market system by the following measures.

1. Deepening network layout, promoting a full set of real scene sales mode. ①

Comprehensively changing the comprehensive store system and innovating and upgrading the specialty store system to realize meticulous planning and management of the network. A. Copying the mode of comprehensive stores like V58, V140, etc. to ordinary comprehensive stores to realize the breakthrough from one to more stores and to propel the operation of Haier Appliance Park in that channel; B. innovating and upgrading the specialty operation system, planning the network layout based on users' life scenes; releasing the new brand position of "Haier specialty store, a 'warm neighbor' near the user", to provide the most professional household appliance solutions and services and to penetrate into the life of the community; conducting standardized network development and operating management to specialty stores of single products such as kitchenware, sanitary ware and air-conditioners. C. putting into operation a full set of real scene sales mode in stores, to accomplish "from sales of products to full set of products, full set of design, full set of purchase and full set of services based on the household appliance solution customization", "from sales of products to experiential marketing", so as to gain trust by experience and attract users with services.

② The e-commerce channel improved its market reputation by increasing medium and high-end products layout, strengthening the formation of the brand internet image, increasing traffic entrances by opening an ecological channel and realizing multi-mode operation, so as to maintain rapid development. Revenue for the first half year increased by 70%. During the event held on 18 June, medium and high-end products of the Company online accounted for 55% and the average price rose by 14%. Retail sales of Haier on Tmall on 18th of June amounted to RMB375 million, accounting for 17.27% of the share.

③ The community economic ecological platform of "Shunguang micro-store, online store, offline store" develops rapidly, which accelerated the proceeding of online-offline (O+O) transformation based on trust. As of the end of June, Shunguang had 450,000 micro-store owners, more than 16,000 associations, and realized the initial connection between online stores (Haier mall), offline stores (13,000

Haier stores) and micro-store (450,000 Shunguang micro-store owners). Sales of the Shunguang platform during January to June 2017 exceeded RMB2.1 billion, more than the whole year of 2016.

2. Apply smart cloud stores, Yilihuo, Jushanghai and other internet tools to accomplish the digital transformation for staff, products and fields, improving the operating efficiency.

① Smart cloud stores broke the traditional store-opening mode, lowering the establishing cost and operating cost; this allows to display the full advantage of the Company's products through in-scene and precise marketing under the new retail method; the combination of information digitalization and training videos makes the latest information of products reach the terminal store in a timely and accurate way. ② Yilihuo eliminated the information breakpoint between enterprises and customers in towns and enables the information of products to reach customers and users in towns at the quickest speed and the lowest cost, thus accurately capturing the requirement of users. ③ Jushanghai platform provides order forecasting from preparing statements to automatic generation by the system, with the accuracy of order forecasting improved by 28%.

3. Casarte pushed forward the construction of brand, marketing and channel, and entered into the rapid development period; revenue for the first half of the year increased by 46%, becoming the leader in the high-end market.

- ① By launching the brand promotion strategy of "Casarte Life" and strengthening the recognition of target groups to the Casarte brand, the recommendation conversion rate of Casarte brand reached 73%; ② Casarte focused on accurate marketing and conducted "Chuangyi in China (创艺中国行)", "Chuangyi Life Show (创艺生活展)" and "Yishu Home (艺墅之家)" Casarte experience activities; established "520 Love Wife Day (520 爱妻日)" for Casarte; ③ focusing on the full network and exploring new channels: new users of the network in the first half of the year exceeded 800 families; entering into home building materials channel and capturing front-end market for home decoration; sparing no efforts in the construction of network in tier-three and tier-four markets, the growth of market revenue in this market exceeded 70%.

Maintaining advantage in the share of high-end market: the share of Casarte refrigerators over RMB10,000 in the first half of the year was 30.0%, up by 9.5 percentage points, representing an increase of 46.3%; Casarte washing machines of RMB8,000-10,000 accounted for 40.4%, up by 16.2 percentage points; the market share of Casarte air-conditioners over RMB20,000 reached 87.3%.

(III) Overseas market: collaboration of globalization, comprehensive development of business.

Revenue from overseas markets reached RMB35.083 billion in the first half of 2017, an increase by 150.43% on a year-on-year basis, of which self-owned brands accounted for nearly 100%. Original overseas business (excluding GEA) achieved revenue of RMB12.58 billion, significantly up by 19.7%: of which revenue from South Asia region increased by 47%, revenue from Europe increased by 29%. During the reporting period, the Company approved the following measures to facilitate the business development of overseas markets:

1. Propel the creation of a global procurement, supply chain and R&D platform and accelerate collaboration. ① continue the identification of collaboration opportunities for procurement and project landing: new collaboration projects of procurement in 2017 were valued at US\$85.20 million, of which over 92% could be realized. The creation of a big data base for global materials entered the execution stage, and global sharing for procurement data will be addressed, which will also facilitate new collaboration opportunities. ② sharing the superior resources in global manufacturing, transferring 15 best practices in manufacturing, among which 7 were provided by GEA; based on the medium and long term development, each business implemented the best strategic layout for the global supply chain, completed the layout mode and evaluated standards. ③ establishing a sharing mechanism for global intellectual property rights and the global COE (Center of Excellence) solution, allowing an equal sharing system for global R&D information, to accomplish uniform import procedures and engineering language of new products, and to implement collaboration across regions and improving R&D efficiency.

2. GEA performs well, the consolidation effect exceeded expectations. In the first half of 2017, GEA achieved revenue of RMB22.5 billion and net profit of RMB1.16 billion. During the year after the transaction closing in June 2016, GEA successfully completed the first stage in the consolidation plan with the improvement of operating efficiency, collaboration with Haier globally in respect of R&D, global products platform, procurement and supply chain; during the reporting period, GEA focused on the goal of being a leader in the market, propelled the innovation of leading products and the implementation of high profit strategy through the adjustment of organization and mechanism, to lay a solid foundation for the development of the next stage.

3. Integrate global advantageous product resources and optimize the structure. ① Europe market: through third-generation products of Italian refrigerators, including a 521 hinged door refrigerator, T-door refrigerator and other high-end differentiated products, revenue from refrigerator recorded an increase of 43%; the share of Haier refrigerators in the mid and high-end market with three doors or above in Russia reached 25%, ranking No.1; wholly-new air-conditioner products of GEA listed in Italy, targeted at the mid to high-end market. Sales of home air-conditioners in Italy for the first half of the year increased by 24% on a year-on-year basis, and commercial air-conditioners increased by 44% on a year-on-year basis. ②Japan market: sales of mid and high-end washing machines for the first half of the year increased by 98% on a year-on-year basis; ③ Southeast Asia market: the import of glass hinged door refrigerators in the headquarter, and T-type four-door refrigerator, twin drum washing machine, composite machine, self-cleaning air-conditioner and other mid and high-end products, quickly improve the image of terminal brands and products structure.

4. Propelling the layout of local supply chain and efficiency improvement. ① The manufacturing cost of Russian refrigerators was lowered by 20% compared with 2016 by the improvement of efficiency and reduction of material consumption, and the gross profit margin improved by increasing the proportion of local procurement, enhancement of skill and lowering of cost; in May this year, 100,000 refrigerators made in Russia went offline. ② the project of Haier industrial park in India proceeds smoothly and is expected to be put into operation by the end of the year. Categories of products after reaching target output will include products from refrigerators to washing machines, air-conditioners, and water heaters, and the overall output is expected to double. While meeting the market demand from India, such products will be at the same time introduced into the markets of Middle East, Africa, Russia, etc..

(IV) Logistic business continues its sound growth

Benefitting from the continuous improvement of online home appliances sales and the high quality service capacity of Gooday Logistics, the e-commerce logistic segment maintained high-speed growth, and revenue increased by 56%. Meanwhile, the e-commerce segment also proactively expanded into large-size industries, such as health devices and entertainment equipment, while health devices maintained a more than three-digit figure growth.

Regarding logistics, the e-commerce segment proactively explored and promoted a supply chain integration solution, improved value-added services such as delivering accompanied with installation, reverse logistic, in house maintenance, etc., so as to better serve customer needs, improve customers' attachment and strengthen operating efficiency.

By leveraging its advantage in the large-size home appliances area and supported by brand order from Yihua Group, Gooday Logistics at the same time proactively expanded terminal network coverage, with revenue from online household segment for the first half of the year increasing over 60%. Gooday Logistics also constantly strengthened the transportation network and arranged intelligent and automatic warehouses so as to erect a standard for the large-size product logistics industry. At present, the total area of warehouses of the Group amounted to 3.57 million square meters, of which the area of self-owned warehouses in aggregate was 1.05 million square meters and self-established warehouses amounted to 30%.

(V) U+ focuses on intelligent overall scenario, win-win new ecology and provides the best ecological experience

Focusing on U+ SmartLife 3.0 strategy around the themes of “intelligence, scenario and new ecology”, the Company established a cloud of thing and cloud brain for the U+ SmartLife platform with natural human-computer interaction and distributed scenario internet appliances to provide users with the best experience. Users in the U+ platform reached 50 million and sales of internet appliances amounted to 4.95 million, increased by 112%.

1. Intelligence: releasing a smart family IoT cloud of things solution, U+cloud chip, offering standard and services output, assisting the transformation and upgrading of traditional enterprises; the UHomeOS operating system-liteOS was released and first applied to air-conditioner; focusing on energy saving and water saving of users, the Company established a data mode that can “self-perceive habits (习惯自感知)”, “self-generate energy-saving strategy (节能策略自生成)” and “self-release control strategy (控制策略自下发)” by remote technology as well as self-learning intelligent control technique. As of the end of June, energy savings reached 260,000 KWh.

2. Overall scene: increasing model coverage of internet appliances for the complete set of smart household appliances and increasing the number of smart scenes, the Company is improving the management process of the full life-cycle of smart household appliance products; strengthening the control capacity in the U+APP scene, establishing an open U+engine for accessing a massive amount of internet appliances. Making 180+ intelligent scenes to form multi-screen and scene interconnection.

3. New ecology: With a focus on the strategy for ecological platform, the Company is creating an ecology of smart scenes, achieving sustainable and synergic appreciation of the ecological system, promoting added value to the ecology of scenes. For example, kitchen food ecology will focus on trusted food materials and healthy cooking, breaking the platform construction, and preliminarily establishing the mode of “one scene, one community, one system and one standard”, with the weekly repurchase rate of scenes exceeding 20% and monthly ecological revenue increasing 9 times. Smart washing ecology focuses on laundry solutions, such as the establishment of internet of clothes ecological union platform as well as community laundry.

(VI) Move forward the construction of COSMOPlat platform, accelerate the transformation of intelligent manufacturing, and meeting the rapid growth of personalized customization requirements.

During the reporting period, the Company proactively moved forward the transformation of its internal supply chain: with 8 interconnected factories, the Company promoted the mode of interconnected factory to 108 factories throughout the world, and enriched the interconnected capabilities and ecological system covering the whole process.

The Company provides customization for home appliances by virtue of a community economy, moving forward into the mother & baby market, and establishing cross-domain community scene ecology. Creative Convergence, together with each industrial line and the Chinese mother & baby community customization platform, built a “Magic Mommy College (魔法妈咪学院)”, and opened a full set of customized home appliances products covering all categories including air, food, washing, which drove the MTD (Mind To Deliver) of the Creative Convergence mode to make continuous contributions. As the sub-platform for home appliance customization on Haier’s COSMOPlat, “Creative Convergence” has developed into the largest home appliances customization platform in the industry.

Propelling the development of a new industry of smart manufacturing: the Company acquired Fisher & Paykel Production Machinery Limited (斐雪派克生产设备有限公司) (the “PML”), and consolidated the resources of both parties and established a business platform for intelligent equipment; applied COSMOline, developed by PML, into COSMOPlat to drive its development and promotion. Smart manufacturing solutions of the Company have been adopted by 7 top industries, such as machine and electronics, etc..

II. Development Plan for the Second Half of the Year

(I) Industry Outlook

In the long run, with the diversification of the consumption structure in the industry, the differentiation of consumption requirements as well as the change of concept brought by the boom of young consumer groups and middle class, the upgrading trend of consumption will be further accelerated. In the short run, the de-stocking in the real estate in the tier three and tier four cities generated profit for the industry. Meanwhile, the continuous high temperature facilitated the digestion of stock in the air-conditioner channel. The significant increase of raw material price in the short term increased enterprises’ costs, while at the same time accelerated the elimination of the weak.

(II) Key Works for the Second Half of the Year

The Company will closely capture the upgrading trend and lead the consumption upgrading by the innovation of products; continue strengthen the development of air-conditioner products and kitchen and appliances products while at the same time maintain the leading advantages in washing and water heating industry.

Domestic market: the Company will continue to promote the upgrading of channel management mode by virtue of the internet, copied and promoted the scene specific and accurate marketing mode under new retail modes; realize the unity of synergy and market throughout the whole process by focusing on products size and the whole process; and realize the upgrading of scene interaction by the continuous propelling of the 3UP scene channel and further improvement of brand image and terminal experience. The Company will accelerate the expansion of the Casarte network in the second half of the year to achieve the coverage over core stores and further facilitating the transformation of Casarte in high-end retail.

Overseas market: by leverage the global multi-brand and triple layout, the Company will open and consolidate global resources, and by focusing on differentiated products, improve the terminal competitiveness; move forward the collaboration of global research and development, products and supply chain, and improve performance.

Logistic business: Gooday Logistics will also continuously strengthen the terminal services capacity, continue making investments into the terminal core network construction. It is expected that 5,000 image stores will be established in stages to conduct delivery, receipt, on-site impairment and other services, so as to improve the terminal image and user attachment. Meanwhile, Gooday Logistics will constantly improve customer experience through visual systems during the whole process and timely evaluation to lead the last mile.

U+business: under the guidelines of the U+ smart homes 3.0 strategy, the Company further upgraded U+ cloud brain, optimized natural interaction experience and improved the family scene and knowledge storage of smart home. Constantly attracting third parties' hardware resources and ecological resources through open platform and publicizing customized scenes, improving the overall smart home whole scene interaction experience, to further improve U+ecology.

COSMOPlat platform: the Company conducted the digitization and product focus of the Haier interconnected factory mode, and also consolidated Haier's existing intelligent equipment, intelligent control, sophisticated mode, institution of industrial intelligence and other capacity to offer comprehensive solutions and value-added services through the combination of software and hardware as well as the mix of virtual and real factors for the transformation and upgrading of smart manufacturing. Mass customization business focuses on user requirement, offering home appliances customization by the community and achieving scene customization. The Company is also engaged in mother & baby and other markets to further accomplish the co-development of community and contextualization.

(I) Analysis of principal business

1 Table of changes of selected items in financial statement

Unit and Currency: RMB

Items	Current period	Corresponding period of last year	Change (%)
Operating revenue	77,575,749,980.10	48,786,606,924.87	59.01
Operating cost	54,154,905,833.39	34,675,732,074.42	56.18

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Taxes and surcharge	345,386,333.3	171,696,918.3	101.16
Sales expense	12,937,515,954.38	6,693,076,335.80	93.30
Administration expenses	4,623,708,396.51	3,543,082,531.68	30.50
Financial expenses	611,677,281.93	125,069,008.47	389.07
Net cash flows generating from operating activities	8,393,200,906.18	4,754,556,382.69	76.53
Net cash flows generating from investing activities	-2,379,700,543.68	-36,998,768,852.90	93.57
Net cash flows generating from financing activities	-383,733,536.99	29,440,960,074.11	-101.30

Reason for the change in operating revenue: operating revenue increased by 59.01% as compared with the same period of last year, which was mainly due to the growth of the original business of the Company and the revenue of GEA contributed to the Company since the acquisition of GEA.

Reason for the change in operating expenses: operating expenses increased by 56.18% as compared with the same period of last year, which was mainly due to increase of cost resulting from the growth of sales and helped by the increase of scale after the acquisition of GEA.

Taxes and surcharge increased by 101.16% as compared with the same period of last year, which was mainly due to the consolidation of all relevant taxes during the course of operating activities into the accounting item of taxes and surcharge since 1 May 2016 according to the CAIKUAI No. [2016]22 Value Added Tax Accounting Treatment Regulations issued by the MOF.

Reason for the change in selling expenses: selling expenses increased by 93.3% as compared with the corresponding period of last year, which was mainly attributable to the increase of revenue of the Company and the inclusion of selling expenses of GEA (the corresponding period only included the selling expenses of GEA during the period from 6 June to 30 June 2016).

Reason for the change in management expenses: management expenses increased by 30.5% as compared with the corresponding period of last year, which was mainly due to the inclusion of the management expenses of GEA (the corresponding period only included the management expenses of GEA during the period from 6 June to 30 June 2016).

Reason for the change in financial expenses: financial expenses increased by 389.07% as compared with the corresponding period of last year, which was mainly attributable to the increase of the average balance of borrowings for the period as compared with the corresponding period of last year.

Reason for the change in net cash flows from operating activities: net cash flows from operating

activities increased by 76.53% as compared with the corresponding period of last year, which was mainly due to the increase of revenue for the period and helped by the strengthening of management of accounts receivables.

Reason for the change in net cash flows from investing activities: net cash flows from investing activities decreased by 93.57% as compared with the corresponding period of last year, which was mainly attributable to that the payment for the acquisition of GEA, which was settled in the corresponding period of last year (for the current period: nil).

Reason for the change in net cash flows from financing activities: net cash flows from financing activities decreased by 101.3% as compared with the corresponding period of last year, which was mainly attributable to the debt financing for the acquisition of GEA in the corresponding period of last year (for the current period: nil).

2 Others

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

Applicable Not Applicable

1. Loss from change in fair value decreased by 326.09% compared with the corresponding period of last year, which was mainly attributable to the change in fair value of derivative financial instruments such as future exchange.

2. Other income increased by 100% as compared with the corresponding period of last year, which was mainly attributable to the implementation of the Accounting Standards for Business Enterprises No. 16 - Government grants (2017 Revision) at the time, as request by the MOF during the period.

3. Non-operating income decreased by 32.87% as compared with the corresponding period of last year, which was mainly attributable to the changes of accounting methods in equity investment of Bank of Qingdao in the corresponding period of last year, and the inclusion of the difference between the fair value of the equity investment and the attributable fair value of net identifiable assets of the Bank of Qingdao as determined according to the proportion of shareholding (for the current period: nil).

4. Non-operating expenses increased by 49.74% as compared with the corresponding period of last year, which was mainly attributable to the increase of disposal of non-current assets for the period.

3. Principle operating activities by products

Unit and Currency: RMB0'000

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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	1,632,737	1,112,524	31.86	68.94	67.20	0.71
Refrigerators	2,274,300	1,541,866	32.20	48.49	51.06	-1.15
Kitchenware and sanitary ware	1,316,172	826,701	37.19	163.44	182.77	-4.29
Washing machines	1,384,511	906,228	34.55	59.02	55.63	1.43
Equipment components	148,550	125,477	15.53	18.86	18.51	0.25
Channel integrated services business and others	967,993	896,303	7.41	14.37	13.22	0.94

(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: 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 (%)
Financial assets at fair value and its change consolidated in profit or loss for the period	36,973,157.4	0.03	80,432,384.17	0.06	-54.03
Short-term borrowing	11,985,795,621.88	8.58	18,165,531,879.15	13.84	-34.02
Financial liabilities at fair value and its	70,573,461.47	0.05	2,340,213.20	0.00	2,915.69

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change included in profit or loss for the period					
Interests payable	76,637,799.03	0.05	30,570,328.66	0.02	150.69
Dividend payable	1,893,922,420.51	0.27	148,690,489.01	0.11	1,173.73
Non-current liabilities due within one year	1,700,963,280.46	1.22	2,966,808,509.55	2.26	-42.67
Other non-current liabilities	50,769,391.88	0.04	582,785,069.86	0.44	-91.29
Capital reserve	315,454,458.52	0.23	83,383,194.51	0.06	278.32

Other explanations

1. Financial assets measured at fair value and its change included in profit or loss for the period decreased by 54.03% as compared with the beginning of the year, which was mainly due to the change in fair value of derivative financial instruments such as forward exchange contracts for the period.

2. Short-term borrowings decreased by 34.02% as compared with the beginning of the year, which was mainly due to the adjustment of the borrowing structure and certain short-term borrowings that were turned into long-term borrowing by the Company.

3. Financial liabilities measured at fair value and its change included in profit or loss increased by 2915.69% as compared with the corresponding period of last year, which was mainly due to the change in fair value of derivative financial instruments such as forward exchange contracts for the period.

4. Interests payable increased by 150.69% as compared with the beginning of the period, which was mainly due to the increase of interest which has been provided but not paid.

5. Dividends payable increased by 1173.73% as compared with the beginning of the period, which was mainly attributable to the increase of dividends which have been provided but not allocated to the Company and subsidiaries.

6. Non-current liabilities due within one year decreased by 42.67% as compared with the beginning of the period, which was mainly due to the conversion of convertible bonds issued in prior years by the subsidiary of the Company during the period.

7. Other non-current liabilities decreased by 91.29% as compared with the beginning of the period, which was mainly attributable to the change in fair value of forward exchange contracts held by the Company for the period.

8. Capital reserve increased by 278.32% as compared with the beginning of the period, which was mainly attributable to the capital increases from minority shareholders of the subsidiary of the Company for the period and the conversion of convertible bonds for the period.

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

Applicable Not Applicable

3. Other explanations

Applicable Not Applicable

(IV) Analysis on investment

1. Overall analysis on external equity investment

Applicable Not Applicable

During the reporting period, the external equity investment of the Company amounted to RMB856 million.

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)
Fisher & Paykel Production Machinery Limited (“PML”)	Manufacturing of automatic and customized intelligent equipment and offering businesses such as solutions for the management system of factories	100	For details, please refer to the Announcement on the Transfer of the 100% Equity of Fisher & Paykel Production Machinery Limited by Qingdao Haier Co., Ltd. and Connected Transaction disclosed on 21 June 2017 as well as relevant announcement of the Board.	3.31	0
Qingdao Haier Multi-media Co., Ltd. (青岛海尔多媒体有限公司)	Communication equipment, home appliances, R&D, sales, etc.	20.20	For details, please refer to the Announcement on the Transfer of Certain Equity of Qingdao Haier Multi-media Co., Ltd. (青岛海尔多媒体有限公司) by Qingdao Haier Co., Ltd. and Capital Increase and	5.25	0

			Connected Transaction as well as relevant announcement of the Board.		
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(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

Unit: RMB

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			531,278.28
BAILIAN (600827)	154,770.00	Own funds			74,443.32
Eastsoft (300183)	18,713,562.84	Own funds			-3,314,348.64
Others	2,358,797.02	Own funds			-38,042.01
Forward foreign exchange contract (Note)				13,850,304.84	412,063,845.15
Total	23,030,899.36			13,850,304.84	409,317,176.10

Note: As of 30 June 2017, the aggregate balance of foreign exchange derivative transactions amounted to approximately US\$2.8 billion.

(V) Material Assets and Equity Disposal

Applicable Not Applicable

(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 home appliances	3,619,712	2,095,786	145,034
Qingdao Haier Air-Conditioner Electronics Co., Ltd. (青岛海尔空调电子有限公司)	Air conditioner products	519,606	335,402	27,777
Haier US APPLIANCE SOLUTIONS, INC.	Holding company	4,648,790	1,362,467	91,504

Note: The financial data of Haier Electronics Group Co., Ltd. (a Hong Kong listed company, stock abbreviation: Haier Electronics, stock code: 1169.HK) 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 compared 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 intensified 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, industry inventories rise. A price war can become a strategy of competitors to increase market share in the short term.

3. Risk of rise in cost. Bulk raw materials such as copper, aluminum, steel plate, oil-related plastic particles and foam materials account for a large proportion of the cost of white goods production. Given the noticeable upward trend of prices of bulk raw material in 2017 up to now, the Company may be exposed to more cost pressure if the price of raw materials continues to rise in the future. The freight cost constitutes a larger proportion of the selling expenses and freight cost has risen due to restrictions on “three excess” by the government in the logistics industry.

4. Operating risk in overseas market. The Company has set up a dozen production bases, research and development centers and marketing centers in a number of countries around the world, leading to the continuous rise of the overseas business. As the overseas market is subject to the impact of local political and economic situations, including legal and sovereign system, significant changes of such factors would pose risks to the Company’s local operation overseas.

5. Risk of fluctuation in foreign currency exchange rate. Significant fluctuations in exchange rates may have an adverse impact on the Company's exports and may also result in an exchange loss and an increase in financial costs.

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
2016 Annual General Meeting of Qingdao Haier Co., Ltd	28 June 2017	For details, please refer to the Announcement on Resolutions Passed at the 2016 Annual General Meeting of Qingdao Haier Co., Ltd. (L2017-023) published by the Company on the website of Shanghai Stock Exchange (www.sse.com.cn) and the four major securities newspapers	29 June 2017

Explanation of Shareholders' general meeting

Applicable Not Applicable

The 2016 Annual General Meeting of the Company (the "2016 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 28 June 2017. The Company's share capital in aggregate amounted to 6,097,630,727 shares. 171 shareholders and proxies attended the meeting, holding a total of 3,696,722,055 shares, representing 60.63% 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 2016 AGM was convened by the Board of the Company. Vice Chairman Ms. Tan Lixia, presided over the 2016 AGM. The Company had 9 Directors, of whom 4 Director attended the 2016 AGM (Directors Liang Haishan, Zhou Hongbo, Peng Jianfeng, Wu Cheng, Liu Haifeng David, were unable to attend the 2016 AGM due to personal engagements); the Company had 3 supervisors, all of whom attended the 2016 AGM. The secretary to the Board of the Company attended the 2016 AGM and other members of senior management of the Company were invited to attend the 2016 AGM.

II. Proposal of Profit Distribution or Capitalisation of Capital Reserve

(I) Proposal for Interim Profit Distribution and proposal for Capitalisation 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		Content	Time and term	Whether there is 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	<p>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 suffer 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 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</p>	24 December 2013, long term	YES	YES
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			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
Undertaking related to the Share Option Incentive Scheme	Other	Qingdao Haier Co., Ltd.	With regard to its Share Option Incentive Scheme, the Company has undertaken not to provide loan or any other kind of financial support to incentive object in exercising option under the Share Option Incentive Scheme or purchase of restricted shares, including providing guarantee for its loan.	11 April 2014, long term	YES	YES
Other undertakings	Asset injection	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
	Asset 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	December 2015-June 2020	YES	YES

			Commitment of Haier Group Corporation (L 2015-063) published on the four major securities newspapers and the website of Shanghai Stock Exchange on 23 December 2015.			
	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 of the 2016 annual general meeting: in order to ensure the smooth implementation of the financial and internal auditing and the continuity of the auditing work in 2017, the Company re-appointed Shandong Hexin Certified Public Accountants (LLP) as the audit institution of the financial report and internal control of 2017, 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

XI. The Company's equity incentive plan, employee shareholding 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

Summary	Index for details
<p>Cancellation of Exercise/Unlocking of Equity under Phase IV Share Option Incentive Scheme: On 28 April 2017, the 5th meeting of the 9th session of Board of Directors of the Company reviewed and approved the Resolution on Cancellation of Exercise/Unlocking of Retained Equity under Phase IV Share Option Incentive Scheme of Qingdao Haier Co., Ltd.. According to which the exercise/unlocking of the equity incentive based on the assessment for the year 2016 was cancelled as the results for the year 2016 had not reached the condition for exercise/unlocking.</p>	<p>For details, please refer to the Announcement on Arrangement on Cancellation of Exercise/Unlocking of Equity under Phase IV Share Option Incentive Scheme of Qingdao Haier Co., Ltd. (L 2017-014) and relevant announcement on the resolutions of the board disclosed on 29 April 2017, Announcement on Cancellation of Repurchased Restricted Shares under the Share Option Incentive Scheme (L 2017-025) disclosed on 19 July 2017.</p>

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

Share Option Incentive

Applicable Not Applicable

Other explanations

Applicable Not Applicable

Employee shareholding plan

Applicable Not Applicable

On 27 February 2017, the Company considered and approved relevant resolutions such as the Phase II Stock Ownership Scheme of Core Employees Stock Ownership Scheme of Qingdao Haier Co., Ltd. (Draft) and its Summary at the 4th meeting of the 9th session of the Board of Directors. The 576 staff who participated in 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 RMB266.10 million in the fund. On 29 March 2017, the Company disclosed the Announcement on the Completion of Share Purchase by the Phase II Stock Ownership Scheme of Core Employees Stock Ownership Scheme of Qingdao Haier Co., Ltd. (《青島海爾股份有限公司核心員工持股計劃之第二期持股計劃完成股票購買的公告》), and the Employees Stock Ownership Scheme has been entrusted to Industrial Assets Management Co., Ltd.(興證證券資產管理有限公司), who will establish a directional asset management plan for the Phase II Stock Ownership Scheme of Core Employees Stock Ownership Scheme of Qingdao Haier Co., Ltd. (“Assets Management Plan”) for the management. As of 28 March 2017, the Assets Management Plan has purchased an aggregate of 22,820,787.00 shares of the Company, representing 0.37% of the total share capital of the Company, from the secondary market at an average trading price of approximately RMB11.43 per share with a trading volume of RMB260,768,338.35. The Phase II 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 29 March 2017 to 28 March 2018.

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 2017 at the 5th meeting of the 9th session of Board Meeting held on 28 April 2017. For details, please refer to the Announcement of Qingdao Haier Co., Ltd. regarding the Anticipation on the Daily

Related-party Transactions for 2017 and relevant announcement on the resolutions of the Board disclosed on 29 April 2017.

For the actual implementation of the Related-party transaction of January to June 2017, 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
Acquisition of equity of PML: in order to further consolidate and expand the Company’s strengths in the intelligent manufacturing area, facilitate the construction and implementation of the digital platform of the COSMOPlat-intelligent manufacturing, the Company purchased the 100% equity of Fisher & Paykel Production Machinery Limited (斐雪派克生产设备有限公司, “PML”) held by Fisher & Paykel Appliances Limited (斐雪派克电器有限公司, “Fisher & Paykel”), an overseas subsidiary of Haier Group Corporation, by way of paying cash through overseas subsidiary. The overseas subsidiary of the Company shall pay US\$48.615481 million (equivalent to RMB330.6825 million) to Fisher & Paykel, and the cash consideration will be transferred to PML.	For details, please refer to the Announcement on the Transfer of the 100% Equity of Fisher & Paykel Production Machinery Limited to Qingdao Haier Co., Ltd. and Connected Transaction disclosed on 21 June 2017 (L 2017-022).
Acquisition of equity of multi-media company: in order to further facilitate the implementation of Haier U+SmartLife strategy, arrange the construction of Haier smart home ecology and further control the entry of the living room with TV as the carrier, the Company transferred certain equity of Qingdao Haier Multi-media Co., Ltd. (青岛海尔多媒体有限公司) and contributed part of its new registered capital, which amounted to RMB525 million in total.	For details, please refer to the Announcement on the Transfer of Certain Equity of Qingdao Haier Multi-media Co., Ltd. (青岛海尔多媒体有限公司) to Qingdao Haier Co., Ltd. and Capital Increase and Connected Transaction (L 2017-003).

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 be 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 at relevant meetings (such as the general meetings of the Company) are within the term thereof:

(1) According to the 2011 Haier Group's commitment to further support the development of Qingdao Haier and resolve intra-industry competition to reduce related-party transactions, Haier Group should strive to resolve the problems of intra-industry competition with the Company within five years. However, based on the current market and financial factors of FPA, Haier Group was unable to transfer the assets under custody to the Company before the completion of the aforementioned commitment. In order to resolve the problems of intra-industry competition between Haier Group and the Company, Haier Group intends to entrust the Company with the management and operation of assets under custody and will pay RMB1 million trust fee to the Company each year during the period of custody.

(2) 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: RMB

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						3,553,542.41								
Total balance of guarantees for subsidiaries at the end of the reporting period (B)						2,295,459.60								
Total amount of guarantees provided by the Company (including guarantees for subsidiaries)														
Total guarantee (A + B)						2,295,459.60								
Ratio of total amount of guarantees to net						78.23								

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assets of the Company (%)	
Among which:	
Amount of guarantees for shareholders, actual 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)	2,063,587.55
The amount of total amount of guarantee in excess of 50% of net assets (E)	828,304.90
Total amount of the above three guarantees (C + D + E)	2,891,892.45
Explanation of possibly bearing related discharge duty for premature guarantees	None
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 RMB22.356 billion (note). The balance guaranteed amounted to approximately RMB15.242 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 June 2017, the resolution on the security provided to subsidiaries in the year 2017 was passed on the 2016 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 RMB18.81 billion. As at the end of the reporting period, the balance guaranteed was RMB7.713 billion.</p>

Note: The foreign currency quoted in the above statement is calculated at the exchange rate quoted on 30 June 2017. In US dollars, for example, on 30 June 2017, \$ 1 = RMB6.77.

3 Other Major Contracts

Applicable Not Applicable

XII. Information on initiatives taken to help people out of poverty

√Applicable Not Applicable

1. Targeted measures in poverty alleviation plan

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 more than 200 hope schools, covering 26 provinces, municipalities directly under the central government and autonomous regions in China. 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

In the first half of 2017, the Company’s expenditures on targeted measures in poverty alleviation was approximately RMB11.18 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. Table of statistics of initiatives of targeted measures in poverty alleviation of the Company during the reporting period

Unit and Currency: RMB0’000

Indicators	Amount and the status
I. General information	
Among which : 1. Funds	1,118
II. Breakdown of the use of funds	
1. Overcoming poverty through education	1,118

1.1 Amount of investment for the purpose of improving the resources of education in poverty-stricken areas	1,118
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4. Subsequent targeted measures in poverty alleviation plans

In the second half of 2017, 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 and other initiatives, and will perform our social responsibilities in a proactive manner.

XIII. Convertible corporation bonds

Applicable Not Applicable

XIV. Statement on the matters related to the environment protection list of major pollution emission organizations as announced by environment protection authorities and the subsidiaries of such companies

Applicable Not Applicable

XX. 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

The Chinese Ministry of Finance issued Accounting Standards for Business Enterprises No. 42 – Non-Current Assets Held for Sale, Disposal Groups and Discontinued Operations in 2017 and it has been performed since 28 May 2017, the non-current assets held for sale, disposal groups and discontinuing operation which existed since implementation date are required to be dealt with prospective application; and revised the Accounting Standards for Business Enterprises No. 16 – Government Grants and it has been performed since 12 June 2017, the government grants which existed since 1 January 2017 are required to be dealt with future method; the government grants which existed during the period from 1 January 2017 to implementation date are required to be dealt with this revised accounting standards.

On 25 August 2017, the Company considered and approved the Resolution on the Change of Accounting Policies by Qingdao Haier Co., Ltd. on the 7th meeting of the 9th session of the Board of Directors, and considered aforesaid matters such as change of accounting policies.

(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 in 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

On 28 April 2017, the 5th meeting of 9th session of Board of Directors of the Company reviewed and approved the Resolution on Cancellation of Exercise/Unlocking of Equity under Phase IV Share Option Incentive Scheme of Qingdao Haier Co., Ltd. The Company intended to cancel the exercise of the second period stock option in the portion of retained equity and to repurchase and cancel the restricted shares of the second unlocking period due to the lack of exercise / unlocking conditions. According to the resolution, the Company has repurchased a total of 228,000 restricted shares, which were cancelled on 19 July 2017. After the cancellation, the share capital of the Company has been changed from 6,097,630,727 to 6,097,402,727. For details, please refer to the Announcement of Qingdao Haier Co., Ltd. on Cancellation of Repurchased Restricted Shares under the Share Option Incentive Scheme (L 2017-025) disclosed by the Company on 19 July 2017.

During the Reporting period, the Company achieved net profit attributable to owners of the Company of RMB 4,427,068,404.51, and equity attributable to owners of the Company of RMB 29,343,093,829.35. Calculated based on the share capital of 6,097,630,727 during the Reporting period,

earnings per share was RMB0.726 and net assets per share is RMB4.812 in the Company's interim report; Calculated based on the latest share capital of 6,097,402,727, earnings per share was RMB0.726 and net assets per share is RMB4.812 in the Company's interim report.

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 up to the end of the reporting period	164,612
Total numbers of preferential shareholders with restoration of voting rights as at the end of the reporting period	0

(II) Table 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

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Haier Group Corporation		1,072,610,764	17.59		Nil		Domestic non-state-owned legal entity
KKR HOME INVESTMENT S.A R.L.		605,985,988	9.94	605,985,988	Unknown		Foreign legal entity
Hong Kong Securities Clearing Co., Ltd.		403,226,905	6.61		Unknown		Unknown
China Securities Finance Corporation Limited		225,816,727	3.70		Unknown		Unknown
Qingdao Haier Venture & Investment Information Co., Ltd. (青岛海尔创业投资咨询有限公司)		172,252,560	2.82		Nil		Domestic non-state-owned legal entity
National social security fund, Portfolio 104		100,588,871	1.65		Unknown		Unknown
GIC PRIVATE LIMITED		77,301,335	1.27		Unknown		Unknown
Central Huijin Asset Management Ltd.		69,539,900	1.14		Unknown		Unknown
Industrial and Commercial Bank of China Limited – China Southern Consumption Vitality Flexible Allocation Hybrid Initiated Securities Investment Fund		36,986,401	0.61		Unknown		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.	403,226,905	RMB ordinary	403,226,905				
China Securities Finance Corporation Limited	225,816,727	RMB ordinary	225,816,727				
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	100,588,871	RMB ordinary	100,588,871				
GIC PRIVATE LIMITED	77,301,335	RMB ordinary	77,301,335				
Central Huijin Asset Management Ltd.	69,539,900	RMB ordinary	69,539,900				

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Qingdao Haier Co., Ltd

Industrial and Commercial Bank of China Limited – China Southern Consumption Vitality Flexible Allocation Hybrid Initiated Securities Investment Fund	36,986,401	RMB ordinary	36,986,401
National social security fund, Portfolio 103	36,027,875	RMB ordinary	36,027,875
Related-parties or parties acting in concert among the aforesaid shareholders	<p>(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;</p> <p>(2) The Company is not aware of the existence of any connections of other shareholders.</p>		
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

Unit: share

No.	Name of shareholder with selling restrictions	Number of shares held with selling restrictions	Listing status of shares with selling restrictions		Selling restrictions
			Eligible listing time	Number of additional shares eligible to be listed	
1	KKR HOME INVESTMENT S.A R.L.	605,985,988	17 July 2017	0	Strategic investments
2	Natural person shareholders (Objects of reserved portion granted under the Phase IV Share Option Incentive Scheme)	228,000	26 February 2017	0	Restricted Shares under the Share Option Incentive Scheme
Related-parties or parties acting in concert among the aforesaid shareholders		Nil			

Note:

As at the disclosable date of this report, the latest changes on the aforesaid shares being restricted sold are as follows:

(1) The aforesaid shares with selling restrictions held by KKR HOME INVESTMENT S.A R.L. was deregulated and listed on 17 July 2017. For details, please refer to the Announcement of Qingdao Haier Co., Ltd. on the Non - public Issuance of Shares with Selling Restrictions Listed disclosed by the Company on 11 July 2017 (L 2017-024).

(2) The aforesaid shares with selling restrictions held by natural person shareholders was repurchased and cancelled on 19 July 2017. For details, please refer to the Announcement of Qingdao Haier Co., Ltd. on Cancellation of Repurchased Restricted Shares under the Share Option Incentive Scheme disclosed by the Company on 19 July 2017 (L 2017-025).

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

Applicable Not Applicable

Name of strategic investor or general legal person	Starting date of agreed shareholding	Expiration date of agreed shareholding
KKR HOME INVESTMENT S.A R.L.	17 July 2014	17 July 2017
Statement of the terms of the agreed shareholding of the strategic investors or ordinary legal persons involved in placing new shares	According to the Share Purchase Agreement entered into between the Company and KKR in 2013, the shares of the Company subscribed by it shall not be transferred within 36 months after the date of issuance. The summary of the agreement sets out in the announcement regarding the Proposal of Qingdao Haier Co., Ltd. on Non-public Issuance of A-share (《青岛海尔股份有限公司非公开发行 A 股股票预案》) (L 2013-023) of the Company dated 8 October 2013.	

III. Changes in controlling shareholder and the ultimate controller

Applicable Not Applicable

**SECTION VII 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

Note: The shareholding particulars of directors, supervisors and senior management of the Company set out in the 2016 Annual Report. During the reporting period, there is no change on their shareholdings.

(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 2017

Prepared by: Qingdao Haier Co., Ltd.

Unit and Currency: RMB

Items	Notes	Closing balance	Opening balance
Current Assets:			
Monetary Capital	VII.1	29,096,992,741.80	23,504,634,124.25
Clearing settlement funds			
Placements with banks			
Financial assets measured at fair value and changes of which included in current profit and loss	VII.2	36,973,157.40	80,432,384.17
Derivative financial assets			
Bills receivables	VII.3	12,351,384,023.77	13,796,561,238.05
Accounts receivables	VII.4	14,761,940,537.00	12,247,244,097.66
Prepayments	VII.5	742,474,582.50	578,543,441.40
Premiums receivables			
Reinsurance accounts receivables			
Reinsurance contract reserves receivables			
Interests receivables	VII.6	146,268,609.17	135,319,774.41
Dividends receivables		131,393,317.77	101,648,913.10
Other receivables	VII.7	1,088,319,985.89	1,180,418,052.75
Financial assets purchased under resale agreements			
Inventories	VII.8	17,226,363,075.10	15,237,942,420.85
Assets classified as held for sale			
Non-current assets due within one year			
Other current assets	VII.9	2,676,334,034.47	2,653,444,588.12
Total current assets		78,258,444,064.87	69,516,189,034.76
Non-current assets:			
Loans and advances granted			
Available-for-sale financial assets	VII.10	1,522,072,563.73	1,555,878,717.05
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	VII.11	11,409,603,852.96	11,057,819,628.14
Investment properties	VII.12	33,001,507.84	34,600,393.37
Fixed assets	VII.13	15,415,207,385.68	15,539,046,885.38
Construction in progress	VII.14	1,985,822,855.83	1,769,875,050.35
Construction materials			
Disposals of fixed assets	VII.15	56,056,072.15	55,808,808.81

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Biological assets for production			
Fuel assets			
Intangible assets	VII.16	7,111,319,956.95	7,242,420,479.44
Development expenses	VII.17	947,314,222.94	913,283,796.32
Goodwill	VII.18	20,527,542,588.58	21,004,123,145.39
Long-term deferred expenditures	VII.19	85,829,524.72	115,773,592.78
Deferred income tax assets	VII.20	1,639,919,231.91	1,592,009,404.59
Other non-current assets	VII.21	781,723,639.04	858,461,388.86
Total non-current assets		61,515,413,402.33	61,739,101,290.48
Total assets		139,773,857,467.20	131,255,290,325.24
Current liabilities:			
Short-term borrowings	VII.22	11,985,795,621.88	18,165,531,879.15
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	VII.23	70,573,461.47	2,340,213.20
Derivative financial liabilities			
Bills payable	VII.24	15,508,579,823.30	12,404,889,760.05
Accounts payables	VII.25	24,835,266,362.14	20,594,203,310.08
Advances from customers	VII.26	4,149,761,184.38	5,734,732,855.06
Disposal of repurchased financial assets			
Handling charges and commissions payable			
Payables for staff's remuneration	VII.27	2,140,301,086.17	2,404,380,458.59
Taxes payable	VII.28	1,306,449,322.48	1,620,463,062.11
Interests payable	VII.29	76,637,799.03	30,570,328.66
Dividends payable	VII.30	1,893,922,420.51	148,690,489.01
Other payables	VII.31	9,839,677,091.29	9,363,015,551.12
Reinsurance accounts payable			
Deposits for insurance contracts			
Consumer deposits for trading in securities			
Amounts due to issuer for securities underwriting			
Liabilities classified as held for sale			
Non-current liabilities due within one year	VII.32	1,700,963,280.46	2,966,808,509.55
Other current liabilities		20,946,270.55	17,228,645.29
Total current liabilities		73,528,873,723.66	73,452,855,061.87
Non-current liabilities:			
Long-term borrowings	VII.33	19,690,132,020.64	15,530,801,311.80
Debentures payable			
Including: preference shares			
Perpetual bonds			
Long-term payable	VII.34	116,912,770.25	115,783,382.28
Long-term payables for staff's remuneration	VII.35	892,376,822.29	1,206,510,917.33
Special payable			
Estimated liabilities	VII.36	2,404,885,832.93	2,310,119,430.60
Deferred income	VII.37	390,479,357.16	342,825,593.35

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Deferred income tax liabilities	VII.20	163,130,628.52	133,243,146.68
Other non-current liabilities	VII.38	50,769,391.88	582,785,069.86
Total non-current liabilities		23,708,686,823.67	20,222,068,851.90
Total liabilities		97,237,560,547.33	93,674,923,913.77
Owners' equity			
Share capital	VII.39	6,097,630,727.00	6,097,630,727.00
Other equity instruments			
Including: preference shares			
Perpetual bonds			
Capital reserve	VII.40	315,454,458.52	83,383,194.51
Less: Treasury stock	VII.41	1,041,960.00	1,041,960.00
Other comprehensive income	VII.42	397,623,539.26	566,238,911.96
Special reserve			
Surplus reserve	VII.43	2,074,118,571.01	2,074,118,571.01
General risk provisions			
Undistributed profits	VII.44	20,459,308,493.56	17,544,395,965.35
Total equity attributable to owners of the Company		29,343,093,829.35	26,364,725,409.83
Minority interests		13,193,203,090.52	11,215,641,001.64
Total owners' equity		42,536,296,919.87	37,580,366,411.47
Total liabilities and owners' equities		139,773,857,467.20	131,255,290,325.24

Legal representative: Liang Haishan

Chief accountant: Gong Wei

Person in charge of
accounting department: Ying Ke (应珂)

Balance Sheet of the Company

30 June 2017

Prepared by: Qingdao Haier Co., Ltd.

Unit and Currency: RMB

Items	Notes	Closing balance	Opening balance
Current Assets:			
Monetary Capital		3,258,256,614.06	3,888,623,400.28
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	287,277,541.16	265,438,220.39
Prepayments		10,000,000.00	10,000,000.00
Interests receivables		152,554,270.23	85,452,583.16
Dividends receivables		136,281,061.80	329,713,897.32
Other receivables	XVIII.2	1,236,684,324.51	322,953,279.90
Inventories		62,181,463.12	69,799,065.47
Assets classified as held for sale			
Non-current assets due within one year			
Other current assets		245,424,828.47	94,935,174.83
Total current assets		5,388,660,103.35	5,066,915,621.35
Non-current assets:			

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Available-for-sale financial assets		5,884,728.28	5,478,235.84
Held-to-maturity investments			
Long-term receivables		8,600,000,000.00	8,600,000,000.00
Long-term equity investments	XVIII.3	22,451,771,746.91	22,342,078,877.07
Investment properties			
Fixed assets		125,895,991.38	116,840,195.32
Construction in progress		8,959,429.64	22,611,979.50
Construction materials			
Disposals of fixed assets			
Biological assets for production			
Fuel assets			
Intangible assets		8,161,973.53	8,578,922.84
Development expenses			
Goodwill			
Long-term deferred expenditures			
Deferred income tax assets		69,544,303.72	62,346,256.82
Other non-current assets			
Total non-current assets		31,270,218,173.46	31,157,934,467.39
Total assets		36,658,878,276.81	36,224,850,088.74
Current liabilities:			
Short-term borrowings			
Financial liabilities measured at fair value and changes of which included in current profit and loss			
Derivative financial liabilities			
Bills payable			
Accounts payables		718,058,821.46	1,142,008,704.07
Payments received in advance		1,066,172,209.89	1,844,082,827.50
Payables for staff's remuneration		23,938,508.78	39,919,748.55
Taxes payable		5,134,436.46	57,218,867.86
Interests payable		233,737,254.44	117,705,327.18
Dividends payable		1,512,155,876.30	-
Other payables		22,615,213,152.52	21,170,550,089.69
Liabilities classified as held for sale			
Non-current liabilities due within one year			
Other current liabilities		8,635,147.36	4,841,867.91
Total current liabilities		26,183,045,407.21	24,376,327,432.76
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		17,700,000.00	17,700,000.00
Deferred income tax liabilities		15,630,274.98	15,569,301.11
Other non-current liabilities			
Total non-current liabilities		53,330,274.98	53,269,301.11
Total liabilities		26,236,375,682.19	24,429,596,733.87

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Qingdao Haier Co., Ltd

Owners' equity:			
Share capital		6,097,630,727.00	6,097,630,727.00
Other equity instruments			
Including: preference shares			
Perpetual bonds			
Capital reserve		2,061,626,920.17	2,061,597,739.78
Less: Treasury stock		1,041,960.00	1,041,960.00
Other comprehensive income		-24,485,101.06	-10,881,603.15
Special reserve			
Surplus reserve		1,389,846,284.51	1,389,846,284.51
Undistributed profits		898,925,724.00	2,258,102,166.73
Total owners' equity		10,422,502,594.62	11,795,253,354.87
Total liabilities and owners' equities		36,658,878,276.81	36,224,850,088.74

Legal representative: Liang Haishan

Chief accountant: Gong Wei Person in charge of accounting

department: Ying Ke (应珂)

Consolidated Income Statement

January-June 2017

Unit and Currency: RMB

Items	Notes	2017	2016
I . Total operating revenue		77,575,749,980.10	48,786,606,924.87
Including: operating revenue	VII.45	77,575,749,980.10	48,786,606,924.87
Interest income			
Insurance premiums earned			
Fee and commission income			
II . Total cost of operations		72,895,770,760.33	45,404,843,534.70
Including: operating cost	VII.45	54,154,905,833.39	34,675,732,074.42
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.46	345,386,333.30	171,696,918.27
Selling expenses	VII.47	12,937,515,954.38	6,693,076,335.80
Administrative expenses	VII.48	4,623,708,396.51	3,543,082,531.68
Financial expenses	VII.49	611,677,281.93	125,069,008.47
Loss in assets impairment	VII.50	222,576,960.82	196,186,666.06
Add: income from change in fair value (losses are represented by "-")	VII.51	412,063,845.15	-182,258,158.84
Investment income (losses are represented by "-")	VII.52	653,842,714.35	1,029,193,799.84
Including: investment income of associates and joint ventures			
Exchange gain (losses are represented by "-")			
Other income	VII.53	72,741,846.04	

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III. Operating profit (losses are represented by “-”)		5,818,627,625.31	4,228,699,031.17
Add: non-operating income	VII.54	309,004,068.62	460,324,873.14
Including: gain from disposal of non-current assets			
Less: non-operating expenses	VII.55	84,579,023.15	56,483,320.12
Including: Loss from disposal of non-current assets			
IV. Total profit (total losses are represented by “-”)		6,043,052,670.78	4,632,540,584.19
Less: income tax expense	VII.56	758,022,158.23	660,698,381.98
V. Net profit (net losses are represented by “-”)		5,285,030,512.55	3,971,842,202.21
Net profit attributable to owners of the Company		4,427,068,404.51	3,315,173,171.70
Profit or loss attributable to minority shareholders		857,962,108.04	656,669,030.51
VI. Other comprehensive income, net of tax	VII.57	-201,133,413.24	-376,650,095.76
Other comprehensive income attributable to owners of the Company, net of tax		-168,615,372.70	-386,671,414.67
(I) Other comprehensive income that 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		-168,615,372.70	-386,671,414.67
1. Share of other comprehensive income of investees that will be reclassified subsequently to profit or loss under equity method		-122,040,176.25	-45,016,833.22
2. Gain or loss from change in fair value of available-for-sale financial assets		-2,347,023.98	-448,305,792.02
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		-5,767,610.62	
5. Exchange differences on translation of financial statements denominated in foreign currencies		-38,460,561.85	106,651,210.57
6. Other			
Other comprehensive income attributable to minority shareholders, net		-32,518,040.54	10,021,318.91

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Qingdao Haier Co., Ltd

of tax			
VII. Total comprehensive income		5,083,897,099.31	3,595,192,106.45
Total comprehensive income attributable to the shareholders of parent company		4,258,453,031.81	2,928,501,757.03
Total comprehensive income attributable to the minority shareholders		825,444,067.50	666,690,349.42
VIII. Earnings per share:			
(I) Basic earnings per share (RMB/share)	XX .1	0.726	0.543
(II) Diluted earnings per share (RMB/share)	XX .1	0.726	0.543

Legal representative: Liang Haishan Chief accountant: Gong Wei Person in charge of accounting department: Ying Ke (应珂)

Income Statement of the Parent Company

January-June 2017

Unit and Currency: RMB

Items	Notes	2017	2016
I. Operating revenue	XVIII.4	1,543,112,325.65	1,515,871,485.21
Less: Operation cost	XVIII.4	1,125,099,741.07	1,063,974,867.43
Taxes and surcharge		9,124,152.47	6,445,399.44
Selling expenses		84,535,020.01	141,678,913.88
Administrative expenses		291,801,719.89	222,014,043.98
Financial expenses		45,432,212.79	-79,578.03
Loss in assets impairment		49,240,545.55	-1,894,656.67
Add: income from change in fair value (losses are represented by "-")			
Investment income (losses are represented by "-")	XVIII.5	151,893,767.73	143,464,637.96
Including: investment income of associates and joint ventures			
Other income			
II. Operating profit (losses are represented by "-")		89,772,701.60	227,197,133.14
Add: non-operating income		52,825,954.68	75,940,630.64
Including: gain from disposal of non-current assets			
Less: non-operating expenses		9,413.67	20,330.70
Including: loss from disposal of non-current assets			
III. Total Profit (total losses are represented by "-")		142,589,242.61	303,117,433.08
Less: income tax expense		-10,390,190.96	7,794,918.54
IV. Net Profit (net losses are represented by "-")		152,979,433.57	295,322,514.54
V. Other comprehensive income, net of tax		-13,603,497.91	-20,707,515.14
(I) Other comprehensive income will not be reclassified subsequently to profit			

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Qingdao Haier Co., Ltd

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		-13,603,497.91	-20,707,515.14
1. Share of other comprehensive income of investees that will be reclassified subsequently to profit or loss under equity method		-13,949,016.48	-5,254,534.33
2. Gain or loss from change in fair value of available-for-sale financial assets		345,518.57	-15,452,980.81
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			
6. Other			
VI. Total comprehensive income		139,375,935.66	274,614,999.40
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 (应珂)

Consolidated Cash Flow Statement

January-June 2017

Unit and Currency: RMB

Items	Notes	2017	2016
I . Cash flows from operating activities:			
Cash received from the sale of goods and rendering of services		74,797,892,675.82	49,016,704,968.11
Net increase in consumer and interbank deposits			

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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 paid for interest, bank charges and commissions			
Net increase in cash borrowed			
Net increase in cash received from repurchase operation			
Refunds of taxes		483,646,574.65	324,681,172.08
Cash received from other related operating activities	VII.58	548,371,812.58	441,762,351.22
Sub-total of cash inflows from operating activities		75,829,911,063.05	49,783,148,491.41
Cash paid on purchase of goods and services		51,715,675,906.49	31,017,533,105.36
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		7,124,394,856.33	4,555,848,831.85
Cash paid for all types of taxes		3,532,854,592.59	3,993,432,606.60
Cash paid to other operation related activities	VII.59	5,063,784,801.46	5,461,777,564.91
Sub-total of cash outflows from operating activities		67,436,710,156.87	45,028,592,108.72
Net cash flows from operating activities	VII.63	8,393,200,906.18	4,754,556,382.69
II. Cash flows from investing activities:			
Cash received from disposal of investments		13,500,000.00	537,931,064.15
Cash received from return on investments		111,755,467.37	45,278,736.34
Net cash received from the disposal of fixed assets, intangible assets and other long term assets		38,490,006.64	24,238,142.21
Net cash received from disposal of subsidiaries and other operating		5,916,992.24	

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entities			
Cash received from other investment related activities	VII.60	75,828.87	3,693,847.50
Sub-total of cash inflows from investing activities		169,738,295.12	611,141,790.20
Cash paid on purchase of fixed assets, intangible assets and other long term assets		1,682,795,106.07	1,020,054,184.72
Cash paid for investments		811,857,006.21	424,187,569.41
Net increase in secured loans			
Net cash paid on acquisition of subsidiaries and other operating entities		54,786,726.52	36,161,700,507.07
Cash paid on other investment related activities	VII.61		3,968,381.90
Sub-total of cash outflows from investing activities		2,549,438,838.80	37,609,910,643.10
Net cash flows from investing activities		-2,379,700,543.68	-36,998,768,852.90
III. Cash flows from financing activities:			
Cash received from investment		403,277,599.87	16,900,063.70
Including: cash received by subsidiaries from minority shareholders' investment			
Cash received from borrowings		12,542,711,276.95	31,315,006,673.29
Cash received from issuing bonds			
Cash received from other financing related activities			
Sub-total of cash inflows from financing activities		12,945,988,876.82	31,331,906,736.99
Cash paid on repayment of borrowings		13,163,829,731.76	1,636,907,891.06
Cash paid on distribution of dividends, profits, or interest expenses		130,616,690.52	123,970,737.14
Including: dividend, profit paid to minority shareholders by subsidiaries			
Cash paid on other financing activities	VII.62	35,275,991.53	130,068,034.68
Sub-total of cash outflows from financing activities		13,329,722,413.81	1,890,946,662.88
Net cash flows from financing activities		-383,733,536.99	29,440,960,074.11
IV. Effect of fluctuations in exchange rates on cash and cash equivalents		-74,883,290.00	-25,818,334.76
V. Net increase in cash and cash equivalents		5,554,883,535.51	-2,829,070,730.86
Add: balance of cash and cash equivalents at the beginning of the period	VII.64	23,217,634,558.10	24,724,585,700.76
VI. Balance of cash and cash equivalents at the end of the period	VII.64	28,772,518,093.61	21,895,514,969.90

Legal representative: Liang Haishan

Chief accountant: Gong Wei Person in charge of accounting department: Ying Ke (应珂)

Cash Flow Statement of the Parent Company

January-June 2017

Unit and Currency: RMB

Items	Notes	2017	2016
I . Cash flows from operating activities:			
Cash received from the sale of goods and rendering of services		139,120,441.24	47,535,983.95
Refunds of taxes			11,312,294.31
Cash received from other related operating activities		50,673,786.01	5,668,199.83
Sub-total of cash inflows from operating activities		189,794,227.25	64,516,478.09
Cash paid on purchase of goods and services		817,622,677.26	175,369,512.35
Cash paid to and on behalf of employees		460,813,118.91	163,991,849.56
Cash paid for all types of taxes		95,721,014.98	90,115,531.59
Cash paid to other operation related activities		201,399,325.56	263,737,039.90
Sub-total of cash outflows from operating activities		1,575,556,136.71	693,213,933.40
Net cash flows from operating activities		-1,385,761,909.46	-628,697,455.31
II . Cash flows from investing activities:			
Cash received from disposal of investments			
Cash received from return on investments		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		279,713,897.32	
Cash paid on purchase of fixed assets, intangible assets and other long term assets		1,791,373.41	5,209,655.94
Cash paid for investments		220,659,237.50	15,066,468,700.00
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		222,450,610.91	15,071,678,355.94
Net cash flows from investing activities		57,263,286.41	-15,071,678,355.94
III. Cash flows from financing activities:			

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Cash received from investment			
Cash received from borrowings			
Cash received from issuing bonds			
Cash received from other financing related activities		698,132,975.25	16,570,240,137.80
Sub-total of cash inflows from financing activities		698,132,975.25	16,570,240,137.80
Cash paid on repayment of borrowings			
Cash paid on distribution of dividends, profits, or interest expenses			
Cash paid on other financing activities			112,647,024.84
Sub-total of cash outflows from financing activities			112,647,024.84
Net cash flows from financing activities		698,132,975.25	16,457,593,112.96
IV. Effect of fluctuations in exchange rates on cash and cash equivalents		-1,138.42	
V. Net increase in cash and cash equivalents		-630,366,786.22	757,217,301.71
Add: balance of cash and cash equivalents at the beginning of the period		3,888,623,400.28	562,827,007.96
VI. Balance of cash and cash equivalents at the end of the period		3,258,256,614.06	1,320,044,309.67

Legal representative: Liang Haishan

Chief accountant: Gong Wei Person in charge of accounting department: Ying Ke (应珂)

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Qingdao Haier Co., Ltd

Consolidated Statement of Changes in Equity

January-June 2017

Unit and Currency: RMB

Items	Current period												
	Equity attributable to owners of the parent company										Minority interests	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													
Others													
II . Opening balance for the current 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
III. Increase/decrease and change of amount for the current period					232,071,264.01		-168,615,372.70				2,914,912,528.21	1,977,562,088.88	4,955,930,508.40

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(decrease is represented by “-”)															
(I) Total comprehensive income												4,427,068,404.51	825,444,067.50	5,083,897,099.31	
(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															

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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	397,623,539.26		2,074,118,571.01		20,459,308,493.56	13,193,203,090.52	42,536,296,919.87

Items	Previous period												
	Equity attributable to owners of the Company										Minority interests	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	6,123,154,268.00				83,383,194.51	77,604,544.70	633,183,460.03		2,026,085,301.23		13,905,774,481.88	9,708,285,895.93	32,402,262,056.88
Add: changes in accounting policies													
Correction of previous errors													
The consolidation of enterprises under common control								500,000.00		38,858,499.40			39,358,499.40
Others													
II. Opening balance for the current the period	6,123,154,268.00				83,383,194.51	77,604,544.70	633,183,460.03		2,026,585,301.23		13,944,632,981.28	9,708,285,895.93	32,441,620,556.28
III. Increase/decrease and change of amount for the period (decrease is represented by "-")	-18,050,341.00					-47,396,706.70	-386,671,414.67		-17,475,258.48		3,157,895,845.36	502,424,912.00	3,285,520,449.91
(I) Total comprehensive income							-386,671,414.67				3,315,173,171.70	666,690,349.42	3,595,192,106.45
(II) Capital injection and reduction by owners	-18,050,341.00					-47,396,706.70			-17,475,258.48		-157,277,326.34	1,460,835.65	-143,945,383.47
1. Ordinary shares	-18,050,341.00					-160,043.			-14,203,978.0		-127,835,802.54	1,460,835.65	1,414,445.59

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invested by shareholders						731.54			6				
2. Capital injected by holders of other equity instruments													
3. Amount of shares payment credited to owner's equity													
4 · Others						112,647,024.84			-3,271,280.42		-29,441,523.80	-145,359,829.06	
(III) Profit distribution											-165,726,273.07	-165,726,273.07	
1. Appropriation to surplus reserves													
2. Provisions for general risks													
3. Distribution to owners (or shareholders)											-165,726,273.07	-165,726,273.07	
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 2017													
(VI) Others													
IV. Closing balance for the period	6,105,103,927.00				83,383,194.51	30,207,838.00	246,512,045.36		2,009,110,042.75		17,102,528,826.64	10,210,710,807.93	35,727,141,006.19

Legal representative: Liang Haishan

Chief accountant: Gong Wei

Person in charge of accounting department: Ying Ke (应珂)

Statement of Changes in Equity of the Parent Company

January-June 2017

2017 Interim Report
Qingdao Haier Co., Ltd

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	6,097,630,727.00				2,061,597,739.78	1,041,960.00	-10,881,603.15		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	6,097,630,727.00				2,061,597,739.78	1,041,960.00	-10,881,603.15		1,389,846,284.51	2,258,102,166.73	11,795,253,354.87
II. Opening balance for the current period					29,180.39		-13,603,497.91			-1,359,176,442.73	-1,372,750,760.25
III. Increase/decrease and change of amount for the period (decrease is represented by "-")							-13,603,497.91			152,979,433.57	139,375,935.66
(I) Total comprehensive income					29,180.39						29,180.39
(II) Capital injection and reduction by owners											
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					29,180.39						29,180.39
4. Others										-1,512,155,876.30	-1,512,155,876.30
(III) Profit distribution											
1. Appropriation to surplus reserves										-1,512,155,876.30	-1,512,155,876.30
2. Distribution to owners (or shareholders)											
3. Others											
(IV) Internal transfer of owner's equity											
1. Transfer of capital reserves into capital (or share capital)											
2. Transfer of surplus reserves											

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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

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	6,123,154,268.00				2,229,511,649.19	77,604,544.70	18,842,022.25		1,332,647,187.44	3,036,008,007.25	12,662,558,589.43
Add: changes in accounting policies											
Correction of previous errors											
Others											-
II. Opening balance for the current period	6,123,154,268.00				2,229,511,649.19	77,604,544.70	18,842,022.25		1,332,647,187.44	3,036,008,007.25	12,662,558,589.43
III. Increase/decrease and change of amount for the period (decrease is represented by "-")	-18,050,341.00				-146,260,600.75	-47,396,706.70	-20,707,515.14			295,322,514.54	157,700,764.35
(I) Total comprehensive income							-20,707,515.14			295,322,514.54	274,614,999.40
(II) Capital injection and reduction by owners	-18,050,341.00				-146,260,600.75	-47,396,706.70					-116,914,235.05
1. Ordinary shares invested by shareholders	-18,050,341.00				-141,993,390.54	-47,396,706.70					-112,647,024.84
2. Capital injected by holders of other equity instruments											
3. Amount of shares payment credited to owner's equity											
4. Others					-4,267,210.21						-4,267,210.21

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(III) Profit distribution											
1. Appropriation to surplus reserves											
2. Distribution to owners (or shareholders)											
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	6,105,103,927.00				2,083,251,048.44	30,207,838.00	-1,865,492.89		1,332,647,187.44	3,331,330,521.79	12,820,259,353.78

Legal representative: Liang Haishan

Chief accountant: Gong Wei

Person in charge of accounting department: Ying Ke (应珂)

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 25 August 2017.

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 are 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 2017, operation result and cash flow of the Company in January to June 2017.

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

Renminbi 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 Company shall be presented as "minority equity" 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 III.

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) 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 bills 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 on prorated basis 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 and most of its subsidiaries, and using the first in first out method for the remaining subsidiaries.

(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, merchandize 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

① For 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;

② For 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

① Cost 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.

② Equity 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.

③ Change 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.

④ Change 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

① Joint 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.

② Significant 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 value
Land ownership	-	-
Houses and buildings	8-40 years	0%-5%
Machinery equipment	4-20 years	0%-5%
Vehicles	5-10 years	0%-5%
Office equipment and others	3-10 years	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 and depreciation of fixed assets held under finance lease

Applicable Not Applicable

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:

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

② The 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;

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

④ The 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 include 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 fall 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 severable 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 labor 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. CHANGES ON SIGNIFICANT ACCOUNTING POLICES AND ACCOUNTING ESTIMATES

(1). Changes on Significant Accounting Policies

Applicable Not Applicable

(1) Changes on accounting policies

On 28 April 2017, the CAIKUAI No. [2017]13 the Accounting Standards for Enterprises No. 42—Non-current assets held for sale, disposal group and termination operations was issued by MOF, which was implemented since 28 May 2017. On 10 May 2017, the CAIKUAI No. [2017]15 The Accounting Standards for Enterprises No. 16—Government’s Subsidies (revised in 2017) was issued by MOF, which was implemented since 12 June 2017. The Company carried out the aforesaid two standards according to the time required by MOF.

Before carrying out the Accounting Standards for Enterprises No. 16—Government’s Subsidies (revised in 2017), the government’s subsidies gained by the Company were included in the non-operating income. After carrying out the Accounting Standards for Enterprises No. 16—Government’s Subsidies (revised in 2017), the Company adopted the future applicable method to deal with the government’s subsidies exiting on 1 January 2017 and adjusted the additional government’s subsidies during the period from 1 January 2017 to the implementation date of this standard; for the government’s subsidies occurred after 1 January 2017 and not related to the daily activities, they were included in net operating costs and management expenses, or included in other revenue; the government’s subsidies not related to the daily activities was included in non-operating income.

The changes on the accounting policies and adjustment on the accounting item calculation have only effect on the financial statements and will not have effect on the profit or loss, total assets and net assets of the Company without involving retroactive adjustments on the prior years.

(2) . Changes on Significant Accounting Estimates

Applicable Not Applicable

There is no change on the accounting estimates of the Company in the period.

29. Other significant accounting policies and accounting estimations

(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.

- ① The financial asset is derecognized when the Company transfers substantially all the risks and rewards of ownership of the financial asset;
- ② The financial asset is continued to recognize when the Company retains substantially all the risks and rewards of ownership of the financial asset;
- ③ When 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

① Hedges 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.

② Designation 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%.

③ Method 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.

⑨ Income 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.

⑩ Returned 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.

VI. Taxation

1. 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%, 17%
Urban maintenance and construction tax	Turnover tax amount payable	7%
EIT	Income tax amount payable	Statutory tax rate or preferential rates as follows
(Local) education surcharges	Turnover tax amount payable	1%, 2%, 3%

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

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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
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
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 2017; opening balance means the amount as at 31 December 2016; current period means the amount incurred

from 1 January to 30 June 2017, while the previous period means the amount incurred from 1 January to 30 June 2016.

1. Monetary funds

√Applicable Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Treasury cash	593,053.62	565,073.32
Bank deposit	28,737,845,846.53	23,191,076,580.34
Other monetary funds	358,553,841.65	312,992,470.59
Total	29,096,992,741.80	23,504,634,124.25
Among which: total of overseas amounts	2,549,100,263.21	2,075,691,395.39

Other explanatory

An amount of RMB12,786,629,814.46 of the monetary fund was deposited in Haier Group Finance Co., Ltd. on 30 June 2017, the balance of which including a fixed term bank deposit of RMB984,312,683.26. The investment fund in the closing balance of other monetary fund was RMB15,017,278.47, the payment of the third party platform was RMB19,061,914.99 and the amount securing bill payable was RMB324,474,648.19.

2. Financial asset designated to be measured at fair value and the change of which is recorded in current profit and loss

√Applicable Not Applicable

Items	Closing balance	Opening balance
Forward foreign exchange sale and purchase agreement	36,973,157.40	80,432,384.17
Total	36,973,157.40	80,432,384.17

3. Bills receivable

(1) Categories of bills receivable

√Applicable Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Bank acceptance notes	1,904,187,025.49	3,410,072,113.31
Commercial acceptance bill	10,447,196,998.28	10,386,489,124.74
Total	12,351,384,023.77	13,796,561,238.05

(2) The pledged bills receivable of the Company at the end of the period was RMB 9,520,989,005.71.

4. Accounts receivables

(1) Accounts receivables disclosed by categories:

Items	Closing balance	Opening balance
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	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	15,236,801,608.65	474,861,071.65	12,585,181,476.76	337,937,379.10
Accounts receivables that are individually insignificant but are subject to provision for bad debts on individual basis	41,445,442.87	41,445,442.87	71,243,900.12	71,243,900.12
Total	15,278,247,051.52	516,306,514.52	12,656,425,376.88	409,181,279.22

(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	14,953,048,631.15	460,673,422.77	12,281,406,481.14	322,748,629.33
1-2 years	177,724,889.08	8,886,244.45	200,752,072.44	10,037,603.63
2-3 years	58,520,469.57	2,926,023.49	79,398,804.14	3,969,940.20
Over 3 years	47,507,618.85	2,375,380.94	23,624,119.04	1,181,205.94
Total	15,236,801,608.65	474,861,071.65	12,585,181,476.76	337,937,379.10

(3) The total amount of the top 5 in the accounts receivables at the end of the period was RMB4,962,485,545.70, accounting for 32.48% of the book balance of the accounts receivables, and the amount of provision for bad debts was RMB82,125,551.23.

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

Provisions for bad debts in the amount of RMB116,172,298.97 were reverted in the period.

(5) Accounts receivable written off in the period:

The bad debts written off in 2017 was RMB1,953,553.65, and there was no significant accounts receivable written off in the period.

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	717,127,435.94	96.59	547,842,144.20	94.69
1-2 years	16,207,046.99	2.18	20,243,191.67	3.50

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2-3 years	8,672,215.67	1.17	9,492,337.02	1.64
Over 3 years	467,883.90	0.06	965,768.51	0.17
Total	742,474,582.50	100.00	578,543,441.40	100.00

(2) The total amount of the top 5 in the prepayments at the end of the period was RMB289,762,024.09, accounting for 39.03% of the book balance of the prepayments.

6. Interest receivables

Aging	Closing balance		Opening balance	
	Book balance	Proportion	Book balance	Proportion
Within 1 year	146,249,181.03	99.99%	133,777,402.17	98.86%
1-2 years	19,428.14	0.01%	1,542,372.24	1.14%
Total	146,268,609.17	100.00%	135,319,774.41	100.00%

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	1,149,816,482.93	61,496,497.04	1,217,243,603.74	36,825,550.99
Individual insignificant other receivables of which provision for bad debts is made on an individual basis	35,984,245.50	35,984,245.50	61,449,863.58	61,449,863.58
Total	1,185,800,728.43	97,480,742.54	1,278,693,467.32	98,275,414.57

(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	892,156,530.72	48,613,499.42	872,780,892.61	19,602,415.43
1-2 years	187,197,706.55	9,359,885.33	288,221,508.15	14,411,075.41
2-3 years	50,108,989.39	2,505,449.47	37,909,711.73	1,895,485.59
Over 3 years	20,353,256.27	1,017,662.82	18,331,491.25	916,574.56
Total	1,149,816,482.93	61,496,497.04	1,217,243,603.74	36,825,550.99

(3) At the end of the period, total amount of top five other receivables was RMB229,205,981.58, representing 19.33% of the book balance of other receivables, and the amount of provision for bad debts was RMB11,460,299.08.

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

Provisions for bad debts in the amount of RMB8,697,165.94 were made in the period.

(5) The other receivables actually written off in the period was RMB1,460,605.99.

(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	
	Book balance	Impairment Provision	Book balance	Impairment Provision
Raw materials	2,776,960,468.75	60,670,393.92	2,086,007,432.32	56,844,901.08
Work in progress	295,441,627.87		216,384,326.73	
Unsettled payments of completed projects	179,021,325.97		159,358,411.30	
Finished goods	14,486,084,231.54	450,474,185.11	13,317,467,752.08	484,430,600.50
Total	17,737,507,654.13	511,144,579.03	15,779,217,922.43	541,275,501.58

(2) Impairment provision of inventories

Items	Opening balance	Increase for the period	Decrease for the period			Closing balance
			Reversal	Write-off	Total	
Raw materials	56,844,901.08	8,630,598.81		4,805,105.97	4,805,105.97	60,670,393.92
Finished goods	484,430,600.50	105,868,842.00	16,791,944.90	123,033,312.49	139,825,257.39	450,474,185.11
Total	541,275,501.58	114,499,440.81	16,791,944.90	127,838,418.46	144,630,363.36	511,144,579.03

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

Accumulated cost incurred	Accumulatively recognized gross profit	Settled Amounts	Unsettled payments of completed projects from the construction contracts
885,522,591.36	186,318,837.63	892,820,103.02	179,021,325.97

9. Other current assets

√Applicable □Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Bank Treasury deposit	1,052,649,331.20	490,807,882.39
Deductable VAT	1,089,684,914.18	1,794,827,965.32
Others	533,999,789.09	367,808,740.41
Total	2,676,334,034.47	2,653,444,588.12

10. Available-for-sale financial assets

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

√Applicable □Not Applicable

Unit and Currency: RMB

Items	Closing balance			Opening balance		
	Carrying Balance	Provision for impairment	Book value	Carrying balance	Provision for impairment	Book value
Available-for-sale debt instrument:						
At fair value	27,584,986.24		27,584,986.24	30,354,194.80		30,354,194.80
At cost	1,497,712,577.49	3,225,000.00	1,494,487,577.49	1,528,749,522.25	3,225,000.00	1,525,524,522.25
Total	1,525,297,563.73	3,225,000.00	1,522,072,563.73	1,559,103,717.05	3,225,000.00	1,555,878,717.05

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

√Applicable □Not Applicable

Unit and Currency: RMB

Categories of available-for-sale financial assets	Available-for-sale equity instrument
Cost of equity instrument / Amortization cost of debt instruments	23,030,899.36
Fair value	27,584,986.24
Accumulated fair value changes credited into other comprehensive income	3,765,777.42
Allowance for impairment amounts	

(3) Available-for-sale financial assets at cost at the end of the period

Book value	Opening balance	Increase for the period	Decrease for the period	Closing balance
(1) Book value				
China Petrochemical Marketing Co., Ltd.	1,379,537,271.77		41,756,944.76	1,337,780,327.01
Others	149,212,250.48	10,720,000.00		159,932,250.48
Total	1,528,749,522.25	10,720,000.00	41,756,944.76	1,497,712,577.49
(2) Provision for impairment				
China Petrochemical Marketing Co., Ltd.				
Others	3,225,000.00			3,225,000.00

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Total	3,225,000.00			3,225,000.00
(3) Book value				
China Petrochemical Marketing Co., Ltd.	1,379,537,271.77			1,337,780,327.01
Others	145,987,250.48			156,707,250.48
Total	1,525,524,522.25			1,494,487,577.49

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

Items	Provision for impairment of available-for-sale equity instrument
Provision balance at the beginning of the period	3,225,000.00
Provision made in the year	
Decrease in the year	
Allowance for impairment amounts at the end of the period	3,225,000.00

11. Long-term equity investments

√Applicable □Not Applicable

Investees	Opening balance	Increase/decrease in the period				
		Investments increased	Investment income recognized under equity method	Adjustment in other comprehensive income	Other changes in equity	Declaration of cash dividends or profits
Associates:						
Haier Group Finance Co., Ltd.	4,108,505,917.07		291,954,914.37	-13,419,311.99		
CONTROLADORA MABE S.A.deC.V.	3,011,983,426.16		99,292,057.77	-67,495,468.99		-34,405,195.14
Bank of Qingdao co., Ltd.	1,670,058,752.11		120,813,257.79	-38,386,695.61	80,302.33	-76,868,844.93
Others	2,267,271,532.80		73,900,402.83	-3,044,759.55		-635,022.00
Total	11,057,819,628.14		585,960,632.76	-122,346,236.14	80,302.33	-111,909,062.07

continued table

Investees	Increase/decrease in the period		Closing balance	Closing balance of provision for impairment
	Others	The disposal of the investment		
Associates:				
Haier Group Finance Co., Ltd.			4,387,041,519.45	
CONTROLADORA MABE S.A.deC.V.			3,009,374,819.80	
Bank of Qingdao Co., Ltd.			1,675,696,771.69	
Others	-1,412.06		2,337,490,742.02	
Total	-1,412.06		11,409,603,852.96	

12. Investment Property

Measurement method of investment property

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

Items	Opening balance	Increase for the period	Decrease for the period	Closing balance
(1) Total original costs for the investment property	48,177,608.70			48,177,608.70
House, buildings and land	48,177,608.70			48,177,608.70
(2) Total accumulated amortization for the investment property	13,577,215.33	1,598,885.53		15,176,100.86
House, buildings and land	13,577,215.33	1,598,885.53		15,176,100.86
(3) Total accumulated provision for Impairment for the investment property				
House, buildings and land				
(4) Total book value for the investment property	34,600,393.37			33,001,507.84
House, buildings and land	34,600,393.37			33,001,507.84

(2) Depreciated and amortized amount for the period was RMB1,598,885.53 .

(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.

13. Fixed assets

Category of fixed assets	Opening balance	Increase for the period	Decrease for the period	Translation difference of foreign statement	Closing balance
(1) Book value					
Buildings and structures	7,652,338,608.01	433,347,676.33	51,878,482.18	-16,785,873.42	8,017,021,928.74
Production equipment	14,438,121,707.48	766,847,799.16	529,943,303.01	-137,737,266.55	14,537,288,937.08
Transportation equipment	271,648,884.84	37,348,694.81	22,795,160.60	-238,885.49	285,963,533.56
Office equipment	342,983,520.59	32,516,766.33	15,623,601.59	2,735,077.77	362,611,763.10
Others	650,939,331.36	59,071,020.49	14,114,192.77	149,396.50	696,045,555.58
Total	23,356,032,052.28	1,329,131,957.12	634,354,740.15	-151,877,551.19	23,898,931,718.06
(2) Accumulated depreciation					
Buildings and structures	2,108,838,241.54	195,540,739.34	6,235,233.83	3,513,041.09	2,301,656,788.14
Production equipment	5,057,054,706.21	855,206,553.36	427,035,029.94	-16,597,867.64	5,468,628,361.99
Transportation equipment	138,946,612.53	25,090,929.34	20,511,544.12	4,867.60	143,530,865.35
Office equipment	167,977,041.68	25,767,740.80	11,266,890.39	3,126,599.76	185,604,491.85

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Others	304,113,366.47	52,943,714.51	12,276,594.22	66,740.94	344,847,227.70
Total	7,776,929,968.43	1,154,549,677.35	477,325,292.50	-9,886,618.25	8,444,267,735.03
(3) Net book value					
Buildings and structures	5,543,500,366.47				5,715,365,140.60
Production equipment	9,381,067,001.27				9,068,660,575.09
Transportation equipment	132,702,272.31				142,432,668.21
Office equipment	175,006,478.91				177,007,271.25
Others	346,825,964.89				351,198,327.88
Total	15,579,102,083.85				15,454,663,983.03
(4) Provision for impairment					
Buildings and structures	31,269,149.66			551,222.80	31,820,372.46
Production equipment	8,658,226.28		1,212,979.39	59,397.92	7,504,644.81
Transportation equipment	1,959.66			57.61	2,017.27
Office equipment					
Others	125,862.87			3,699.94	129,562.81
Total	40,055,198.47		1,212,979.39	614,378.27	39,456,597.35
(5) Book value					
Buildings and structures	5,512,231,216.81				5,683,544,768.14
Production equipment	9,372,408,774.99				9,061,155,930.28
Transportation equipment	132,700,312.65				142,430,650.94
Office equipment	175,006,478.91				177,007,271.25
Others	346,700,102.02				351,068,765.07
Total	15,539,046,885.38				15,415,207,385.68

(1) Total fixed asset transferred from construction-in-progress balance for the period amounted to RMB952,220,110.22.

(2) Haier Group Corporation, the parent company of the Company, issued an undertaking letter to the Company, committing that it will ensure the Company and its subsidiaries use the self-established buildings and the Group's lands in a continuous, steady, free and undisturbed condition. If Haier Group Corporation suspended or terminated to fulfill its commitment and obligation as leading to any loss of the Company and its subsidiaries, Haier Group Corporation shall take responsibility for the loss. As for the legal defects of the Company's and its substantial subsidiaries' land and property, the Company committed since the application date of non-public issue, the Company will use all reasonable commercial endeavors to solve the real estate defects of the Company and its substantial subsidiaries within five years to realize the legal compliance of the Company's and its substantial subsidiaries in respect of the land and property.

(3) The pledged fixed assets were RMB81,743,670.84 at the end of the period.

(4) The rental financial fixed assets at the end of the period:

Items	Category of fixed assets	Closing balance
(1) Book amount	Transportation equipment	22,814,833.51
(2) Accumulated depreciation	Transportation equipment	15,957,810.14
(3) Net book value	Transportation equipment	6,857,023.37
(4) Provision for impairment	Transportation equipment	
(5) Book value	Transportation equipment	6,857,023.37

14. Construction in progress

(1) Balance of Construction in progress

Projects	Opening balance	Increase for the period	Transfer to fixed assets	Other decrease	Translation difference of foreign statement	Closing balance	Percentage of completion	Source of fund
Chongqing Household Air Conditioner	6,842,989.46	7,588,173.68	5,922,702.16			8,508,460.98	37%	Self-financing
Hefei Refrigerator	55,163,303.93	18,362,697.97	23,524,063.01			50,001,938.89	90%	Self-financing
Qingdao Special Freezer	8,289,732.63	170,360,757.14	152,926,522.73			25,723,967.04	90%	Self-financing
Jiaozhou Air-Conditioner	56,412,093.13	101,053,559.47	47,845,878.84			109,619,773.76	80%	Self-financing
Zhengzhou Air-Conditioner	19,107,519.72	10,020,612.83	9,386,533.84			19,741,598.71	92%	Self-financing
Shenyang Refrigerator	97,330,292.25		21,301,657.51			76,028,634.74	97%	Self-financing
Qingdao Special Refrigerator	28,632,842.95	1,603,930.17	16,080,184.75			14,156,588.37	89%	Self-financing
Qingdao Central Air-Conditioner	238,645,406.28	33,122,218.05	42,931,207.39			228,836,416.94	50%	Self-financing
Electrical Air-Conditioner	20,115,831.80	30,870,745.58	10,739,702.52			40,246,874.86	83%	Self-financing
Qingdao Electric Water Heater	29,200,218.71	13,223,612.84	32,623,242.60			9,800,588.95	96%	Self-financing
Qingdao Haier New Energy Electric Appliance	18,685,374.13		13,786,228.70			4,899,145.43	70%	Self-financing
Qingdao Drum Washing Machine	7,459,337.17	47,704,178.54	7,115,180.39			48,048,335.32	90%	Self-financing
Guiyang Logistics	74,759,310.41	14,645,496.03	89,404,806.44				100%	Self-financing
Ningbo Logistics	10,043,180.95	2,745,612.56				12,788,793.51	95%	Self-financing
Nanchang Logistics	58,160,947.88	4,945,694.90	63,106,642.78				100%	Self-financing

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Changchun Logistics	32,420,922.88	6,385,066.90				38,805,989.78	10%	Self-financing
Chongqing Water Heater	29,059,692.94	1,289,540.29	28,763,763.16			1,585,470.07	95%	Self-financing
Japan Projects	16,543,086.12	4,615,815.03	2,485,492.91		222,009.78	18,895,418.02	99%	Self-financing
American Projects	209,044,715.11	7,859,742.24			-4,998,717.52	211,905,739.83	43%	Self-financing
India Projects	100,824,148.31	201,959,089.9			2,735,169.83	305,518,408.13	51%	Self-financing
Others	655,289,847.51	496,086,859.87	384,276,300.49		-4,292,994.29	762,807,412.60		Self-financing
Total	1,772,030,794.27	1,174,443,404.08	952,220,110.22		-6,334,532.20	1,987,919,555.93		

(2) Provision for impairment of construction in progress

Name of Projects	Opening balance	Increase for the period	Transfer to fixed assets	Other decrease	Translation difference of foreign statement	Closing balance
Others	2,155,743.92				-59,043.82	2,096,700.10

15. Disposals of fixed assets

Applicable Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
International Refrigerator Project	55,808,808.81	55,808,808.81
Others	247,263.34	
Total	56,056,072.15	55,808,808.81

16. Intangible assets

Categories	Opening balance	Increase for the period	Decrease for the period	Translation difference of foreign statement	Closing balance
(1) Original value					
Technical expertise	773,207,000.00			-18,048,600.00	755,158,400.00
Concession	3,933,279,000.00		54,885,200.00	-91,504,200.00	3,786,889,600.00
Land use rights	1,565,093,116.98	96,812,489.11		-279,293.23	1,661,626,312.86
Management software	494,936,735.56	85,396,589.20	7,657,775.57	-14,448,081.95	558,227,467.24
Trademark rights	659,015,000.00			-15,447,000.00	643,568,000.00
Others	311,513,042.00	54,716,231.30	6,046,551.77	-1,402.31	360,181,319.22
Total	7,737,043,894.54	236,925,309.61	68,589,527.34	-139,728,577.49	7,765,651,099.32
(2) Accumulated amortization					
Technical expertise	48,117,075.00	38,076,607.50		-1,531,522.50	84,662,160.00
Concession	57,360,318.75	47,138,382.69		-1,937,108.12	102,561,593.32
Land use rights	138,512,078.55	24,703,473.87		-78,212.99	163,137,339.43
Management	171,110,669.67	60,207,198.69	2,359,017.38	-7,257,212.50	221,701,638.48

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software					
Trademark rights					
Others	79,523,273.13	3,645,059.12	814,091.29	-85,829.82	82,268,411.14
Total	494,623,415.10	173,770,721.87	3,173,108.67	-10,889,885.93	654,331,142.37
(3) Net book value					
Technical expertise	725,089,925.00				670,496,240.00
Concession	3,875,918,681.25				3,684,328,006.68
Land use rights	1,426,581,038.43				1,498,488,973.43
Management software	323,826,065.89				336,525,828.76
Trademark rights	659,015,000.00				643,568,000.00
Others	231,989,768.87				277,912,908.08
Total	7,242,420,479.44				7,111,319,956.95
(4) Provision for impairment					
Technical expertise					
Concession					
Land use rights					
Management software					
Trademark rights					
Others					
Total					
(5) Book value					
Technical expertise	725,089,925.00				670,496,240.00
Concession	3,875,918,681.25				3,684,328,006.68
Land use rights	1,426,581,038.43				1,498,488,973.43
Management software	323,826,065.89				336,525,828.76
Trademark rights	659,015,000.00				643,568,000.00
Others	231,989,768.87				277,912,908.08
Total	7,242,420,479.44				7,111,319,956.95

At the end of the period, the intangible assets arise from internal research and development accounting for 3.10% of the original value at the end of the period.

17. Development expenses

Items	Opening balance	Increase for the period	Decrease for the period		Translation difference of foreign statement	Closing balance
			Charged to profit or loss for the period	Recognized as an intangible asset		
U+ platform construction	5,088,000.00	2,080,000.00				7,168,000.00
91ABD.ERPP ROGRAM	857,168,622.06	100,469,404.51		50,340,000.23	-20,721,838.67	886,576,187.67
Others	51,027,174.26	17,362,112.49		13,575,595.58	-1,243,655.90	53,570,035.27
Total	913,283,796.32	119,911,517.00		63,915,595.81	-21,965,494.57	947,314,222.94

18. Goodwill

Items	Opening balance	Increase for the period	Decrease for the period	Impact of fluctuation in exchange rate for the period	Closing balance
GEA	20,611,638,212.84			-479,879,314.56	20,131,758,898.28
Furniture after-sales service business	6,123,000.00				6,123,000.00
Shanghai Boyol New Brothers Supply Chain Management Company Limited	68,407,241.86				68,407,241.86
Greenone TEC Solarindustrie GmbH		3,298,757.75			3,298,757.75
Shengfeng Logistics Group Co., Ltd	317,954,690.69				317,954,690.69
Total	21,004,123,145.39	3,298,757.75		-479,879,314.56	20,527,542,588.58

(1) The Company additionally acquired RMB3,298,757.75 of goodwill of Greenone TEC Solarindustrie GmbH. The subsidiaries of the Company paid considerations of RMB60,307,603.61 to acquire 51% equity interest of Greenone TEC Solarindustrie GmbH. On 17 May 2017, the fair value of the equity interest was RMB57,008,845.86, the difference between the cost of business combination and the share of fair value of identifiable assets acquired is recognized as goodwill.

(2) 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% to 4%, not more than the long-term average growth rate of the asset group business. The discount rate is within the range of 9.00% to 15.00%. 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.

19. Long-term deferred expenditures

Items	Opening balance	Increase amount for the period	Amortization amount for the period	Other deductions	Translation difference for foreign currency statement	Closing balance
Renovation fee	23,495,429.77	128,243.23	448,313.99	9,438,849.35		13,736,509.66
Expenditure for	45,710,143.55	1,473,799.09	4,940,728.54			42,243,214.10

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reconstruction of leased plant						
Others	46,568,019.46	3,886,471.19	4,445,646.49	16,048,924.84	-110,118.36	29,849,800.96
Total	115,773,592.78	5,488,513.51	9,834,689.02	25,487,774.19	-110,118.36	85,829,524.72

20. Deferred income tax assets/liabilities

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

Items	Closing balance	Opening balance
Provision for assets impairment	157,822,525.86	206,179,413.32
Liabilities	1,329,411,456.74	1,588,572,631.81
Internal unrealized profit due to consolidation	335,437,189.29	306,515,615.29
Others	16,343,978.99	10,774,534.11
Total	1,839,015,150.88	2,112,042,194.53

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

Items	Closing balance	Opening balance
Changes of the fair value	20,023,745.00	30,458,666.66
Disposal of subsidiaries and available-for-sale financial assets	117,683,479.17	111,105,965.55
Reserved foreign enterprise income tax	70,702,527.50	38,629,859.78
Depreciation and amortization of assets and the difference of the tax laws	149,007,109.32	461,236,134.20
Interest rate swap agreement	3,532,757.81	6,663,731.01
Others	1,276,928.69	5,181,579.42
Total	362,226,547.49	653,275,936.62

(3) The deferred income tax assets and the deferred income tax liabilities offset at the end of the period was RMB199,095,918.97.

21. Other non-current assets

Applicable Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Prepayments for equipment and land	687,050,969.23	776,647,520.39
Others	94,672,669.81	81,813,868.47
Total	781,723,639.04	858,461,388.86

22. Short-term borrowings

(1). Classification of short - term borrowings

Applicable Not Applicable

Unit and Currency: RMB

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Items	Closing balance	Opening balance
Pledged borrowings	3,048,480,000.00	3,994,850,204.62
Mortgage loan	53,000,000.00	23,000,000.00
Guaranteed borrowings	60,000,000.00	6,950,000,000.00
Unsecured borrowings	8,824,315,621.88	7,197,681,674.53
Total	11,985,795,621.88	18,165,531,879.15

23. Financial liabilities designated to be measured by fair value and change of which is recorded in current profit or loss

Items	Closing balance	Opening balance
Forward foreign exchange sale and purchase agreement	70,573,461.47	2,340,213.20
Total	70,573,461.47	2,340,213.20

24. Bills payable

√Applicable Not Applicable

Unit and Currency: RMB

Categories	Closing balance	Opening balance
Commercially acceptance bill	2,436,569,579.83	1,725,416,481.48
Bank acceptance bill	13,072,010,243.47	10,679,473,278.57
Total	15,508,579,823.30	12,404,889,760.05

25. Accounts payables

Items	Closing balance	Opening balance
Accounts payables	24,835,266,362.14	20,594,203,310.08
Total	24,835,266,362.14	20,594,203,310.08

The book balance at the end of the period was mainly the unpaid expenditures on material, equipment and labor.

26. Prepayment

Items	Closing balance	Opening balance
Prepayment	4,149,761,184.38	5,734,732,855.06
Total	4,149,761,184.38	5,734,732,855.06

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

27. 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	2,197,223,036.69	6,259,845,612.47	6,593,250,259.75	1,863,818,389.41
II . Post-employment	190,360,845.76	518,368,391.98	436,636,832.14	272,092,405.60

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benefits-defined contribution plan				
III. Termination benefits	16,796,576.14	282,321.44	12,688,606.42	4,390,291.16
IV . Other welfare due within one year				
Total	2,404,380,458.59	6,778,496,325.89	7,042,575,698.31	2,140,301,086.17

(2) Presentation of short-term remuneration

Items	Opening balance	Increase for the period	Decrease for the period	Closing balance
I . Salaries, bonus, allowance and benefit	1,082,738,315.83	4,239,906,530.00	4,525,560,614.86	797,084,230.97
II . Employee welfare	531,758,045.89	61,032,793.73	61,395,062.76	531,395,776.86
III. Social benefit	91,041,425.17	594,156,530.56	542,258,303.92	142,939,651.81
IV. Housing fund	8,587,321.53	113,338,258.85	115,998,515.79	5,927,064.59
V . Labor union fee and education fee	2,291,456.49	33,378,658.41	33,565,669.30	2,104,445.60
VI . Short-term compensated leave	228,698,109.89	102,222,758.81	150,455,334.78	180,465,533.92
VII. Others	252,108,361.89	1,115,810,082.11	1,164,016,758.34	203,901,685.66
Total	2,197,223,036.69	6,259,845,612.47	6,593,250,259.75	1,863,818,389.41

(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	189,197,049.65	505,858,856.95	424,198,406.04	270,857,500.56
2. Unemployment insurance	700,838.23	10,818,911.06	10,942,308.27	577,441.02
3. Enterprise annuity payment	462,957.88	1,690,623.97	1,496,117.83	657,464.02
Total	190,360,845.76	518,368,391.98	436,636,832.14	272,092,405.60

(4) Presentation of termination benefits

Items	Closing balance	Opening balance
Termination compensation	4,390,291.16	16,796,576.14
Total	4,390,291.16	16,796,576.14

28. Taxes payable

√Applicable □Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
VAT	299,239,757.63	501,344,246.89
Business tax	2,313,918.06	11,554,246.76
Enterprise income tax	835,396,732.26	930,301,189.86

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Individual income tax	20,429,927.44	19,205,381.15
Municipal maintenance tax	16,008,888.61	33,805,437.30
Education surcharge	6,003,582.15	12,144,570.87
The electrical and electronic products waste treatment fund	72,341,575.67	73,838,985.81
Additional taxes	54,714,940.66	38,269,003.47
Total	1,306,449,322.48	1,620,463,062.11

29. Interests payable

Items	Closing balance	Opening balance
Interest of long-term borrowings	51,470,134.03	15,891,113.99
Interest of short-term borrowings	25,167,665.00	14,679,214.67
Total	76,637,799.03	30,570,328.66

30. Dividends payable

Company	Closing balance	Opening balance
BRAVE LION (HK) LIMITED	122,756,874.10	122,756,874.10
Haier Electric Appliances International Co., Ltd.	312,153,836.35	
Haier Group Corporation	266,007,469.47	
Qingdao Haier Venture & Investment Information Co., Ltd.	42,718,634.88	
HCH (HK) Investment Management Co., Limited	50,015,733.17	
Social shareholders (The Company has made provision for the issuance of public shares)	1,074,338,151.44	
Other minority shareholders	25,931,721.10	25,933,614.91
Total	1,893,922,420.51	148,690,489.01

31. Other payables

(1). Other payables by nature

√Applicable □Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Other payables	9,839,677,091.29	9,363,015,551.12
Total	9,839,677,091.29	9,363,015,551.12

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

32. Non-current liabilities due within 1 year

√Applicable □Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Long-term borrowings due within one year	1,693,600,000.00	1,734,250,000.00
Bonds payable due within one year		1,223,220,143.70
Long-term payables due within one year	7,363,280.46	9,338,365.85

Total	1,700,963,280.46	2,966,808,509.55
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33. Long-term borrowings

(1). Classification of Long-term borrowings

√Applicable Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Pledged borrowings		
Mortgage loan	31,559,245.46	
Guaranteed borrowings	19,251,346,823.40	14,716,253,452.30
Credit borrowings	407,225,951.78	814,547,859.50
Total	19,690,132,020.64	15,530,801,311.80

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

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.

34. Long-term payables

(1). Long-term payables by nature of payment:

√Applicable Not Applicable

Unit and Currency: RMB

Items	Opening balance	Closing balance
CDB development fund investment fund	93,000,000.00	93,000,000.00
Lease	22,783,382.28	23,912,770.25
Total	115,783,382.28	116,912,770.25

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.

35. 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	542,499,881.60	837,967,757.25
II. Termination benefits	49,360,971.88	51,440,750.33
III. Provision for work-related injury compensation	300,515,968.81	317,102,409.75
IV. Other long-term benefits		
Total	892,376,822.29	1,206,510,917.33

(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	1.10%
II. Expected rate of return	2.00%

Present value of defined benefit obligations

Items	Amount
I. Opening balance	314,909,686.37
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	

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1. Actuarial loss (gain indicated in “-”)	
IV. Other changes	-10,446,044.84
1. Consideration paid upon settlement	
2. Prepaid benefits	-15,402,402.60
3. Exchange difference	4,956,357.76
V. Closing balance	304,463,641.53

Fair value of plan assets

Items	Amount
I. Opening balance	300,272,483.59
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	-10,667,076.44
1. Payments made by the employer	
2. Prepaid benefits	-15,402,402.60
3. Exchange difference	4,735,326.16
V. Closing balance	289,605,407.15

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	14,637,202.78
II. Defined benefit cost in current profit or loss	
III. Defined benefit cost in other comprehensive incomes	
IV. Other changes	221,031.60
V. Closing balance	14,858,234.38

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

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Items	Amount
I . Opening balance	147,664,284.01
II . Consolidation of enterprises under non-common control	
III. Defined benefit cost in current profit or loss	11,899,870.44
1. Current period service cost	6,263,983.76
2. Past service cost	-18,571.91
3. Settlement profit (loss indicated in “-”)	
4. Interest expenses	5,654,458.59
IV. Defined benefit cost in other comprehensive incomes	
1. Actuarial loss (gain indicated in “-”)	
V. Other changes	-3,610,868.18
1. Consideration paid upon settlement	
2. Paid benefits	-
3. Exchange difference	-3,610,868.18
VI. Closing balance	155,953,286.27

Net liability (net asset) of defined benefit plan

Items	Amount
I . Opening balance	147,664,284.01
II . Consolidation of enterprises under non-common control	-
III. Defined benefit cost in current profit or loss	11,899,870.44
IV. Defined benefit cost in other comprehensive incomes	
V. Other changes	-3,610,868.18
VI. Closing balance	155,953,286.27

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	385,674,932.23
II . Consolidation of enterprises under non-common control	
III. Defined benefit cost in current profit or loss	17,425,944.74
1. Current period service cost	5,494,041.70
2. Past service cost	-1,861,644.08

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3. Settlement profit (loss indicated in “—”)	
4. Interest expenses	13,793,547.12
IV. Defined benefit cost in other comprehensive incomes	
1. Actuarial loss (gain indicated in “—”)	
V. Other changes	-9,259,237.12
1. Consideration paid upon settlement	
2. Paid benefits	
3. Exchange difference	-9,259,237.12
VI. Closing balance	393,841,639.85

Net liability (net asset) of defined benefit plan

Items	Amount
I . Opening balance	385,674,932.23
II .Consolidation of enterprises under non-common control	
III. Defined benefit cost in current profit or loss	17,425,944.74
IV. Defined benefit cost in other comprehensive incomes	
V. Other changes	-9,259,237.12
VI. Closing balance	393,841,639.85

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	344,065,731.00
II .Consolidation of enterprises under non-common control	
III. Defined benefit cost in current profit or loss	-51,562,174.01
1. Current period service cost	15,744,689.04
2. Past service cost	-77,706,929.57
3. Settlement profit (loss indicated in “—”)	
4. Interest expenses	10,400,066.52
IV. Defined benefit cost in other comprehensive incomes	-
1. Actuarial loss (gain indicated in “—”)	-
V. Other changes	-7,416,143.07
1. Consideration paid upon settlement	-
2. Paid benefits	-
3. Exchange difference	-7,416,143.07

VI. Closing balance	285,087,413.92
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Fair value of plan assets

Items	Amount
I . Opening balance	8,170,835.63
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	262,912,300.00
1. Payments made by the employer	260,020,530.00
2. Paid benefits	-
3. Exchange difference	2,891,770.00
V. Closing balance	271,083,135.63

Net liability (net asset) of defined benefit plan

Items	Amount
I . Opening balance	335,894,895.37
II. Consolidation of enterprises under non-common control	
III. Defined benefit cost in current profit or loss	-51,562,174.01
IV. Defined benefit cost in other comprehensive incomes	
V. Other changes	-270,328,443.07
VI. Closing balance	14,004,278.29

(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	317,102,409.75
II . Consolidation of enterprises under non-common control	
III. Compensation expenses in current profit or loss	57,146,434.67
IV. Compensation amount actually paid for the period	66,416,755.42
V. Other changes	-7,316,120.19
VI. Closing balance	300,515,968.81

Classification of the balance of defined benefit plan

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Items	Closing balance	Opening balance
Short-term remuneration	36,157,557.20	45,903,557.14
Long-term remuneration	542,499,881.60	837,967,757.25
Total	578,657,438.80	883,871,314.39

36. Estimated liabilities

Items	Closing balance	Opening balance
Estimated charges of “three guarantees” and installations	2,326,468,508.80	2,275,917,930.84
Acquisition of equity interests of minority equity interests	55,862,218.57	15,700,000.00
Pending litigation	22,555,105.56	18,501,499.76
Total	2,404,885,832.93	2,310,119,430.60

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.

37. 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	Reason
Governmental subsidy	337,441,740.36	75,182,143.40	25,912,706.16	386,711,177.60	Government subsidies related assets
Leaseback	5,383,852.99		1,615,673.43	3,768,179.56	The differences on sales price and the book value of assets
Total	342,825,593.35	75,182,143.40	27,528,379.59	390,479,357.16	/

38. Other non-current liabilities

Applicable Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Changes of fair value in hedging instruments	50,769,391.88	582,785,069.86
Total	50,769,391.88	582,785,069.86

39. Share capital

Class of shares	Opening balance	Increase for	Decrease for	Closing balance
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		the period	the period	
I. Restricted shares	606,213,988			606,213,988
1. State-owned shares				
2. Shares held by domestic non-state-owned legal entities				
3. Shares held by domestic natural persons	228,000			228,000
4. Shares held by foreign non-state-owned legal entities	605,985,988			605,985,988
II. Non-restricted shares	5,491,416,739			5,491,416,739
1. Ordinary shares in RMB	5,491,416,739			5,491,416,739
2. Domestic listed foreign shares				
3. Overseas listed foreign shares				
4. Others				
III. Total shares	6,097,630,727			6,097,630,727

40. Capital reserve

Applicable Not Applicable

Unit and Currency: RMB

Items	Opening balance	Increase for the period	Decrease for the period	Closing balance
Capital premium (share capital premium)		231,991,591.90		231,991,591.90
Other capital reserve	83,383,194.51	79,672.11		83,462,866.62
Total	83,383,194.51	232,071,264.01		315,454,458.52

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

Movements in capital reserve due to: ①an increase of RMB231,991,591.90 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 Company; ②an increase of RMB79,672.11 in other capital reserves due to the changes of capital reserves calculated in equity method for the period.

41. Treasury stock

Applicable Not Applicable

Unit and Currency: RMB

Items	Opening balance	Increase for the period	Decrease for the period	Closing balance
Restricted share certificates	1,041,960.00			1,041,960.00
Share repurchase				
Total	1,041,960.00			1,041,960.00

42. Other comprehensive income

Items	Opening balance	Amounts incurred for the period					Closing balance
		The pre-tax 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	34,176,554.03	-122,346,236.14		-122,040,176.25	-306,059.89		-87,863,622.22
b	6,134,086.21	-2,746,669.05	-406,294.04	-2,347,023.98	6,648.97		3,787,062.23
c	9,966,493.62	-9,300,368.43	-3,532,757.81	-5,767,610.62			4,198,883.00
d	522,147,275.38	-70,679,191.47		-38,460,561.85	-32,218,629.62		483,686,713.53
e	-6,185,497.28						-6,185,497.28
Total	566,238,911.96	-205,072,465.09	-3,939,051.85	-168,615,372.70	-32,518,040.54		397,623,539.26

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.

43. 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	2,026,461,769.42			2,026,461,769.42
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
Total	2,074,118,571.01			2,074,118,571.01

44. Undistributed profits

Applicable Not Applicable

Items	Amount
Undistributed profits at the end of last year	17,544,395,965.35
Add: correction of accounting errors	
Adjustment on implementation of ASBE	

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Adjustment on business combination under common control	
Undistributed profits at the beginning of the year	17,544,395,965.35
Add: net profit attributable to owners of the Company	4,427,068,404.51
Profit available for appropriation for the year	21,971,464,369.86
Less: appropriation of statutory surplus reserve	
Appropriation of staff incentive and welfare fund	
Dividend payable for ordinary shares	1,512,155,876.30
Retained earnings after deduction of combined offsetting under common control	
Undistributed profits at the end of the period	20,459,308,493.56

45. Operating income and Operating cost

(1) Operating income

Categories	Amount for the current period	Amount for the previous period
Principal Business	77,242,627,605.56	48,396,652,699.11
Other Business	333,122,374.54	389,954,225.76
Total	77,575,749,980.10	48,786,606,924.87

(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	16,327,368,124.73	11,125,241,053.36	9,664,635,513.49	6,653,835,753.76
Refrigerator	22,743,000,584.94	15,418,659,922.43	15,316,053,347.53	10,206,844,876.29
Kitchen appliance	13,161,723,397.20	8,267,012,813.14	4,996,083,899.67	2,923,535,853.93
Washing machine	13,845,106,171.68	9,062,281,717.42	8,706,411,819.07	5,823,035,874.06
Equipment product	1,485,496,698.74	1,254,773,044.03	1,249,804,964.69	1,058,835,187.55
Integrated channel services and others	9,679,932,628.27	8,963,031,315.36	8,463,663,154.66	7,916,431,058.06
Total	77,242,627,605.56	54,090,999,865.74	48,396,652,699.11	34,582,518,603.65

46. Taxes and surcharge

Items	Amount for the current period	Amount for the previous period
Business tax	6,278,229.86	5,858,432.78
City maintenance and construction tax	120,193,292.32	112,850,473.17
Education surcharge	52,303,868.63	48,800,232.38

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Property tax	61,265,810.45	
Land use tax	18,718,053.00	
Stamp tax	43,625,123.62	
Others	43,001,955.42	4,187,779.94
Total	345,386,333.30	171,696,918.27

47. Expenses of sales

√Applicable Not Applicable

Unit and Currency: RMB

Items	Amount for the current period	Amount for the previous period
Expenses of sales	12,937,515,954.38	6,693,076,335.80
Total	12,937,515,954.38	6,693,076,335.80

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

48. Management expenses

√Applicable Not Applicable

Unit and Currency: RMB

Items	Amount for the current period	Amount for the previous period
Management expenses	4,623,708,396.51	3,543,082,531.68
Total	4,623,708,396.51	3,543,082,531.68

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

49. Financial expenses

Items	Amount for the current period	Amount for the previous period
Interest expenses	612,416,699.07	197,158,970.54
Less: interest income	132,911,499.93	112,282,670.60
Exchange gain or loss	172,272,254.88	15,543,225.29
Others	-40,100,172.09	24,649,483.24
Total	611,677,281.93	125,069,008.47

50. Loss in assets impairment

Items	Amount for the current period	Amount for the previous period
Bad debt loss	124,869,464.91	57,962,188.88
Loss from price drop in inventory	97,707,495.91	138,224,477.18
Impairment loss on fixed assets		
Impairment loss on construction in progress		
Impairment loss on financial assets available for sale		
Total	222,576,960.82	196,186,666.06

51. 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	412,063,845.15	-182,258,158.84
Total	412,063,845.15	-182,258,158.84

52. 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	585,960,632.76	413,267,458.21
Investment income from disposal of long-term equity investments	21,438,092.72	37,414,012.10
Investment income from financial assets available for sale during the holding period	21,465,578.23	9,343,791.85
Investment income from disposal of financial assets available for sale		531,765,734.66
Investment income from disposal of financial assets at fair value and its changes recognized in the current profit and loss	13,850,304.84	32,350,801.48
Wealth management products return	11,128,105.80	5,052,001.54
Total	653,842,714.35	1,029,193,799.84

53. Other income

Items	Amount for the current period	Amount for the previous period
Refundable value-added tax for software products	72,741,846.04	
Total	72,741,846.04	

According to the requirements of CAIKUAI No.[2017] 15 the Accounting Standards for Enterprises No.16—Government’s Subsidies issued by the MOF in May 2017, since 1 January 2017, the Company’s government subsidies related to corporate daily activities are included in other gains or reduced costs related costs in accordance with the essence of economic business. Once the refundable value-added tax is received which is closely related to the normal operating business of the Company will be included in other revenue items.

54. Non-operating income

Items	Amount for the current period	Amount for the previous period
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Gain on disposal of non-current assets	49,427,601.31	5,558,955.90
Government grants	62,000,721.48	125,842,469.31
Change in accounting methods of financial assets available for sale		166,840,685.70
Others	197,575,745.83	162,082,762.23
Total	309,004,068.62	460,324,873.14

Details of government grants are presented as follows:

Items	Amount for the current period	Amount for the previous period
Current amortization of government grants related to assets	5,738,834.79	16,734,996.28
Government grants related to profit	56,261,886.69	109,107,473.03
Total	62,000,721.48	125,842,469.31

55. Non-operating expenses

Items	Amount for the current period	Amount for the previous period
Loss on disposal of non-current asset	49,846,430.25	20,179,924.08
Charitable donation expenses	11,183,710.06	6,288,255.95
Others	23,548,882.84	30,015,140.09
Total	84,579,023.15	56,483,320.12

56. Income tax expense

(1) Table of income tax expense

√Applicable □Not Applicable

Unit and Currency: RMB

Items	Amount for the current period	Amount for the previous period
Current income expense	778,856,781.57	615,259,241.98
Deferred tax income	-20,834,623.34	45,439,140.00
Total	758,022,158.23	660,698,381.98

(2) Adjustment process of accounting profit and income tax expenses:

√Applicable □Not Applicable

Unit and Currency: RMB

Items	Amount for the current period
Total profit	6,043,052,670.78
Income tax expenses calculated at statutory /applicable tax rate	1,510,763,167.70
Impact from different tax rates applicable to subsidiaries	-631,694,049.31
Impact from adjustment to income tax in prior periods	-75,991,738.05
Effect from non-taxable income	-141,463,594.83
Impact from non-deductible costs, fees and losses	19,157,316.84
Impact from deductible losses of unrecognized deferred tax before use	77,670,591.77
Effect of write-off of deferred income taxes	-419,535.89
Others	
Total income tax expenses	758,022,158.23

57. Other comprehensive income

√Applicable □Not Applicable

For details, please refer to item 42 of note VII.

58. Cash received from other operation related activities

Items	Amount
Deposits and securities	68,796,766.32
Government grants	253,966,557.91
Non-operating income excluding government grants	101,459,811.04
Interest income	121,962,665.17
Others	2,186,012.14
Total	548,371,812.58

59. Cash paid to other operation related activities

Items	Amount
Cash paid on operating expenses	3,151,649,224.94
Cash paid on management expenses	1,791,755,150.46
Cash paid on financial expenses	55,214,874.23
Non-operating expenses	33,663,772.25
Others	31,501,779.58
Total	5,063,784,801.46

60. Cash received from other investment related activities

Items	Amount
Government grants related to assets	75,828.87
Total	75,828.87

61. Cash paid to other financing related activities

Items	Amount
Cash paid on repurchasing shares	12,038,506.40
Cash paid due to the withdrawal of minority	603,380.00
Cash paid on financial lease	6,220,000.00
Loan margin	16,414,105.13
Others	
Total	35,275,991.53

62. Information of net profit adjusted to cash flows of operating activities:

Net profit adjusted to cash flows of operating activities	Amount for the current period	Amount for the previous period
1. Net profit	5,285,030,512.55	3,971,842,202.21

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Plus: provisions for assets impairment	222,576,960.82	196,186,666.06
Depreciation of fixed assets	1,156,148,562.88	671,372,916.51
Amortization of intangible assets	173,770,721.87	51,395,463.20
Amortization of long term expenses payable	9,834,689.02	16,414,091.19
Loss on disposal of fixed assets, intangible assets and other long term assets (“-” represents “gains”)	418,828.94	-167,680,746.72
Gain and loss on change of fair value (“-” represents “gains”)	-412,063,845.15	182,258,158.84
Financial expenses (“-” represents “gains”)	612,416,699.07	197,158,970.54
Loss on investments (“-” represents “gains”)	-653,842,714.35	-1,029,193,799.84
Decrease of deferred income tax assets (“-” represents “increase”)	274,672,665.40	-29,728,891.88
Increase of deferred income tax liabilities (“-” represents “decrease”)	-295,507,288.73	75,168,031.88
Decrease of inventories (“-” represents “increase”)	-2,086,128,150.16	586,856,577.31
Decrease of operational account receivables (“-” represents “increase”)	-660,451,774.62	24,497,917.00
Increase of operational account payables (“-” represents “decrease”)	4,614,484,067.71	-14,090,986.86
Others	151,840,970.93	22,099,813.25
Net cash flows generated from operational activities	8,393,200,906.18	4,754,556,382.69
2. Significant investment and financing activities not involving cash inflows and outflows:		
Capital transferred from debts	1,223,220,143.70	
Convertible corporate bonds due within 1 year		
Financial leased fixed assets		
3. Changes of cash and cash equivalents:		
Cash balance at the end of the period	28,772,518,093.61	21,895,514,969.90
Less: cash balance at the beginning of the period	23,217,634,558.10	24,724,585,700.76
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	5,554,883,535.51	-2,829,070,730.86

63. Cash and cash equivalents

Items	Closing balance	Opening balance
I. Cash	28,772,518,093.61	23,217,634,558.10
Including: treasury cash	593,053.62	565,073.32
Bank deposit available for payment at any time	28,737,845,846.53	23,191,076,580.34
Other monetary capital available for payment at any time	34,079,193.46	25,992,904.44
II. Cash equivalents		
Including: bond investment due within three months		
III. Closing balance of cash and cash equivalents	28,772,518,093.61	23,217,634,558.10
Including: restricted cash and cash equivalents used by the parent company or subsidiaries of the Group		

64. Foreign Currency Items

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Items	Closing balance			Opening balance		
	Foreign currency balance	Exchange rate	RMB balance	Foreign currency balance	Exchange rate	RMB balance
Monetary capital						
Dollar	616,510,502.50	6.7744	4,176,488,748.14	387,284,566.46	6.9370	2,686,593,037.50
Euro	13,434,640.84	7.7496	104,113,092.63	21,250,231.16	7.3068	155,271,189.01
Yen	5,152,812,685.67	0.060485	311,667,875.29	5,184,441,120.47	0.059591	308,946,030.81
Others			1,252,116,637.05			961,507,199.02
Sub-total			5,844,386,353.11			4,112,317,456.34
Receivables						
Dollar	1,118,305,787.67	6.7744	7,575,850,727.98	976,653,474.79	6.9370	6,775,045,154.60
Euro	77,850,240.42	7.7496	603,308,223.16	49,108,138.60	7.3068	358,823,347.09
Yen	3,598,512,480.30	0.060485	217,656,027.37	4,314,375,738.62	0.059591	257,097,964.64
Others			2,105,944,296.47			1,882,170,143.32
Sub-total			10,502,759,274.98			9,273,136,609.65
Short-term borrowings						
Dollar	544,039,812.49	6.7744	3,685,543,305.73	1,329,063,973.44	6.937	9,219,716,783.74
Euro	20,181,516.95	7.7496	156,398,683.76	10,815,675.73	7.3068	79,027,979.42
Yen	44,978,035,950.41	0.0605	2,721,171,175.00	5,251,439,976.00	0.059591	312,938,559.62
HK Dollars	725,000,000.00	0.8679	629,227,500.00	725,000,000.00	0.8945	648,512,500.00
Others			5,744,061.22			21,015,000.00
Sub-total			7,198,084,725.71			10,281,210,822.78
Payables						
Dollar	803,006,496.42	6.7744	5,439,887,209.35	894,240,568.95	6.937	6,203,346,826.78
Euro	19,470,141.02	7.7496	150,885,804.85	28,647,679.79	7.3068	209,322,866.70
Yen	1,596,990,579.56	0.0605	96,617,930.06	3,804,098,671.44	0.059591	226,690,043.93
Others			851,831,193.63			1,012,439,147.10
Sub-total			6,539,222,137.89			7,651,798,884.51
Non-current liabilities due within one year						
Dollar	250,000,000.00	6.7744	1,693,600,000.00	250,000,000.00	6.937	1,734,250,000.00
Sub-total			1,693,600,000.00			1,734,250,000.00
Long-term borrowings						
Dollar	2,841,778,876.86	6.7744	19,251,346,823.40	2,121,414,653.64	6.937	14,716,253,452.30
Euro	5,005,824.91	7.7496	38,793,140.72			
Yen				5,278,445,730.06	0.059591	314,547,859.50
Others						
Sub-total			19,290,139,964.12			15,030,801,311.80

65. Government Subsidies

Applicable Not Applicable

Unit and Currency: RMB

Types	Amount	Presented items	Amounts included in the profit or loss for the period
Research and development projects	31,638,029.63	Management expenses	-31,638,029.63
Research and development projects	6,242,739.87	Deferred revenue	

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Technology upgrading and innovation	24,434,031.86	Operating costs	-24,434,031.86
Technology upgrading and innovation	52,798,214.00	Deferred revenue	
Technology upgrading and innovation	34,750,026.00	Non-operating income	34,750,026.00
Tax refunds	72,741,846.04	Other revenue	72,741,846.04
Other tax refunds	12,114,492.86	Non-operating income	12,114,492.86
Others	15,136,202.62	Non-operating income	15,136,202.62
Total	249,855,582.88		

VIII. Changes in consolidation scope

1. The consolidation of enterprises under non-common control

Applicable Not Applicable

(1). The consolidation of enterprises under non-common control occurred for the period

Applicable Not Applicable

Unit and Currency: RMB

Name of acquiree	Date of equity acquisition	Cost of equity acquisition	Proportion of equity acquired (%)	Method of equity acquisition	Date of purchase	Recognition basis as at the date of purchase	Income of acquiree from the date of acquisition to the end of the period	Net profit of acquiree from the date of acquisition to the end of the period
Green one	2017.5.17	60,307,603.61	51%	Acquisition	2017.5.17	Equity Transfer	47,282,807.16	2,925,986.87

(2). Combination costs and goodwill

Applicable Not Applicable

Unit and Currency: RMB

Combination costs	Green one
----- Cash	52,366,495.84
----- Fair value of contingent considerations	7,941,107.77
Total combination costs	60,307,603.61
Less: share of fair value of identifiable assets	57,008,845.86
Amount of goodwill	3,298,757.75

(3). Identifiable assets and liabilities of the acquire as at the acquisition date

Applicable Not Applicable

Unit and Currency: RMB

Items	Green one	
	Fair value as at the date of acquisition	Book value as at the date of acquisition
Monetary Capital	22,542.76	22,542.76
Receivables	48,279,085.49	48,279,085.49
Inventories	29,245,478.71	29,245,478.71
Fixed assets /Construction in progress / Intangible assets	175,517,957.81	142,590,494.36
Deferred income tax assets	1,645,621.75	1,645,621.75

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Other long-term assets	270,513.16	270,513.16
Accounts payables	-10,655,212.95	-10,655,212.95
Short-term borrowings	-86,767,097.30	-86,767,097.30
Other payables	-27,381,943.58	-27,381,943.58
Estimated liabilities	-4,200,468.29	-4,200,468.29
Payables for staff's remuneration	-1,562,964.95	-1,562,964.95
Deferred income tax liabilities	-7,995,166.84	
Deferred revenue	-3,712,041.75	-3,712,041.75
Receipts in advance	-924,253.32	-924,253.31
Net assets	111,782,050.70	86,849,754.10
Less: minority equity interest		
Net assets acquired	111,782,050.70	86,849,754.10

2. The consolidation of enterprises under common control

√Applicable □Not Applicable

Enterprise combination under common control did not occur for the period.

3. Disposal of subsidiaries

Single disposal of investments in subsidiaries representing loss of control:

Name of subsidiaries	Jinan Goodaymart Trading Co., Ltd.	Sunlit Enterprise International Ltd.	Suzhou Goodaymart Electronics Co., Ltd.
Consideration for disposal of equity interest	1,010,000.00	2,258,830.19	8,820,000.00
Proportion of equity disposal	49.00%	81.00%	81%
Method of equity disposal	Disposal	Disposal	Disposal
Date of loss-of-control	2017/1/1	2017/6/30	2017/1/1
Basis of determination of date of loss-of-control	Disposal	Disposal	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	-595,421.85	1,000,040.98	-2,551,432.07

continued

Name of subsidiaries	Qingdao Goodaymart Home Furnishing Service Co., Ltd.	Heroic Plan Global Limited	Shanghai Leya Information Technology Co., Ltd.(上海樂雅資訊科技有限公司)
Consideration for disposal of equity interest	23,584,905.66		23,044,485.99
Proportion of equity disposal	Not Applicable	100%	100%

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Method of equity disposal	Disposal	Disposal	Liquidation
Date of loss-of-control	2017/6/30	2017/1/3	2017/1/1
Basis of determination of date of loss-of-control	Disposal	Disposal	Liquidation
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	23,584,905.66		

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) The Company made contribution to establish a wholly owned subsidiary 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) for the period.

(2) The Company made contribution to establish a wholly owned subsidiary Haier Industrial Holding Limited(海尔工业控股有限公司) 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	14.06%	29.78%	55.89%	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	99.95%		99.95%	common control combination
Guizhou Haier Electronics Co., Ltd.	Huichuan District, Zunyi City, Guizhou Province	Huichuan District, Zunyi City, Guizhou Province	Manufacture and sale of refrigerator	59.00%		59.00%	common control combination

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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	Jiangbei District, Chongqing	Plastic products, sheet metal	90.00%	10.00%	100.00%	common control combination

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	City	g City	work, electronics and hardware				ion
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 refrigerators	100.00%		100.00%	Establishment
Qingdao Haier Refrigerator (International) Co., Ltd.	Pingdu Development Zone, Qingdao	Pingdu Development Zone, Qingdao	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	97.36%		97.36%	Establishment

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			automatic control system				
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	Research, manufacture and sales of freezer and other refrigeration products	95.00%	5.00%	100.00%	Establishment

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		Park					
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.	Qianwang Road, Jiaonan City	Qianwang 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	Dalian	Dalian	Domestic		100.00%	100.00%	Establishment

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Zone Haier Refrigerator Trading Co., Ltd.	Export Expressing Zone	Export Expressing Zone	trade				ment
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 HVAC Engineering Co., Ltd	Qingdao Development Zone	Qingdao Development Zone	Air-conditioning		100.00%	100.00%	Establishment
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	Hong Kong	Hong		100.00%		100.00%	Establishment

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Shareholdings (Hong Kong) Limited		Kong	Investment				
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	Beijing	Beijing	Development		55.00%	55.00%	common

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Guangke Digital Technology Co., Ltd.			, promotion and transfer of technology				control combination
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
Beijing ASU Tech Co., Ltd.	Beijing	Beijing	Technical services, import and export business		100.00%	100.00%	Establishment
Haiyike (Beijing) Tech Co., Ltd.	Beijing	Beijing	Technical services, software development		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	Dalian	Dalian	Sales of household appliances, international	100.00%		100.00%	common control combination

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Industry Co., Ltd.			freight forwarding				
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		91.21%	91.21%	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		87.08%	87.08%	Establishment
Haier U+smart Technology (Beijing) Co., Ltd.	Beijing	Beijing	Software development	100.00%		100.00%	Establishment
Qingdao Haier Industry Intelligence Research Institute Co., Ltd.	Qingdao	Qingdao	Industrial intelligent technology	100.00%		100.00%	Establishment
Haier (Shanghai) Appliance Co., Ltd.	Shanghai	Shanghai	Sales, research and development of household appliances	100.00%		100.00%	Establishment

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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	Maker's hatchery management consulting	100.00%		100.00%	Establishment
Haier Industrial Holding Limited(海尔工业控股有限公司)	Qingdao	Qingdao	Industrial investment, consulting, etc.	100.00%		100.00%	Establishment
Small companies such as Qingdao Hai Heng Feng Electrical Appliances Sale & Service Co., Ltd.	All over the country	All over the country	Sales of household appliances				Establishment

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

Applicable Not Applicable

Unit and Currency: RMB

Name of subsidiaries	Percentage of shareholding of minority	Profit or loss attributed to minority	Dividend declared to minority shareholders for the	Balance of minority equity interest at the end
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	shareholders	shareholders for the period	period	of the period
Haier Electronics Group Co., Ltd.	56.16%	855,626,318.73	249,053,586.90	12,598,255,475.57
Guizhou Haier Electronics Co., Ltd.	41.00%	4,949,040.48		110,277,487.36
Wuhan Haier Electronics Co., Ltd.	40.00%	9,828,776.29		215,227,239.21
Qingdao Haier Refrigerator (International) Co., Ltd.	25.00%	235,854.36		79,354,680.59

(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.	27,996,860,321.18	8,070,482,165.18	36,067,342,486.36	13,962,005,236.82	1,232,057,660.65	15,194,062,897.47
Guizhou Haier Electronics Co., Ltd.	396,371,895.14	34,660,101.37	431,031,996.51	161,936,044.82	126,470.38	162,062,515.20
Wuhan Haier Electronics Co., Ltd.	925,610,095.54	130,852,702.57	1,056,462,798.11	518,053,415.04	341,285.04	518,394,700.08
Qingdao Haier Refrigerator (International) Co., Ltd.	279,206,813.97	55,808,808.81	335,015,622.78	17,596,900.43		17,596,900.43

Continued

Name of subsidiaries	Opening balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Haier Electronics	28,356,845,782.86	7,662,215,538.27	36,019,061,321.13	16,690,729,604.24	1,039,492,037.45	17,730,221,641.69

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Group Co., Ltd.						
Guizhou Haier Electronics Co., Ltd.	431,426,225.53	37,508,427.60	468,934,653.13	211,909,531.88	126,470.38	212,036,002.26
Wuhan Haier Electronics Co., Ltd.	689,813,474.19	132,342,221.17	822,155,695.36	308,318,253.02	341,285.04	308,659,538.06
Qingdao Haier Refrigerator (International) Co., Ltd.	277,702,166.97	55,808,808.81	333,510,975.78	17,035,670.88		17,035,670.88

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.	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

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.	28,794,279,022.44	1,069,181,489.62	1,088,300,280.31	1,116,067,058.61
Guizhou Haier Electronics Co., Ltd.	463,807,588.48	14,023,651.53	14,023,651.53	-20,013,648.34
Wuhan Haier Electronics Co., Ltd.	843,507,252.40	35,074,533.19	35,016,715.42	-34,799,441.65
Qingdao Haier Refrigerator (International) Co., Ltd.	9,090.37	-566,030.17	-566,030.17	-730,518.41

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

Explanation to the change of owners' equity in subsidiaries: shareholding proportion held by the Company changed as a result of the capital contribution contributed by minority shareholders of the Company's subsidiary Haier Electronics Group Co., Ltd. and transfer of share option by convertible bond creditors; Changes in shareholding proportions in Beijing Haier Cloud Kitchen Technology Co., Ltd.(北京海尔云厨科技有限公司), and Haier Appliances (India) Co., Ltd. (海尔电器(印度)有限公司), which are subsidiaries of the Company, have taken place and the capital contribution to them are not on the original proportion of equity interest; Shareholding proportion held by the Company changed as a result of the acquisition of minority shareholders' equity interest of the Company's subsidiary Qingdao Hai Ri High-Tech Model Co., Ltd. (青岛海日高科模型有限公司).

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

Items	Haier Electronics Group Co., Ltd.	Others
Total of cost of acquisition/disposal consideration		403,703,264.00
Less: share of net assets of subsidiaries calculated with reference to the proportion of the share acquired/disposed	222,905,948.81	412,788,907.09
The difference	-222,905,948.81	-9,085,643.09
Including: adjustment and increase to capital reserve	222,905,948.81	9,085,643.09

3. Interests in joint ventures and associates

Applicable Not Applicable

(1). Significant joint ventures and associates

Applicable Not Applicable

Unit and Currency: RMB

The name of joint ventures or associates	Principal place of business	Registration place	Business nature	Shareholding percentage (%)		The accounting treatment for the investment in joint
				Direct	Indirect	

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						ventures and associates
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 Haier Special Steel Plate Research and Development Co., Ltd.	Qingdao	Qingdao	Manufacture of steel plate	30.00		Equity method
Hefei Haier Special Steel Plate Research and Development Co., Ltd.	Hefei	Hefei	Manufacture of steel plate	30.00		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 appliances	45.00		Equity method
Qingdao Haier Carrier Refrigeration Equipment Co., Ltd.	Qingdao	Qingdao	Manufacture of household appliances	49.00		Equity method
Haier Group Finance Co., Ltd.	Qingdao	Qingdao	Financing	42.00		Equity method
Qingdao Haier Software Investment Co., Ltd.	Qingdao	Qingdao	Software development	25.00		Equity method
Beijing Mr. Hi Network Technology Company Limited	Beijing	Beijing	Technology development	40.00		Equity method
Bank of Qingdao Co., Ltd.	Qingdao	Qingdao	Commercial bank	9.47		Equity method

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Beijing Xiaobei Technology Co., Ltd.	Beijing	Beijing	Sales of household appliances	45.00		Equity method
Haier Tongchuang Investment Partnership (limited partnership)	Guangzhou	Guangzhou	Investment	50.00		Equity method
Qingdao HSW Water Appliance Co., Ltd.	Qingdao	Qingdao	Sales	15.00		Equity method
Qingdao Roca Water Appliance Co., Ltd.	Qingdao	Qingdao	Sales	49.00		Equity method
China Shengfeng Microfinance limited in Jin'an District of Fuzhou City	Fuzhou	Fuzhou	Microfinance	20.00		Equity method
Fujian ATL-Shengfeng Logistics Co., Ltd.	Fuzhou	Fuzhou	Logistics	40.00		Equity method
Qingdao Java Cloud Network Technology Co., Ltd.	Qingdao	Qingdao	Online household service	24.93		Equity method
Qingdao JSH Network Technology Co. Ltd.	Qingdao	Qingdao	E-commerce platform	24.02		Equity method
Konan Electronic Co., Ltd.	Hunan	Hunan	Motor Manufacturing	50.00		Equity method
HPZ LIMITED	Nigeria	Nigeria	Manufacture of household appliances	25.01		Equity method
HNR COMPANY (PRIVATE) LIMITED	Pakistan	Pakistan	Manufacture of household appliances	31.72		Equity method
CONTROLADORA MABE S.A.de C.V.	Mexico	Mexico	Manufacture of household appliances	48.42		Equity method
Middle East Air Conditioning Company, Limited	Saudi Arabia	Saudi Arabia	Sales of household appliances	49.00		Equity method

(2). Main financial information of important associates

√Applicable □Not Applicable

Unit and Currency: RMB

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: Yulong International Center Building 1, No.178-2 Haier Road, Laoshan District, Qingdao City. 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 48.42% 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 48.42% 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 9.47% of equity interests in Qingdao Bank in total.

②Financial 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	59,755,549,370.28	64,554,524,837.39
Non-current assets	7,842,756,084.34	7,512,078,269.27
Total assets	67,598,305,454.62	72,066,603,106.66
Current liabilities	54,406,147,919.45	57,728,520,903.78
Non-current liabilities	2,746,820,584.14	4,555,925,257.50
Total liabilities	57,152,968,503.59	62,284,446,161.28
Minority equity interests		

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Equity interest attributable to shareholders of the parent company	10,445,336,951.03	9,782,156,945.38
Including: share of net assets calculated based on shareholding percentage	4,387,041,519.45	4,108,505,917.06
Operating income	1,248,590,983.58	1,162,696,352.56
Net profit	695,130,748.49	642,161,602.48
Other comprehensive income	-31,950,742.84	-44,730,124.25
Total comprehensive income	663,180,005.65	597,431,478.23
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	6,110,372,160.34	5,411,456,582.00
Non-current assets	10,172,700,735.07	9,986,415,019.00
Total assets	16,283,072,895.41	15,397,871,601.00
Current liabilities	7,125,562,337.24	5,947,561,816.00
Non-current liabilities	5,863,737,121.51	6,151,148,892.00
Total liabilities	12,989,299,458.75	12,098,710,708.00
Minority equity interests		
Equity interest attributable to shareholders of the Company	3,293,773,436.66	3,299,160,893.00
Including: share of net assets calculated based on shareholding percentage	1,594,845,098.03	1,597,453,704.39
Operating income	9,329,282,700.19	
Net profit	205,064,142.44	
Other comprehensive income	-139,395,846.73	
Total comprehensive income	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
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	Qingdao Bank	Qingdao Bank
Current assets	151,946,616,000.00	118,881,404,000.00
Non-current assets	130,029,615,000.00	159,106,702,000.00
Total assets	281,976,231,000.00	277,988,106,000.00
Current liabilities	203,171,280,000.00	214,236,012,000.00
Non-current liabilities	60,616,479,000.00	46,116,121,000.00
Total liabilities	263,787,759,000.00	260,352,133,000.00
Minority equity interests	492,961,000.00	
Equity interest attributable to shareholders of the Company	17,695,511,000.00	17,635,973,000.00
Including: share of net assets calculated based on shareholding percentage	1,675,696,771.69	1,670,058,752.11
Operating income	2,835,194,000.00	2,970,628,000.00
Net profit	1,278,760,000.00	1,261,528,000.00
Other comprehensive income	-404,519,000.00	-152,700,000.00
Total comprehensive income	874,241,000.00	1,108,828,000.00
Dividend received from associates for the year	76,868,844.93	

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

Items	Closing balance/ Amount for the current period	Opening balance/ Amount for the previous period
Total book value of investment to associates	2,337,490,742.02	2,267,271,532.80
Total amount of the following items of associates' financial amounts calculated based on shareholding percentage		
--Net profit	73,900,402.83	24,097,736.19
--Other comprehensive income	-3,044,759.55	-11,890,274.01
--Total comprehensive income	70,855,643.28	12,207,462.18

X. Segment Information

√Applicable □Not Applicable

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, kitchenware and sanitary ware 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.

Kitchenware and sanitary ware segment mainly engaged in manufacture and sales of water heater and kitchen appliances products.

Equipment components segment mainly engaged in procurement, manufacture and sales of upstream matching accessories for household appliances, manufacture and sales of mould.

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, kitchenware and sanitary ware, 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.

(1) Information of reportable segments

Segment information for the period

Segment information	Air-conditioner segment	Refrigerator segment	Kitchenware and sanitary ware segment	Washing machine segment
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Segment revenue	16,065,232,785.84	20,664,137,087.68	12,517,651,383.97	12,223,265,112.69
Including: revenue from external consumers	5,935,165,349.29	11,674,637,424.70	9,671,117,921.21	6,419,268,474.84
Inter-segment revenue	10,130,067,436.55	8,989,499,662.98	2,846,533,462.76	5,803,996,637.85
Total segment operating cost	15,051,615,417.92	19,005,739,766.51	11,604,782,789.73	11,082,170,369.17
Segment operating profit	1,013,617,367.92	1,658,397,321.17	912,868,594.24	1,141,094,743.52
Total segment assets	18,167,934,777.30	11,630,054,029.22	12,322,334,536.90	9,873,354,624.69
Total segment liabilities	9,048,675,971.14	21,769,995,041.59	5,680,590,433.28	4,483,299,083.18

Continued

Segment information	Equipment components segment	Segment of integrated channel services and others	Inter-segment elimination	Total
Segment revenue	20,065,175,857.03	48,268,853,383.36	-52,155,823,784.43	77,648,491,826.14
Including: revenue from external consumers	1,526,368,776.97	42,421,933,879.13	-	77,648,491,826.14
Inter-segment revenue	18,538,807,080.06	5,846,919,504.23	-52,155,823,784.43	-
Total segment operating cost	19,893,023,579.68	47,623,649,726.63	-51,976,888,171.24	72,284,093,478.40
Segment operating profit	172,152,277.35	645,203,656.73	-178,935,613.19	5,364,398,347.74
Total segment assets	24,536,192,591.95	30,901,519,705.33	-34,698,364,286.81	72,733,025,978.58
Total segment liabilities	26,131,258,124.21	27,366,427,179.12	-34,104,421,433.03	60,375,824,399.49

Segment information for the corresponding period of last year

Segment	Air-conditioner	Refrigerator	Kitchenware and	Washing machine
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information	segment	segment	sanitary ware segment	segment
Segment revenue	9,085,882,265.93	13,897,809,010.88	4,439,810,301.41	7,297,456,518.37
Including: revenue from external consumers	3,005,648,352.37	6,600,284,838.00	2,119,082,446.37	2,897,001,933.03
Inter-segment revenue	6,080,233,913.56	7,297,524,172.88	2,320,727,855.04	4,400,454,585.34
Total segment operating cost	8,525,051,027.95	12,610,442,700.89	3,994,249,021.83	6,597,175,312.13
Segment operating profit	560,831,237.98	1,287,366,309.99	445,561,279.58	700,281,206.24
Total segment assets	13,258,952,328.16	12,795,156,573.98	13,406,793,447.42	10,065,969,129.74
Total segment liabilities	6,076,480,008.35	21,272,341,142.80	5,761,567,268.81	4,054,914,657.29

Continued

Segment information	Equipment components segment	Segment of integrated channel services and others	Inter-segment elimination	Total
Segment revenue	14,799,342,326.20	38,986,829,070.96	-39,672,010,042.59	48,835,119,451.16
Including: revenue from external consumers	1,340,536,577.34	32,872,565,304.05	-	48,835,119,451.16
Inter-segment revenue	13,458,805,748.86	6,114,263,766.91	-39,672,010,042.59	-
Total segment operating cost	14,631,500,705.45	38,457,666,157.64	-39,536,310,399.66	45,279,774,526.23
Segment operating profit	167,841,620.75	529,162,913.32	-135,699,642.93	3,555,344,924.93
Total segment assets	23,027,647,676.49	26,750,757,320.79	-29,599,977,056.15	69,705,299,420.43
Total segment liabilities	21,723,163,381.14	24,126,790,721.51	-28,490,996,947.49	54,524,260,232.41

(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	Amount for the current period	Amount for the previous period
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income		
Mainland China	42,565,075,285.61	34,826,153,702.66
Other countries/regions	35,083,416,540.53	14,008,965,748.50
Total	77,648,491,826.14	48,835,119,451.16

Continued

Total non-current assets	Closing balance	Opening balance
Mainland China	11,519,966,367.04	11,281,553,188.93
Other countries/regions	14,896,308,798.11	15,247,717,206.38
Total	26,416,275,165.15	26,529,270,395.31

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	Level 2	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	36,973,157.40		36,973,157.40
II. Financial liability designated to be measured by fair value and change of which is recorded in current profit and loss	121,342,853.35		121,342,853.35
III. Available-for-sale financial assets	25,840,885.83	1,744,100.41	27,584,986.24

2. Basis for determination of level 1 fair value at recurring and non-recurring fair value measurement

Applicable Not Applicable

Unadjusted quoted prices of similar assets or liabilities in active markets as at the measurement date.

3. Valuation techniques used and the qualitative and quantitative information of key parameters for recurring and non-recurring fair value measurement categorised within Level 2

Applicable Not Applicable

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 Company and other companies holding shares of the Company

Name of enterprises	Style of enterprises	Registered address	Registered capital	legal representative	Relationship with the Company	Equity Interest of the Company	Voting share of the Company
Haier Group Corporation	Collective owned enterprise	Qingdao High-tech Zone Haier Park	311,180,000	Zhang Ruimin	the 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.	Co., Ltd.	Qingdao Free Trade Zone	30,000,000	Zhang Ruimin	The party acting in concert with the parent company	2.82%	2.82%

2. Information about subsidiaries of the Company

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 Company
FISHER & PAYKEL APPLIANCES LIMITED	Subsidiary of Haier Group

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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 International Trading 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 Group Corporation	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
Lizhu Haier Built Facilities(Qingdao) Co., Ltd.	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 Software Investment 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
HCH (HK) Investment Management Co., Limited	Subsidiary of Haier Group
Xingyang International 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 Haier New Material Research and Development Co., Ltd.	The joint venture of the parent company
CONTROLADORA MABE S.A.de C.V.	Joint venture
HNR Company (Pvt) Limited	Joint venture
MiddleEast Airconditioning Company,Limited	Joint venture
Hefei Haier Special Steel Plate Research and Development Co., Ltd.	Joint venture
Konan Electronic Co., Ltd.	Joint venture

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Qingdao Haier Carrier Refrigeration Equipment Co., Ltd.	Joint venture
Qingdao Haier Special Steel Plate Research and Development Co., Ltd.	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
Qingdao Haier Parts Procurement Co., Ltd.	4,101,092,652.62	2,834,073,214.99
CONTROLADORAMABES.A.deC.V.	3,524,320,229.06	
Chongqing Haier Electrical Appliances Sales Co., Ltd.	2,215,820,324.20	2,465,270,177.05
Hefei Haier Logistics Co., Limited	999,455,393.51	590,802,325.75
Chongqing Haier Logistics Co., Ltd.	983,636,882.26	585,481,049.95
HNR Company (Pvt) Limited	919,404,923.83	573,735,257.92
Qingdao Haier International Trading Co., Ltd.	526,417,908.74	247,965,334.09
Wolong Electric Zhangqiu Haier Motor Co., Ltd.	355,699,474.19	313,371,323.79
Qingdao Haier Special Plastic Development Co., Ltd.	332,029,641.38	280,906,377.02
Hefei Haier Special Steel Plate Research and Development Co., Ltd.	324,233,684.39	311,939,821.56
Qingdao Haier Special Steel Plate Research and Development Co., Ltd.	291,804,265.09	223,736,153.61
Qingdao Haier Communications Co., Ltd.	286,602,718.51	
Qingdao Haier Strauss Water Equipment Co., Ltd.	225,881,787.55	48,294,127.73
Haier Energy Power Co., Ltd.	223,432,383.88	177,900,502.03
Qingdao Haier Tooling Development and Manufacturing Co., Ltd.	184,193,856.07	142,344,338.00
Lizhu Haier Built Facilities (Qingdao) Co., Ltd.	104,798,646.07	96,627,259.69
Qingdao Haiyongda Property Management Co., Ltd.	91,155,393.46	60,616,791.01
HAIER INTERNATIONAL(HK)LTD.	57,729,284.04	32,048,676.99

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HAIER INTERNATIONAL CO., LTD	48,993,253.14	32,810,835.38
Mitsubishi Heavy Industries Haier (Qingdao) Air-conditioners Co., Ltd.	26,906,682.16	19,901,171.32
Qingdao Haier Household Integration Co., Ltd.	7,055,871.66	115,840,029.68
Other related parties	693,482,690.40	539,456,883.01
Total	16,524,147,946.21	9,693,121,650.57

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&PAYKELAUSTRALIPTY	443,606,539.65	357,585,646.59
Qingdao Haier International Trading Co., Ltd.	382,386,502.01	295,668,534.02
Hefei Haier Special Steel Plate Research and Development Co., Ltd.	377,550,381.70	353,802,132.04
Wolong Electric Zhangqiu Haier Motor Co., Ltd.	303,051,955.98	226,781,249.16
Qingdao Haier New Material Research and Development Co., Ltd.	216,055,389.34	172,047,424.81
Qingdao Haier Special Steel Plate Research and Development Co., Ltd.	167,992,052.29	190,369,953.69
Chongqing Haier Electrical Appliances Sales Co., Ltd.	96,889,976.15	116,299,875.16
Qingdao Haier Special Plastic Development Co., Ltd.	94,854,275.54	70,862,710.70
Qingdao Haier Tooling Development and Manufacturing Co., Ltd.	80,082,974.19	37,237,163.70
Haier Group Electric Appliance Industry Co., Ltd.	41,489,915.93	56,831,677.83
Qingdao Haier International Travel Agency Co., Ltd.	18,529,608.83	15,387,386.88
Other related parties	228,963,648.33	289,715,111.60
Total	2,451,453,219.94	2,182,588,866.18

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3. Unsettled amounts of related parties

Items and names of consumers	Ending balance		Beginning balance	
Dividends receivables:				
Wolong Electric Zhangqiu Haier Motor Co., Ltd.	50,000,000.00		50,000,000.00	
Qingdao Haier Carrier Refrigeration Equipment Co., Ltd.			39,306,692.40	
Qingdao Haier Software Investment Co., Ltd.	4,524,472.84		4,524,472.84	
MiddleEast Airconditioning Company, Limited			7,817,747.86	
Bank of Qingdao Co., Ltd.	76,868,844.93			
Trade receivables:				
Items and names of consumers	Book balance	Provision for bad debts	Book balance	Provision for bad debts
FISHER & PAYKEL APPLIANCES LIMITED	317,751,221.21	15,887,561.06	224,292,054.50	11,214,602.73
Haier Group Electric Appliance Industry Co., Ltd.	133,914,747.12	6,695,737.36	210,327,249.43	10,516,362.47
HNR Company (Pvt) Limited			122,775,678.35	6,138,783.92
Hefei Haier Special Steel Plate Research and Development Co., Ltd.	5,167,586.86	258,379.34	94,611,810.86	4,730,590.54
HAIER INTERNATIONAL CO., LTD	43,154,437.15	2,157,721.86	31,129,868.67	1,556,493.43
Qingdao Haier Special Steel Plate Research and Development Co., Ltd.	809,908.84	40,495.44	24,923,915.12	1,246,195.76
Haier Finance Leasing (China) Co., Ltd.	39,871,231.96	1,993,561.60		
Other related parties	336,010,090.34	16,800,504.52	368,319,082.85	18,415,954.13
Prepayments:				
Qingdao Haier Parts Procurement Co., Ltd.	57,601,548.78		54,261,329.05	
Qingdao Haier International Trading Co., Ltd.	121,954,432.10		26,145,174.92	
Hefei Haier Logistics Co., Limited	8,124,949.88		8,934,803.31	
Other related parties	7,933,983.17		27,420,535.40	

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Interests receivables:				
Haier Group Finance Co., Ltd.		4,107,145.57		10,353,293.15
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.	58,591,749.22	2,929,587.46	59,806,077.31	2,990,303.87
Chongqing Haier Electrical Appliances Sales Co., Ltd.	32,185,535.78	1,609,276.79	33,441,658.84	1,672,082.94
Qingdao Haier Logistics Consulting Co., Ltd.	1,510,000.00	75,500.00	13,593,017.74	679,650.89
Other related parties	72,884,742.92	3,644,237.15	84,938,909.08	4,246,945.45
Bills payable:				
Wolong Electric Zhangqiu Haier Motor Co., Ltd.		19,824,848.32		76,131,434.12
Laiyang Haier Electrical Co. Ltd.		51,074,468.80		58,008,353.21
Other related parties		7,383,200.6		20,169,217.84
Accounts payables:				
CONTROLADORA MABE S.A.de C.V.		82,308,464.05		1,231,921,638.54
Chongqing Haier Electrical Appliances Sales Co., Ltd.		304,977,700.76		275,130,591.00
Qingdao Haier Communications Co., Ltd.		99,944,203.23		219,092,243.03
Qingdao Haier International Trading Co., Ltd.		177,789,841.90		209,554,906.25
Qingdao Haier Parts Procurement Co., Ltd.		1,641,047,065.82		176,467,143.15
Feima Electronic (Qingdao) Co., Ltd.		-		144,450,361.18
Qingdao Haier Special Plastic Development Co., Ltd.		75,497,230.32		86,510,974.88
HNR Company (Pvt) Limited		211,158,405.03		75,871,533.43
HAIER INTERNATIONAL CO., LTD		19,859,001.66		61,199,874.08
Chongqing Haier Logistics Co., Ltd.		338,930,197.01		54,116,937.28
Hefei Haier Logistics Co., Limited		588,676,232.40		50,255,970.60
Qingdao Haier Strauss Water Equipment Co., Ltd.		81,799,163.80		46,642,817.01

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HAIER INTERNATIONAL (HK) LTD.		41,669,785.41
Lizhu Haier Built Facilities (Qingdao) Co., Ltd.	-	39,042,729.52
HAIER INFORMATION APPLIANCES S.R.L.	25,411,237.92	33,861,555.29
Haier Group Electric Appliance Industry Co., Ltd.	-	11,485,262.70
Other related parties	301,392,763.65	252,519,124.31
Receipts in advance:		
Haier Group Electric Appliance Industry Co., Ltd.	11,549,594.10	10,576,951.80
HAIER INTERNATIONAL CO., LTD	1,096,369.42	1,159,469.63
Other related parties	19,129,051.80	24,877,981.64
Other payable:		
Haier Brothers Animation Industry Co., Ltd.	386,304,363.95	384,741,409.54
Haier Group Corporation		163,049,555.34
Chongqing Haier Logistics Co., Ltd.	51,830,739.06	51,830,739.06
Haier Energy Power Co., Ltd.	14,344,838.61	37,071,886.32
Xingyang International Co., Ltd.	13,885,076.40	
Other related parties	134,178,038.57	165,677,261.12
Interests payables:		
Haier Group Finance Co., Ltd.	27,878,441.97	14,845,738.29
Dividends payables:		
BRAVE LION (HK) LIMITED	122,756,874.10	122,756,874.10
Haier Electric Appliances International Co., Ltd.	312,153,836.35	
Haier Group Corporation	266,007,469.47	
Qingdao Haier Venture & Investment Information Co., Ltd.	42,718,634.88	
HCH (HK) Investment Management Co., Limited	50,015,733.17	
Other related parties	10,015,329.74	16,781,015.20

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 2017 was RMB5,703 million and the interest and fees payable to Haier Group Finance Co., Ltd. for the period was RMB155 million in total.

(2) Information about the guarantor of the Company's ending guaranteed borrowing who is a related party:

Borrower	Borrowed amount	Guarantor
HAIER US APPLIANCE SOLUTIONS, INC	20,625,984,869.08	Haier Group Corporation
Total	20,625,984,869.08	

(3) The interest income from bank deposits with Haier Group Finance Co., Ltd. deposited by the Company and its subsidiaries for the period was RMB20.59 million in total.

(4) 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 RMB108 million.

(5) 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	7,225,022.00
Subsidiary of the Company	Other companies of Haier Group	Production and operation	23,609,593.30
Total			30,834,615.30

(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 Haier Special Steel Plate Research and Development Co., Ltd. and Hefei Haier Special Steel Plate Research and Development Co., Ltd.. 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 Payment

Nil

XIV. Commitment and contingencies

As of 30 June 2017, there is no critical contingency of the Company required to be disclosed.

XV. Events Subsequent to the Balance Sheet date

1. On 1 August 2017, the Company, based on the share capital of 6,097,402,272 shares registered in China Securities Depository & Clearing Corporation Ltd., Shanghai Branch, distributed RMB2.48 (tax inclusive) for every 10 shares to all shareholders, with a total amount of dividend before tax of RMB1,512,155,876.30.

2. As approved by the China Securities Regulatory Commission on the approval of the Non-public Issuance of shares in Qingdao Haier Co., Ltd. (Zheng Jian Xu Ke[2014] No.436), Qingdao Haier Co., Ltd. (hereinafter referred to as the "Company") offered a non-public offering of 302,992,994 shares (A shares) at the issue price of RMB10.83 per share to KKR Home Investment S. à r.l. (hereinafter referred to as "KKR (Luxembourg)") on 17 July 2014. The Company completed the above mentioned non-public offering shares registration and restricted registration on 17 July 2014, with 36 months of restricted period. In June 2015, the Company held the 2014 annual general meeting on which considered and approved the Company's 2014 profit distribution plan, including that on the basis of 3,046,125,134 shares, the capital reserve conversion increased 10 shares for every 10 shares to all shareholders, and after the implementation of the programme, the number of restricted shares held by KKR (Luxembourg) has been changed from 302,992,994 shares to 605,985,988 shares. This portion of the stock will be listed for circulation on 17 July 2017.

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 bills payable, payables, 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

The Company has no other important events that need to be disclosed.

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	302,397,411.75	15,119,870.59	279,408,653.04	13,970,432.65
Individual insignificant trade receivables of which provision for bad debts is made on an individual basis				
Total	302,397,411.75	15,119,870.59	279,408,653.04	13,970,432.65

(2) Trade 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	278,232,371.75	13,911,618.59	260,896,436.79	13,044,821.84
One to two years	19,294,625.12	964,731.26	18,512,216.25	925,610.81
More than two years	4,870,414.88	243,520.74		

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Total	302,397,411.75	15,119,870.59	279,408,653.04	13,970,432.65
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(3) The total debt amount of the top 5 debtors in the ending trade receivables amounted to RMB301,179,615.49, representing 99.60% 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	1,301,772,973.17	65,088,648.66	339,950,820.95	16,997,541.05
Individual insignificant other receivables of which provision for bad debts is made on an individual basis				
Total	1,301,772,973.17	65,088,648.66	339,950,820.95	16,997,541.05

(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	1,301,772,973.17	65,088,648.66	339,950,820.95	16,997,541.05
Total	1,301,772,973.17	65,088,648.66	339,950,820.95	16,997,541.05

(3) The total debt amount of the top 5 debtors in the ending trade receivables amounted to RMB1,136,514,152.63, representing 87.31% 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
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	Book balance	Provision for impairment	Book balance	Provision for impairment
Long-term equity investments				
Including: long-term equity investments to subsidiaries	20,269,704,813.36	7,100,000.00	20,211,704,813.36	7,100,000.00
Long-term equity investments to associates	2,189,166,933.55		2,137,474,063.71	
Total	22,458,871,746.91	7,100,000.00	22,349,178,877.07	7,100,000.00

(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.	271,380,000.00		271,380,000.00	
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	

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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		218,245,822.50	
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.	156,600,000.00		156,600,000.00	
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.	8,500,000.00		8,500,000.00	
Haier U+smart Intelligent Technology (Beijing) Co., Ltd.	137,000,000.00	6,000,000.00	143,000,000.00	
Haier Electronics Group Co., Ltd.	669,830,769.26		669,830,769.26	7,100,000.00

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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		50,000,000.00	50,000,000.00	
Qingdao Haier Intelligent Household Appliances Co., Ltd.	326,400,000.00		326,400,000.00	
Total	20,211,704,813.36	58,000,000.00	20,269,704,813.36	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
		Increase or decrease for the Period	Investment income recognized under the equity method	Others		
Bank of Qingdao Co., Ltd.	606,868,517.54		43,901,307.40	-41,852,555.17	608,917,269.77	
Others	1,530,605,546.17		49,644,117.61		1,580,249,663.78	
Total	2,137,474,063.71		93,545,425.01	-41,852,555.17	2,189,166,933.55	

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	1,541,395,774.74	1,124,839,769.04	1,508,462,660.45	1,061,570,975.96
Other Business	1,716,550.91	259,972.03	7,408,824.76	2,403,891.47
Total	1,543,112,325.65	1,125,099,741.07	1,515,871,485.21	1,063,974,867.43

5. Investment Income

Items	Amount for the current period	Amount for the previous period
Long-term equity investments income calculated by the equity method	93,545,425.01	85,815,381.99
Investment income from disposal of long-term equity investments		17,262,280.41
Investment income from disposal of financial assets available for sale		
Long-term equity investments income calculated by cost method	58,348,342.72	40,386,975.56

Investment income from financial assets available for sale during the holding period		
Total	151,893,767.73	143,464,637.96

XIX. The approval of Financial Statements

The financial statements were approved to be issued by the board of the Company on 25 August 2017.

XX. Supplementary Information

1. Basic and diluted earnings per share

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 parent company	15.47%	0.726	0.726	13.78%	0.543	0.543
Net profit attributable to ordinary shareholders of the parent company after deduction of non-recurring gain or loss	13.20%	0.619	0.619	11.49%	0.453	0.453

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 parent company	4,427,068,404.51	3,315,173,171.70
Less: non-recurring gain or loss	649,728,949.56	549,749,414.48
Net profit attributable to ordinary shareholders of the Company after deduction of non-recurring gain or loss	3,777,339,454.95	2,765,423,757.22

Breakdown of non-recurring profit or loss for the period

Non-recurring profit or loss items	Amount for the period
Gains or losses from disposal of non-current assets	-418,828.94
Income from disposal of long-term equity investments	21,438,092.72
Government grants included in current profit or loss, except that closely related	118,072,782.97

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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	
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	425,914,149.99
Other non-operating income and expenses	162,843,152.93
Effect of minority equity interests	-70,417,181.68
Effect of income tax	-7,703,218.43
Total	649,728,949.56

1. Difference on figures by domestic and foreign Accounting Standards

Applicable Not Applicable

2. Others

Applicable Not Applicable

SECTION XI DOCUMENTS AVAILABLE FOR INSPECTION

Documents Available for Inspection	(I) Interim Report of 2017 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 25 August 2017

Revised information

Applicable Not Applicable