

QINGDAO HAIER CO., LTD. AND ITS SUBSIDIARIES
INTERIM REPORT
FOR THE THREE MONTHS ENDED 31 MARCH 2018



國 衛 會 計 師 事 務 所 有 限 公 司
Hodgson Impey Cheng Limited



**INDEPENDENT REVIEW REPORT
TO QINGDAO HAIER CO., LTD**

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

INTRODUCTION

We have reviewed the interim condensed consolidated financial statement set out on pages 3 to 29, which comprises the condensed consolidated statement of financial position of Qingdao Haier Co., Ltd (the "Company") and its subsidiaries (collectively referred to as the "Group") as at 31 March 2018 and the related condensed consolidated statement of profit or loss, condensed consolidated statement of other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes. The directors of the Company are responsible for the preparation of interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. Our responsibility is to express a conclusion on this interim condensed consolidated financial statement based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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



INDEPENDENT REVIEW REPORT

TO QINGDAO HAIER CO., LTD (CONTINUED)

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements as at 31 March 2018, do not present fairly, in all material respects, in accordance with IAS 34.

HLB Hodgson Impey Cheng Limited

Certified Public Accountants

Shek Lui

Practising Certificate Number: P05895

Hong Kong, 30 May 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months ended 31 March	Notes	2018 RMB'M (Unaudited)	2017 RMB'M (Unaudited)
Revenue	3	42,652	37,742
Cost of sales		(30,783)	(26,608)
Gross profit		11,869	11,134
Other income		380	273
Other gains and losses	4	(120)	149
Selling and distribution expenses		(6,255)	(6,293)
Administrative and other expenses		(2,979)	(2,745)
Finance costs	5	(301)	(269)
Share of profit of associates		333	307
Profit before taxation		2,927	2,556
Income tax expenses	8	(458)	(408)
Profit for the period		2,469	2,148
Attributable to:			
Owners of the Company		1,980	1,737
Non-controlling interests		489	411
		2,469	2,148
Earnings per share			
- Basic (RMB)	9	0.33	0.29
- Diluted (RMB)	9	0.32	0.29

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the three months ended 31 March	Notes	2018 RMB'M (Unaudited)	2017 RMB'M (Unaudited)
Profit for the period		2,469	2,148
Other comprehensive loss			
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
Changes in net liabilities or net assets arising from re-measurement of defined benefit plans		(1)	-
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Share of other comprehensive loss of associates		(43)	(41)
Net loss from change in fair value of available-for-sale investments		(1)	-
Net fair value gain/(loss) on hedging instruments entered into for cash flow hedges		14	(2)
Exchange differences on translation of financial statements denominated in foreign currencies		(301)	43
Other comprehensive loss for the period		(332)	-
Total comprehensive income for the period		2,137	2,148
Attributable to:			
Owners of the Company		1,694	1,754
Non-controlling interests		443	394
		2,137	2,148

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 31 March 2018 RMB'M (Unaudited)	At 31 December 2017 RMB'M (Audited)
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment	10	17,584	17,632
Investment properties		30	31
Prepaid land lease payments		1,549	1,541
Goodwill		19,111	19,843
Other intangible assets		5,181	5,422
Investments in associates		13,247	12,993
Available-for-sale investments		1,379	1,415
Prepayment for property, plant and equipment and prepaid land lease payments		1,045	757
Derivative financial instruments		715	389
Deferred tax assets		1,958	1,895
Other non-current assets		1,150	1,114
		62,949	63,032
CURRENT ASSETS			
Inventories		22,851	21,504
Trade and bills receivables		28,253	25,481
Prepayments, deposits and other receivables		4,238	4,129
Derivative financial instruments		108	77
Other financial assets		2,002	2,007
Pledged deposits		1,323	837
Cash and cash equivalents		32,750	34,340
		91,525	88,375
Assets held for sale		56	56
		91,581	88,431
CURRENT LIABILITIES			
Trade and bill payables		47,746	42,033
Receipt in advance, other payables and accruals		17,798	19,938
Interest-bearing borrowings		13,446	13,729
Tax payables		1,426	1,248
Provision		1,503	1,610
Derivative financial instruments		23	3
		81,942	78,561

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Notes	31 March 2018 RMB'M (Unaudited)	31 December 2017 RMB'M
NET CURRENT ASSETS		9,639	9,870
TOTAL ASSETS LESS CURRENT LIABILITIES		72,588	72,902
NON-CURRENT LIABILITIES			
Interest-bearing borrowings		13,706	16,129
Convertible and exchangeable bonds		5,996	6,211
Provisions		1,137	1,009
Deferred income		477	442
Deferred tax liabilities		188	279
Derivative financial instruments		379	249
Employee benefit obligation		884	898
Other non-current liabilities		968	935
		23,735	26,152
NET ASSETS		48,853	46,750
CAPITAL AND RESERVES			
Share capital	11	6,098	6,098
Reserves		27,777	26,118
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		33,875	32,216
NON-CONTROLLING INTERESTS		14,978	14,534
TOTAL EQUITY		48,853	46,750

Approved and authorised for issue by the board of directors on 30 May 2018.

Liang Haishan
Legal representative

Gong Wei
Chief Financial Officer

Ying Ke
Person in charge of accounting
department

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2018

	Attributable to owners of the Company						
	Share capital RMB'M	Share Held for the Restricted Share Award Scheme RMB'M	Capital reserve RMB'M	Remeasurement of defined benefit plans reserve RMB'M	Cash flow hedging reserve RMB'M	Other equity reserve RMB'M	Equity method investment reserve RMB'M
At 1 January 2018 (Audited)	6,098	-	-	(10)	40	431	(272)
Change of accounting policy	-	-	-	-	-	-	40
Profit for the period	-	-	-	-	-	-	-
Other comprehensive income for the period	-	-	-	(1)	14	-	(43)
Total comprehensive income for the period	-	-	-	(1)	14	-	(43)
Dividend payments	-	-	-	-	-	-	-
Changes in ownership interests in subsidiaries that do not result in a loss of control	-	-	1	-	-	-	-
Other changes	-	-	-	-	-	-	-
At 31 March 2018 (Unaudited)	6,098	-	1	(11)	54	431	(275)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the three months ended 31 March 2018

	Attributable to owners of the Company							
	Available- for-sale financial assets reserve RMB'M	Reserve fund RMB'M	Other reserve RMB'M	Exchange fluctuation reserve RMB'M	Retained profit RMB'M	Sub- total RMB'M	Non- controlling interests RMB'M	Total equity RMB'M
At 1 January 2018 (Unaudited)	4	2,104	825	203	22,793	32,216	14,534	46,750
Change of accounting policy	-	-	-	-	(75)	(35)	-	(35)
Profit for the period	-	-	-	-	1,980	1,980	489	2,469
Other comprehensive income for the period	(1)	-	-	(255)	-	(286)	(46)	(332)
Total comprehensive income for the period	(1)	-	-	(255)	1,980	1,694	443	2,137
Dividend payments	-	-	-	-	-	-	(5)	(5)
Changes in ownership interests in subsidiaries that do not result in a loss of control	-	-	-	-	-	1	-	1
Other changes	-	-	-	-	-	-	5	5
At 31 March 2018 (Audited)	3	2,104	825	(52)	24,698	33,876	14,977	48,853

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the three months ended 31 March 2017

	Attributable to owners of the Company						
	Share						
	Held						
	for the						
	Restricted						
	Share						
	Award						
	Scheme						
	RMB'M						
	Share						
	capital						
	RMB'M						
At 1 January 2017 (Audited)	6,098	(1)	-	(6)	12	-	34
Profit for the period	-	-	-	-	-	-	-
Other comprehensive income for the period	-	-	-	-	(2)	-	(41)
Total comprehensive income for the period	-	-	-	-	(2)	-	(41)
Dividend payments	-	-	-	-	-	-	-
Transfer to reserves fund	-	-	-	-	-	-	-
Change in equity of subsidiaries	-	-	198	-	-	-	-
Acquisition from non-controlling interests	-	-	-	-	-	-	-
Change in equity of associates	-	-	-	-	-	-	-
Business combination under common control	-	-	-	-	-	-	-
Transfer to capital reserve	-	-	-	-	-	-	-
Issue of exchangeable notes	-	-	-	-	-	-	-
Conversion of exchangeable notes	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-
At 31 March 2017 (Unaudited)	6,098	(1)	198	(6)	10	-	(7)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the three months ended 31 March 2017

	Attributable to owners of the Company							
	Available- for-sale financial assets reserve RMB'M	Reserve fund RMB'M	Other reserve RMB'M	Exchange fluctuation reserve RMB'M	Retained profit RMB'M	Sub- total RMB'M	Non- controlling interests RMB'M	Total equity RMB'M
At 1 January 2017 (Audited)	6	2,076	83	521	17,615	26,438	11,242	37,680
Profit for the year	-	-	-	-	1,737	1,737	411	2,148
Other comprehensive income for the year	-	-	-	60	-	17	(17)	-
Total comprehensive income for the year	-	-	-	60	1,737	1,754	394	2,148
Dividend payments	-	-	-	-	-	-	-	-
Transfer to reserves fund	-	-	-	-	-	-	-	-
Cancellation of restricted share	-	-	-	-	-	-	-	-
Change in equity of subsidiaries	-	-	-	-	-	198	-	198
Acquisition from non-controlling interests	-	-	-	-	-	-	-	-
Change in equity of associates	-	-	4	-	-	4	-	4
Value of conversion right on exchangeable bonds	-	-	-	-	-	-	-	-
Business combination under common control	-	-	-	-	-	-	-	-
Transfer to capital reserve	-	-	-	-	-	-	-	-
Issue of exchangeable notes	-	-	-	-	-	-	-	-
Conversion of exchangeable notes	-	-	-	-	-	-	677	677
Other changes	-	-	-	-	-	-	340	340
At 31 March 2017 (Unaudited)	6	2,076	87	581	19,352	28,394	12,653	41,047

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	2018	2017
	RMB'M	RMB'M
For the three months ended 31 March	(Unaudited)	(Unaudited)
NET CASH FLOWS FROM OPERATING ACTIVITIES	2,477	5,647
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for purchase of property, plant and equipment	(1,391)	(804)
Proceeds from disposal of property, plant and equipment	39	-
Proceeds from sale of available-for-sale investments	-	1
Payment for acquisition of associates	-	(163)
Payment for available-for-sale investments	(15)	-
Payment for other financial assets	(272)	(184)
Redemption of other financial assets	79	6
Dividends from associates	-	64
Interest received from other financial assets	112	-
NET CASH USED IN INVESTING ACTIVITIES	(1,448)	(1,080)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceed from issuance of additional equity of non-wholly owned subsidiaries	67	22
Proceed from borrowings	3,590	10,376
Repayment of borrowings	(5,291)	(11,292)
Interest paid for borrowings	(38)	(74)
Payment for option bought back	-	(12)
Payment for issuance costs of convertible and exchangeable bonds	(62)	-
Capital element of finance lease obligation	-	(4)
(Increased)/decrease in pledged deposits	(486)	163
Transaction with non-controlling interest	(2)	(4)
NET CASH USED IN FINANCING ACTIVITIES	(2,222)	(825)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	2018 RMB'M (Unaudited)	2017 RMB'M (Unaudited)
For the three months ended 31 March		
Net (decrease)/increase in cash and cash equivalents	(1,193)	3,742
Cash and cash equivalents at the beginning of the period	34,340	23,295
Effect of foreign exchange rate changes	(397)	30
CASH AND CASH EQUIVALENT AT THE END OF THE PERIOD	32,750	27,067
Analysis of balances of cash and cash equivalents		
Cash and bank balances	32,750	27,067

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2018

1. GENERAL INFORMATION

Qingdao Haier Co., Ltd. is a limited liability company incorporated in the People Republic of China. The Company is listed on Shanghai Stock Exchange since the year 1993. The registered office of the Company 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.

In the opinion of the directors of the Company, the ultimate holding company of the Company is Haier Group Corporation (“Haier Corp”), which is established in the PRC.

The Company and its subsidiaries (collectively referred to as the “Group”) are mainly engaged in manufacturing and trading as well as R&D of refrigerator, air-conditioner, freezer, washing machine, water heater, dishwashers, gas stove, kitchen appliances and relevant products and commercial circulation business.

Pursuant to E.U. Prospectus Regulation No. 809/2004, an issuer’s listing prospectus must include historical financial information covering the previous three fiscal years. In addition to the consolidated financial statements for years ended 31 December 2017, 2016 and 2015, the Group presents condensed consolidated financial statements for the three months ended 31 March 2018.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated interim financial statements consist of condensed consolidated statement of profit or loss, condensed consolidated statement of other comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of cash flows, condensed consolidated statement of changes in equity and notes to the condensed consolidated financial statements for the three months ended 31 March 2018.

The condensed consolidated interim financial statements have been prepared and published in million of RMB (“RMB’M”) except when otherwise indicated and on a historical cost basis as modified by the revaluation of financial assets and financial liabilities, including derivative instruments at fair value through profit or loss.

For further explanations of Qingdao Haier Co., Ltd. and additional information reference is made to the consolidated financial statements for the years ended 31 December 2017, 2016 and 2015. The condensed consolidated interim financial statements should be read in conjunction with these consolidated financial statements.

The condensed consolidated interim financial statements are unaudited and were prepared on •
by the Managing Board of Qingdao Haier Co., Ltd.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)**

For the three months ended 31 March 2018

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

Condensed consolidated financial statements of the Company and its subsidiaries (the “Group”) as of and for the three months ended 31 March 2018 have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as endorsed by the European Union (“EU”) and, in particular, for interim financial information according to International Accounting Standard (“IAS”) 34, Interim Financial Reporting.

IFRS does not provide guidance for the preparation of financial information on a combined basis nor for business combinations involving entities under common control. As such, IAS 8.10 requires management to use judgment in developing and applying a suitable accounting policy. In making this judgment, IAS 8.12 requires management to consider the most recent pronouncements of other standard-setting bodies that use a similar conceptual framework to developing accounting standards, other accounting literature and accepted industry practices.

3. SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on their products and services and has six reportable segments as follows:

- 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 bathroom appliances 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; and
- Integrated channel services and others segment mainly engaged in distribution business, logistics business, after-sale business, small home appliance business and others.

The Group’s 3rd and 4th tier markets channel business is treated as integrated channel services and assessed separately from other segments. Accordingly, operating profits from 3rd and 4th tier markets of refrigerator, air-conditioner, kitchenware and bathroom appliances, washing machine businesses was not reflected in operating profits of each segment.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)**

For the three months ended 31 March 2018

3. SEGMENT INFORMATION (CONTINUED)

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating segment profits, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except other income, other gains and losses, share of profits of associates, corporate and other unallocated income and gains, corporate and other unallocated expenses and losses as well as finance costs are excluded from such measurement.

Segment assets exclude goodwill, available-for-sale investments, investments in associates, deferred tax assets, cash and cash equivalents and corporate and other unallocated assets as these assets are managed on a group basis.

Segment liabilities exclude deferred tax liabilities, tax payables, interest-bearing borrowings, convertible and exchangeable bonds and corporate and other unallocated liabilities as these liabilities are managed on a group basis.

Intersegment sales of the air-conditioner, washing machine, water heater, refrigerator, kitchenware and bathroom appliances businesses represent the sales of air-conditioner, washing machines, water heaters, refrigerator, kitchenware and bathroom appliances through the Group's channel services business. Intersegment sales of the logistics business represent the logistics services provided to the air-conditioner, washing machines, water heaters, refrigerator, kitchenware and bathroom appliances as well as channel services businesses, while intersegment sales of the channel services business represent the after-sale services provided to the air-conditioner, washing machines, water heaters, refrigerator, kitchenware and bathroom appliances businesses. Such intersegment sales and transfers are transacted in accordance with the terms and conditions mutually agreed by the parties involved.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the three months ended 31 March 2018

3. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results

	Revenue from external customers		Inter-segment revenue		Total segment revenue		Segment's profit before tax	
	Three months ended 31 March	2018 RMB'M	Three months ended 31 March	2017 RMB'M	Three months ended 31 March	2018 RMB'M	Three months ended 31 March	2017 RMB'M
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Refrigerator segment	7,156	5,751	4,900	4,537	12,056	10,288	978	795
Air-conditioner segment	2,998	2,811	6,161	4,569	9,159	7,380	671	494
Washing machine segment	4,140	3,598	3,078	2,885	7,218	6,483	427	382
Kitchenware and bathroom appliances segment	4,577	4,462	1,985	1,675	6,562	6,137	457	355
Equipment components segment	751	766	13,081	8,977	13,832	9,743	81	70
Integrated channel services and others segment	23,030	20,354	3,118	3,279	26,148	23,633	224	203
Total segment	42,652	37,742	32,323	25,922	74,975	63,664	2,838	2,299
Reconciliation to condensed consolidated financial statements	-	-	(32,323)	(25,922)	(32,323)	(25,922)	89	257
	42,652	37,742	-	-	42,652	37,742	2,927	2,556

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the three months ended 31 March 2018

3. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (continued)

	Three months ended 31 March	2017
	2018	RMB'M
	RMB'M	RMB'M
	(Unaudited)	(Unaudited)

Reconciliation to condensed consolidated financial statements:

Total of segments' profit before tax

2,838 2,299

Other income

380 273

Other gains and losses

(120) 149

Share of profits of associates

333 307

Finance costs

(301) (269)

Eliminations, Corporate Treasury, Corporate Items, other items

(203) (203)

Reconciliation to condensed consolidated financial statements

89 257

Profit before tax

2,927 2,556

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the three months ended 31 March 2018

3. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities

	Total assets		Total liabilities	
	At 31 March 2018 RMB'M (Unaudited)	At 31 December 2017 RMB'M (Audited)	At 31 March 2018 RMB'M (Unaudited)	At 31 December 2017 RMB'M (Audited)
Refrigerator segment	15,756	15,093	26,522	23,320
Air-conditioner segment	16,740	14,045	8,816	8,165
Washing machine segment	11,570	10,774	5,489	5,650
Kitchenware and bathroom appliances segment	12,445	12,462	6,394	6,468
Equipment components segment	29,319	26,193	30,845	28,089
Integrated channel services and others segment	35,496	31,818	29,531	26,754
Total segment	121,326	110,385	107,597	98,446
Reconciliation to condensed consolidated financial statements	33,204	41,078	(1,920)	6,267
	154,530	151,463	105,677	104,713

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the three months ended 31 March 2018

3. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities (continued)

	At 31 March 2018 RMB'M (Unaudited)	At 31 December 2017 RMB'M (Audited)
<i>Reconciliation to condensed consolidated financial statements:</i>		
Total assets	121,326	110,385
Total of segments' assets		
Goodwill	19,111	19,843
Deferred tax assets	1,958	1,895
Available-for-sale investments	1,379	1,415
Interests in associates	13,247	12,993
Eliminations, Corporate Treasury, Corporate Items, other items	(2,491)	4,932
Reconciliation to condensed consolidated financial statements	33,204	41,078
Total assets	154,530	151,463

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the three months ended 31 March 2018

3. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities (continued)

	At 31 March 2018 RMB'M (Unaudited)	At 31 December 2017 RMB'M (Audited)
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Reconciliation to condensed consolidated financial statements: (continued)

Total liabilities	107,597	98,446
Total of segments' liabilities		
Convertible and exchangeable bonds	5,996	6,211
Tax payables	1,426	1,248
Interest-bearing borrowings	27,152	29,858
Deferred tax liabilities	188	279
Eliminations, Corporate Treasury, Corporate Items, other items	(36,682)	(31,329)
Reconciliation to condensed consolidated financial statements	(1,920)	6,267
Total liabilities	105,677	104,713

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the three months ended 31 March 2018

3. SEGMENT INFORMATION (CONTINUED)

Other segment information

	Product warranty and installation provisions		Depreciation and amortisation	
	Three months ended		Three months ended	
	31 March	31 March	31 March	31 March
	2018	2017	2018	2017
	RMB'M	RMB'M	RMB'M	RMB'M
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Refrigerator segment	350	280	198	196
Air-conditioner segment	294	227	99	102
Washing machine segment	217	208	102	107
Kitchenware and bathroom appliances segment	123	123	156	176
Equipment components segment	-	-	30	32
Integrated channel services and others segment	-	-	97	105
Total segment	984	838	682	718

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the three months ended 31 March 2018

3. SEGMENT INFORMATION (CONTINUED)

Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, investment properties, prepaid land lease payments, other intangible assets, long-term prepayment and other non-current assets ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset in the case of property, plant and equipment, investment properties, prepaid land lease payments and long-term prepayment, the location of the operation to which they are allocated in the case of other intangible assets.

	Revenues from external customers		Specified non-current assets	
	Three months ended		At	At
	31 March		31 March	31 December
	2018	2017	2018	2017
	RMB'M	RMB'M	RMB'M	RMB'M
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Mainland China	26,433	21,207	12,777	12,105
Other countries/regions*	16,219	16,535	13,762	14,392
	42,652	37,742	26,539	26,497

- * 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the three months ended 31 March 2018

4. OTHER GAINS AND LOSSES

	For the three months ended 31 March	
	2018	2017
	RMB'M	RMB'M
	(Unaudited)	(Unaudited)
Net gain on disposal of available-for-sale investments	-	1
Gain on disposal/written-off of items of property, plant and equipment, net	-	5
Net foreign exchange losses	(218)	(22)
Net (loss)/gain on disposal of derivatives financial instrument	(110)	7
Fair value change on derivative financial instruments	208	158
	(120)	149

5. FINANCE COSTS

	For the three months ended 31 March	
	2018	2017
	RMB'M	RMB'M
	(Unaudited)	(Unaudited)
Interest on interest-bearing borrowings	233	252
Interest on convertible and exchangeable bonds	42	1
Other interest expenses	26	16
	301	269

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)**For the three months ended 31 March 2018

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	For the three months ended 31 March	
	2018	2017
	RMB'M	RMB'M
	(Unaudited)	(Unaudited)
Cost of inventories sold	29,589	25,369
Cost of services provided	1,193	1,239
Depreciation and amortisation	682	718
Research and development costs	1,268	1,120
Foreign exchange differences, net	218	22

7. DIVIDEND

A cash dividend in respect of the year ended 31 December 2017 of RMB3.42 per ten share (2016: RMB2.48 per ten shares) and subject to the approval of the shareholders of the Company at the 2018 annual general meeting. This proposed dividend is not reflected as dividend payable in the condensed consolidated financial statements.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)**

For the three months ended 31 March 2018

8. INCOME TAX EXPENSES

	For the three months ended 31 March	
	2018	2017
	RMB'M	RMB'M
	(Unaudited)	(Unaudited)
Current tax		
Charge for the period	629	357
Overprovision in prior years	(12)	(6)
	617	351
Deferred tax	(159)	57
Total income tax expenses for the period	458	408

(i) PRC corporate income tax

PRC corporate income tax has been provided for at applicable tax rates under the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances, and on the estimated assessable profits of entities within the Group established in the PRC for the three months ended 31 March 2018 and 2017. The general PRC corporate income tax rate is 25% in the three months ended 31 March 2018 and 2017. Certain subsidiaries of the Company in the PRC were approved as High and New Technology Enterprise, and accordingly, they were subject to a reduced preferential corporate income tax rate of 15% for the three months ended 31 March 2018 and 2017.

(ii) Corporate income tax in other countries

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

(iii) Withholding tax

According to applicable tax regulations prevailing in the PRC, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January 2008 are generally subject to a 10% withholding tax.

Withholding taxes on dividends distribution at respective applicable tax rates are under certain jurisdictions that the Group's entities operate.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the three months ended 31 March 2018

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

The calculation of the basic earnings per share amount is based on the profit for the three months ended 31 March 2018 and 2017 attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 6,097,402,727 and 6,097,402,727 respectively, as adjusted to exclude the shares issued or repurchased under the Restricted Share Award Scheme in prior years.

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

The calculation of basic and diluted loss per share is based on:

	For the three months ended 31 March	
	2018	2017
	RMB'M	RMB'M
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the Company used in the basic earnings per share calculation	1,980	1,737
Profit for the year from subsidiaries used in the calculation of diluted earnings per shares from convertible and exchangeable bonds	(73)	-
Interest on convertible and exchangeable bonds	52	-
	<u>1,959</u>	<u>1,737</u>

	For the three months ended 31 March	
	2018	2017
	Number of shares	Number of shares
	(Unaudited)	(Unaudited)
Weighted average number of Ordinary shares in issue during the period used in the basic earnings per share calculation	6,097,402,727	6,097,402,727

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the three months ended 31 March 2018

10. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred construction costs for production plants and warehouses and purchased items of property, plant and equipment at a total cost of RMB838 million (31 December 2017: RMB3,384 million) and disposed of items of property, plant and equipment with a total net carrying amount of RMB36 million (2017: RMB471 million).

11. SHARE CAPITAL

	At 31 March 2018		At 31 December 2017	
	Number of shares 'million (Unaudited)	RMB'M (Unaudited)	Number of shares 'million (Audited)	RMB'M (Audited)
Issued share capital	6,098	6,098	6,098	6,098

12. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties under operating lease arrangements, with leases negotiated for terms ranging from 1 to 5 years. At the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	At 31 March 2018 RMB'M (Unaudited)	At 31 December 2017 RMB'M (Audited)
Within one year	21	20
In the second to fifth years, inclusive	11	12
After five years	-	1
	32	33

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)**

For the three months ended 31 March 2018

12. OPERATING LEASE ARRANGEMENTS (CONTINUED)**(b) As lessee**

The Group leases certain properties under operating lease arrangements. Leases for the properties are negotiated for terms ranging from one to twenty years.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	At 31 March 2018 RMB'M (Unaudited)	At 31 December 2017 RMB'M (Audited)
Within one year	835	926
In the second to fifth years, inclusive	916	988
After five years	376	322
	2,127	2,236

13. COMMITMENTS

In addition to the operating lease commitments detailed in note 13 above, the Group had the following commitments at the end of the reporting period:

	At 31 March 2018 RMB'M (Unaudited)	At 31 December 2017 RMB'M (Audited)
Contracted, but not provided for: Property, plant and equipment	1,599	1,744

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

For the three months ended 31 March 2018

14. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	At 31 March 2018 RMB'M (Unaudited)	At 31 December 2017 RMB'M (Audited)	At 31 March 2018 RMB'M (Unaudited)	At 31 December 2017 RMB'M (Audited)
Financial assets				
Available-for-sale investments	24	27	24	27
Derivative financial instruments	823	466	823	466
	847	493	847	493
Financial liabilities				
Derivative financial instruments	401	251	401	251
Put option liabilities	941	917	941	917
Convertible and exchangeable bonds	5,996	6,211	5,927	6,605
Contingent considerations	5	5	5	5
	34,494	37,242	34,425	37,636

---End of Notes ---