Haier 海尔

HAIER ELECTRONICS GROUP CO., LTD.

海爾電器集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1169)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2013

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2013	2012	Changes in
	RMB'000	RMB'000	%
	(Unaudited)	(Unaudited)	
Revenue	**28,979,387**	26,303,993	+10.2%
Operating Profit	**1,121,861**	998,035	+12.4%
Earnings before interest, tax, depreciation and amortization ("EBITDA")	**1,159,449**	1,012,917	+14.5%
Profit for the period	**827,764**	748,748	+10.6%
Attributable to:			
Owners of the Company	**821,848**	712,426	+15.4%
Non-controlling interests	**5,916**	36,322	
	827,764	748,748	
Earnings per share attributable to owners of the Company			
Basic	**32.69 cents**	30.10 cents	+8.6%
Diluted	**32.01 cents**	28.06 cents	+14.1%

INTERIM RESULTS

The Board of Directors of Haier Electronics Group Co., Ltd. (the "Company") hereby announces the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2013 together with comparative figures for the corresponding period in 2012. These condensed consolidated interim financial statements have not been audited, but have been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2013

	Notes	For the six months ended 30 June 2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
REVENUE	3	**28,979,387**	26,303,993
Cost of sales		**(24,786,128)**	(22,376,828)
Gross profit		**4,193,259**	3,927,165
Other income and gains	4	**88,717**	42,904
Selling and distribution costs		**(2,157,562)**	(2,159,655)
Administrative expenses		**(995,450)**	(838,674)
Other expenses and losses		**(795)**	(137)
Finance costs	5	**(34,283)**	(31,215)
PROFIT BEFORE TAX	6	**1,093,886**	940,388
Income tax expense	7	**(266,122)**	(191,640)
PROFIT FOR THE PERIOD		**827,764**	748,748
Attributable to:			
Owners of the Company		**821,848**	712,426
Non-controlling interests		**5,916**	36,322
		827,764	748,748
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	8		
Basic		**32.69 cents**	30.10 cents
Diluted		**32.01 cents**	28.06 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	For the six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**827,764**	748,748
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	**(6,393)**	5,174
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**821,371**	753,922
Attributable to:		
Owners of the Company	**815,891**	717,435
Non-controlling interests	**5,480**	36,487
	821,371	753,922

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2013

	Notes	**30 June 2013 RMB'000 (Unaudited)**	31 December 2012 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*9*	**1,361,435**	1,308,806
Investment properties		**14,127**	14,723
Prepaid land lease payments		**252,136**	254,735
Goodwill		**6,123**	—
Other intangible assets		**77,928**	74,657
Available-for-sale investments		**2,925**	2,925
Prepayments for items of property, plant and equipment		**140,145**	61,177
Deferred tax assets		**516,355**	455,634
Total non-current assets		**2,371,174**	2,172,657
CURRENT ASSETS			
Inventories		**2,306,647**	2,479,191
Trade and bills receivables	*10*	**6,131,661**	6,924,088
Prepayments, deposits and other receivables		**1,563,993**	1,207,218
Pledged deposits		**36,303**	61,804
Cash and cash equivalents		**5,840,659**	5,368,308
Total current assets		**15,879,263**	16,040,609
CURRENT LIABILITIES			
Trade and bills payables	*11*	**2,875,651**	2,961,504
Tax payable		**571,034**	837,476
Other payables and accruals		**5,918,396**	6,494,628
Interest-bearing borrowings		**33,000**	39,800
Due to a fellow subsidiary		**15,000**	—
Provisions		**537,229**	534,331
Put option liabilities		**82,769**	53,570
Dividend payable		**157,480**	—
Total current liabilities		**10,190,559**	10,921,309
NET CURRENT ASSETS		**5,688,704**	5,119,300
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,059,878**	7,291,957

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
30 June 2013

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
NON-CURRENT LIABILITIES		
Convertible bonds	**707,144**	699,643
Due to non-controlling shareholders	**59,818**	59,537
Provisions	**270,986**	266,884
Deferred income	**43,007**	42,210
Deferred tax liabilities	**8,618**	8,755
Put option liabilities	**353,800**	374,700
Total non-current liabilities	**1,443,373**	1,451,729
Net assets	**6,616,505**	5,840,228
EQUITY		
Equity attributable to owners of the Company		
Issued equity	**2,621,085**	2,501,181
Shares held for Restricted Share Incentive Scheme	**(7,863)**	—
Equity component of convertible bonds	**149,249**	149,249
Reserves	**3,546,256**	2,731,816
Proposed final dividend	**—**	157,480
	6,308,727	5,539,726
Non-controlling interests	**307,778**	300,502
Total equity	**6,616,505**	5,840,228

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2013

1. CORPORATE INFORMATION

Haier Electronics Group Co., Ltd. is a limited liability company incorporated in Bermuda. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

In the opinion of the directors, the immediate holding company of the Company is Qingdao Haier Co., Ltd. ("Qingdao Haier"), which is established in the People's Republic of China (the "PRC"), and the controlling shareholders of the Company are Haier Group Corporation ("Haier Corp") and Qingdao Haier Investment and Development Co., Ltd. ("Haier Investment") (collectively referred to as "Haier Group"), which are established in the PRC, by reason of their acting in concert with each other in respect of the Company. Qingdao Haier is a non-wholly-owned subsidiary of Haier Corp.

The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are described in note 3 to the condensed consolidated interim financial statements.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" promulgated by the International Accounting Standards Board. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's financial statements for the year ended 31 December 2012.

The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2012, except in relation to the following new and revised International Financial Reporting Standards ("IFRSs") that affect the Group and are adopted for the first time for the current period's financial statements.

IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards — Government Loans*
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities*
IFRS 10	*Consolidated Financial Statements*
IFRS 11	*Joint Arrangements*
IFRS 12	*Disclosure of Interests in Other Entities*
IFRS 10, IFRS 11 and IFRS 12 Amendments	Amendments to IFRS 10, IFRS 11 and IFRS 12 — *Transition Guidance*
IFRS 13	*Fair Value Measurement*
IAS 1 Amendments	Amendments to IAS 1 *Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income*
IAS 19 (2011)	*Employee Benefits*
IAS 27 (2011)	*Separate Financial Statements*
IAS 28 (2011)	*Investments in Associates and Joint Ventures*
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009–2011 Cycle	Amendments to a number of IFRSs issued in May 2012

The adoption of the new and revised IFRSs have had no significant effect on these financial statements.

3. OPERATING SEGMENT INFORMATION

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

(a) the washing machine business segment manufactures and sells washing machines;

(b) the water heater business segment manufactures and sells water heaters; and

(c) the integrated channel services business segment provides logistics, after-sale and other value-added consumer services as well as sells and distributes home appliances and other products procured from subsidiaries and/or associates of Haier Group ("Haier Affiliates") and other external parties.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, 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 that interest income and finance costs, as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, pledged deposits, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

3. OPERATING SEGMENT INFORMATION *(continued)*

For the six months ended

	Washing machine business		Water heater business		Integrated channel services		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
Segment revenue:								
Sales to external customers	**1,910,490**	1,901,065	**434,297**	466,499	**26,634,600**	23,936,429	**28,979,387**	26,303,993
Intersegment sales	**3,721,650**	3,628,362	**1,588,451**	1,471,659	**521,387**	383,573	**5,831,488**	5,483,594
	5,632,140	5,529,427	**2,022,748**	1,938,158	**27,155,987**	24,320,002	**34,810,875**	31,787,587
Reconciliation:								
Elimination of intersegment sales							**(5,831,488)**	(5,483,594)
Segment revenue							**28,979,387**	26,303,993
Segment other income and gains	**31,921**	9,091	**6,269**	6,603	**22,093**	16,971	**60,283**	32,665
Total segment revenue, other income and gains							**29,039,670**	26,336,658
Segment results	**452,354**	387,345	**229,979**	220,546	**439,528**	390,144	**1,121,861**	998,035
Reconciliation:								
Elimination of intersegment results							**6,878**	15,546
Interest income							**28,434**	10,239
Corporate and other unallocated expenses							**(29,004)**	(52,217)
Finance costs							**(34,283)**	(31,215)
Profit before tax							**1,093,886**	940,388

3. OPERATING SEGMENT INFORMATION *(continued)*

	Washing machine business		Water heater business		Integrated channel services		Total	
	30 June 2013	31 December 2012	**30 June 2013**	31 December 2012	**30 June 2013**	31 December 2012	**30 June 2013**	31 December 2012
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)
Segment assets	**4,810,827**	4,836,909	**1,711,168**	1,445,075	**6,929,512**	7,838,476	**13,451,507**	14,120,460
Reconciliation:								
Elimination of intersegment receivables							**(2,489,038)**	(5,133,462)
Deferred tax assets							**516,355**	455,634
Pledged deposits							**36,303**	61,804
Cash and cash equivalents							**5,840,659**	5,368,308
Corporate and other unallocated assets							**894,651**	3,340,522
Total assets							**18,250,437**	18,213,266
Segment liabilities	**1,841,602**	1,822,744	**785,115**	756,761	**6,869,734**	8,575,486	**9,496,451**	11,154,991
Reconciliation:								
Elimination of intersegment payables							**(2,489,038)**	(5,133,462)
Deferred tax liabilities							**8,618**	8,755
Tax payable							**571,034**	837,476
Interest-bearing borrowings							**33,000**	39,800
Due to a fellow subsidiary							**15,000**	—
Convertible bonds							**707,144**	699,643
Corporate and other unallocated liabilities							**3,291,723**	4,765,835
Total liabilities							**11,633,932**	12,373,038

4. OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Government grants*	**27,256**	3,383
Compensation received from suppliers	**24,775**	18,321
Bank interest income	**28,434**	10,239
Dividend income from available-for-sale investments	**—**	4,905
Gross rental income in respect of buildings	**2,250**	1,008
Gain on bargain purchase	**16**	—
Others	**5,986**	5,048
	88,717	42,904

* Various government grants were received for conducting businesses in Qingdao, Shunde and Wuhan. There are no unfulfilled conditions or contingencies relating to these grants.

5. FINANCE COSTS

	For the six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on borrowings wholly repayable within five years	**3,184**	749
Interest on convertible bonds	**31,099**	30,466
	34,283	31,215

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	For the six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	**52,726**	44,667
Depreciation of investment properties	**596**	596
Recognition of prepaid land lease payments	**3,495**	3,392
Amortisation of intangible assets	**2,897**	2,898
Loss on disposal of items of property, plant and equipment	**112**	125
Impairment of property, plant and equipment	**665**	—
Provision of impairment of trade receivables	**18**	—
Equity-settled share option expense	**7,356**	22,197

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the period (2012: Nil).

Tax on profits assessable in Mainland China has been calculated at the applicable PRC corporate income tax ("CIT") rates. Certain subsidiaries of the Group are entitled to preferential tax treatments of reduction in CIT rates to 15%.

	For the six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current — Hong Kong		
Charge for the period	**2,238**	—
Current — Mainland China		
Charge for the period	**317,956**	187,819
Underprovision in prior years	**6,649**	—
Deferred	**(60,721)**	3,821
Total tax charge for the period	**266,122**	191,640

8. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the period attributable to owners of the Company, and the weighted average number of ordinary shares of 2,514,374,117 (2012: 2,366,753,354) in issue during the period.

The calculation of the diluted earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the Company, adjusted to reflect the interest on the convertible 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 period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares, and the contingently issuable shares.

The calculations of basic and diluted earnings per share are based on:

	For the six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the Company as used in the basic earnings per share calculation	**821,848**	712,426
Interest on convertible bonds	**31,099**	30,466
	852,947	742,892

	Number of shares For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**2,514,374,117**	2,366,753,354
Effect of dilution — weighted average number of ordinary shares:		
Warrants	**12,786,668**	118,951,069
Share options	**35,558,402**	51,496,352
Contingently issuable shares#	**2,142,694**	2,000,000
Convertible bonds	**100,000,000**	100,000,000
Total	**2,664,861,881**	2,639,200,775*

8. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY *(continued)*

* In the prior period, as the diluted earnings per share amount was increased when taking convertible bonds into account, the convertible bonds had an anti-dilutive effect on the basic earnings per share and were ignored in the calculation of diluted earnings per share. Therefore, diluted earnings per share amount for the prior period is based on the profit of RMB712,426,000 and the weighted average number of ordinary shares of 2,539,200,775 in issue.

The contingently issuable shares in the current period represent the estimated number of shares to be issued to certain Haier franchise store owners. These Haier franchise store owners entered into management services agreements with the Group and achieved the prescribed performance targets during the period.

The contingently issuable shares in the prior period represent the estimated number of consideration shares to be issued to certain non-controlling shareholders of the Group's subsidiaries. These non-controlling shareholders of the Group's subsidiaries entered into incentive agreements with the Group and met the prescribed financial and operational performance targets of the Group's subsidiaries during the prior period.

9. 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 RMB115,301,000 (2012: RMB227,471,000) and disposed of items of property, plant and equipment with a total net carrying amount of RMB2,500,000 (2012: RMB3,437,000).

10. TRADE AND BILLS RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending up to three months for major customers.

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Trade receivables:		
Within 1 month	**1,258,670**	1,258,157
1 to 2 months	**336,777**	90,325
2 to 3 months	**86,742**	147,785
Over 3 months	**465,066**	430,184
	2,147,255	1,926,451
Bills receivable	**3,984,406**	4,997,637
	6,131,661	6,924,088

Included in the Group's trade and bills receivables are amounts due from Haier Affiliates totalling RMB888,172,000 (31 December 2012: RMB660,109,000), which are repayable on similar credit terms to those offered to the major customers of the Group.

11. TRADE AND BILLS PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Trade payables:		
Within 1 month	**2,215,187**	2,205,948
1 to 2 months	**140,110**	65,350
2 to 3 months	**76,123**	49,899
Over 3 months	**183,995**	229,381
	2,615,415	2,550,578
Bills payable	**260,236**	410,926
	2,875,651	2,961,504

Included in the Group's trade and bills payables are amounts due to Haier Affiliates totalling RMB1,521,853,000 (31 December 2012: RMB1,556,523,000), which are repayable on similar credit terms to those offered by similar suppliers of the Group.

12. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, a total of 2,293,000 share options with the exercise price of HK$1.70 per share, 4,103,200 share options with the exercise price of HK$4.82 per share, 1,767,000 share options with the exercise price of HK$7.58 per share were exercised.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Financial Highlights

1. *Analysis of Revenue and Earnings*

	For the six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Revenue		
Washing machine business	**5,632,140**	5,529,427
Water heater business	**2,022,748**	1,938,158
Integrated channel services business	**27,155,987**	24,320,002
Intersegment elimination	**(5,831,488)**	(5,483,594)
Consolidated revenue	**28,979,387**	26,303,993
EBITDA	**1,159,449**	1,012,917
Profit attributable to owners of the Company	**821,848**	712,426
Earnings per share attributable to owners of the Company		
Basic	**32.69 cents**	30.10 cents
Diluted	**32.01 cents**	28.06 cents

The Group achieved solid financial performance in the first half of 2013. During the period, the Group's revenue amounted to RMB28,979,387,000, representing an increase of 10.2% as compared to RMB26,303,993,000 in the first half of 2012. The profit attributable to owners of the Company was RMB821,848,000, representing an increase of 15.4% from RMB712,426,000 in the first half of 2012.

In the first half of 2013, the diluted earnings per share attributable to owners of the Company was RMB32.01 cents, representing an increase of 14.1% from RMB28.06 cents in the first half of 2012.

Revenue

In the first half of 2013, the revenue of the Group grew continuously, amounting to RMB28,979,387,000 and representing an increase of 10.2% from RMB26,303,993,000 in the first half of 2012. The increment of revenue was partially due to the continuous growth of washing machine and water heater businesses. The revenue of washing machine business increased by

1.9%, from RMB5,529,427,000 in the first half of 2012 to RMB5,632,140,000 in the first half of 2013. The revenue of water heater business increased by 4.4% from RMB1,938,158,000 in the first half of 2012 to RMB2,022,748,000 in the first half of 2013. The overall growth of revenue was mainly attributable to the increase of revenue of integrated channel services business, the revenue increased by 11.7% from RMB24,320,002,000 in the first half of 2012 to RMB27,155,987,000 in the first half of 2013.

Gross Profit Margins

In the first half of 2013, the gross profit margin of the Group's washing machine business was 26.9%, decreased by 0.9% compared with the first half of 2012. Gross profit margin of the water heater business was 34.4%, decreased by 7.5% compared with the first half of 2012. The decrease of gross profit margin of the water heater business was mainly due to the transfer of certain sales activities to integrated channel services business during the period. This arrangement led to the corresponding decrease in selling and distribution costs ratio for this segment.

In the first half of 2013, the gross profit margin of integrated channel services business was 9.0%, representing an increase of 1.0% from 8.0% in the first half of 2012. It was mainly caused by the increase in gross profit margin of distribution business by 0.9%, from 7.5% in the first half of 2012 to 8.4% in the first half of 2013. In addition, the gross profit margin of the logistics business increased by 0.8%, from 7.4% in the first half of 2012 to 8.2% in the first half of 2013. The gross profit margin expansion for the integrated channel services business was mainly due to the Group strengthening its sales function in the 3rd and 4th tier markets, and undertaking more marketing and promotion functions, which correspondingly led to an increase in the gross profit margin, selling and distribution costs and administrative expenses ratio.

Selling and Distribution Costs

In the first half of 2013, the ratio of selling and distribution costs of the Group's washing machine and water heater businesses to its segment revenue decreased by 4.1% to 15.1% from 19.2% in the first half of 2012, which was mainly attributable to the transfer of certain sales activities to integrated channel services business during the period. This arrangement led to the corresponding decrease in selling and distribution costs ratio of the washing machine and water heater businesses.

During the period, the ratio of selling and distribution costs of the integrated channel services business to its segment revenue was 5.4%, representing an increase of 0.8% from 4.6% in the same period of 2012, which was mainly attributable to the transfer of sales function from the water heater business during the period and more supportive sales and promotional works undertaken by the integrated channel services business.

Administrative Expenses

During the period, the ratio of administrative expenses of the Group's washing machine and water heater businesses to its segment revenue was 5.4% in the first half of 2013, representing an increase of 0.4% from 5.0% in the first half of 2012, which was mainly due to the fund contribution for reclaiming and cleaning waste and worn-out home appliances as required by law, and the upgrading and maintenance of management information system.

The ratio of administrative expenses of the integrated channel services business to its segment revenue was 2.0%, slightly increase by 0.1% from 1.9% in the same period of 2012.

2. ***Financial Position***

Items	**30 June 2013 RMB'000 (Unaudited)**	31 December 2012 RMB'000 (Audited)
Non-current assets	**2,371,174**	2,172,657
Current assets	**15,879,263**	16,040,609
Current liabilities	**10,190,559**	10,921,309
Non-current liabilities	**1,443,373**	1,451,729
Net assets	**6,616,505**	5,840,228

Cash and Cash Equivalents

In the first half of 2013, the Group maintained a healthy financial position. The cash and cash equivalents balance increased by 8.8% to RMB5,840,659,000 as at 30 June 2013 from RMB5,368,308,000 as at 31 December 2012. The increase was mainly attributable to the growth in net cash flows in operating and financing activities during the period, representing an increase of 32.3% and 61.2% respectively as compared to the same period of last year.

Net assets

The Group's net assets increased by 13.3% to RMB6,616,505,000 as at 30 June 2013 from RMB5,840,228,000 as at 31 December 2012.

Working Capital

Trade and Bills Receivables Turnover Days

The trade and bills receivables turnover days of the Group's washing machine and water heater businesses decreased from 107 days at the end of 2012 to 96 days in the first half of 2013, among which, the trade receivables turnover days was 18 days, representing an increase of 2 days as compared to the end of 2012.

The proportion of bills receivables of the Group's washing machine and water heater businesses to its total trade and bills receivables was 81.6% (31 December 2012: 85.2%), among which 99.9% were bank's acceptance bills with minimal risk of default.

With respect to the Group's integrated channel services business, the majority of clients in the 3rd and 4th tier markets are relatively small business runners, and the sales are generally under a payment term of cash on delivery. Our business model aims at reducing the customers' working capital requirements and facilitating the cash-settled payment method. As a result, the trade and bills receivables turnover days in the first half of 2013 was 14 days and trade receivables turnover days was 9 days, which are competitive in the industry.

Inventory Turnover Days

Under the Group's Just-In-Time policy, the Group has implemented a series of measurements including rolling order forecasts, made-to-order and procured-to-order productions, which helped maintain a relatively low inventory level. The Group's inventory turnover days of washing machine and water heater businesses were 31 days in the first half of 2013, representing an increase of 8 days as compared to the end of 2012. The increase was mainly attributable to the deepened implementation of mass tailor-made marketing and production of washing machine business and stocking of inventory for the peak season in the second half of the year in view of the unbalanced productivity between peak and off-seasons.

In the first half of 2013, inventory turnover days of the Group's integrated channel services business were 10 days, decreased by 5 days as compared to the end of 2012, which was mainly attributable to the enhanced efficiency of transportation, distribution and transit. The inventory turnover days is at a leading level in the industry.

Trade Payables Turnover Days

The trade payables turnover days of the Group's washing machine and water heater businesses increased from 23 days at the end of 2012 to 35 days in the first half of 2013.

The trade payables turnover days of the integrated channel services business of the Group were 12 days in the first half of 2013, which have decreased by 2 days from 14 days in the end of 2012.

3. *Cash flow analysis*

Items	For the six months ended 30 June **2013** **RMB'000** **(Unaudited)**	2012 RMB'000 (Unaudited)
Net cash flows from operating activities	**547,171**	413,611
Net cash flows used in investing activities	**(1,354,187)**	(162,796)
Net cash flows from financing activities	**91,053**	56,500
Net increase in cash and cash equivalents	**(715,963)**	307,315
Cash and cash equivalents at beginning of period	**5,134,308**	3,936,781
Effect of foreign exchange rate changes, net	**(11,007)**	15,135
Time deposits with original maturity over three months when acquired	**1,433,321**	25,000
Cash and cash equivalents as stated in the statement of cash flows	**5,840,659**	4,284,231

The Group's net cash inflow from operating activities increased by 32.3% in the first half of 2013 as compared with the first half of 2012, which was mainly due to the cash flow contribution and continuous profit from the principal operations.

The Group's net cash outflow of investing activities increased by 731.8% in the first half of 2013 as compared with the first half of 2012, which was mainly due to the increase in time deposits with original maturity over three months when acquired during the period. Other major investment projects included the construction of additional logistics warehouse and the purchase of plant and equipment for capacity expansion.

Net cash inflow from financing activities in the first half of 2013 increased by 61.2% as compared with the first half of 2012, which mainly included inflows upon exercise of warrants and share options (RMB99,494,000), investment from minority shareholders (RMB5,500,000), payment of interest of convertible bonds (RMB12,653,000) as well as net cash inflows from loans (RMB8,200,000).

Liquidity and Financial Resources

The Group focuses on cash flow management and has been able to maintain a healthy financial and liquidity position. The Group recorded a current ratio of 155.8% as at 30 June 2013 (31 December 2012: 146.9%). As at 30 June 2013, the Group's cash and cash equivalents balance amounted to RMB5,840,659,000 (31 December 2012: RMB5,368,308,000). Bank and other borrowings amounted to RMB48,000,000 (31 December 2012: RMB39,800,000). Non-controlling shareholder's borrowings amounted to RMB59,818,000 (31 December 2012: RMB59,537,000) and the liabilities portion of the convertible bonds were RMB707,144,000 (31 December 2012: RMB699,643,000), respectively. As a result, the Group's net cash balance (cash and cash equivalents balance, net of bank and other borrowings, non-controlling shareholder's borrowings and the liabilities portion of the convertible bonds) as at 30 June 2013 amounted to RMB5,025,697,000 (31 December 2012: RMB4,569,328,000), representing an increase of 10.0% over last year.

The Group will maintain significant operating cash flows and sources of liquidity in the future that are adequate to meet its working capital requirements for the next year, the distribution channel network expansion and construction of the logistics network, as well as to maintain financial flexibility for any significant investment opportunities.

Capital Expenditure

The Company assesses its capital expenditure and investments in the businesses of the washing machine, water heater and integrated channel services from time to time. The capital expenditure during the period was RMB157,914,000, which was mainly used for the investments of the Company in developing the integrated channel services business, including the construction of logistics warehouse projects and factory equipment modifications for washing machine and water heater businesses.

Gearing Ratio

As at 30 June 2013, the Group's gearing ratio (defined as total borrowings (including the liabilities portions of convertible bonds) over net assets) was 12.3% (31 December 2012: 13.7%).

Treasury Policies

The Group adopts a prudent approach in its cash management and risk control. Most of the Group's revenues and expenses are denominated in Renminbi and Hong Kong dollars. Cash is generally placed in short term deposits denominated either in Renminbi or Hong Kong dollars. Foreign currency risk is largely, though not fully, mitigated, as liabilities in Renminbi will be substantially offset by the Group's revenue, most of which are derived from domestic sales in China and denominated in Renminbi. Only approximately 4.6% of the Group's revenue is derived from export sales and is denominated in other currencies. The Group does not have any significant interest rate risk as it has an overall net cash balance. The Group does not have any financial instruments for hedging purposes.

Charge of Assets

The Group's short-term bank loans as at 30 June 2013 were secured by floating charges over the Group's inventories totalling RMB61,540,000 (31 December 2012: RMB76,740,000).

Further, as at 30 June 2013, certain of the Group's bills payables were secured by the pledge of the Group's bank deposits of RMB36,303,000 (31 December 2012: RMB61,804,000) and the Group's bills receivables of RMB236,222,000 (31 December 2012: RMB122,809,000).

Capital Commitments

The Group's capital commitments contracted but not yet provided for amounted to RMB53,963,000 as at 30 June 2013 (31 December 2012: RMB106,883,000), which were mainly related to the purchase of machinery for the Group's businesses capacity expansion as well as construction of warehouse for the logistics business. Capital commitments authorised but not yet contracted amounted to RMB172,337,000 (31 December 2012: RMB179,008,000) which were mainly related to the warehouse construction for the logistics business in 2013.

Contingent Liabilities

As at the end of the reporting period, the Group did not have any significant contingent liabilities.

Employees and Remuneration Policy

The total number of employees of the Group decreased by approximately 3.7% to 16,656 from 17,304 as at 31 December 2012. The Group ensures that the remuneration packages for its employees remain competitive, and its employees are generally remunerated with fixed monthly salaries, which are reviewed annually, along with discretionary performance bonuses.

BUSINESS REVIEW AND OUTLOOK

In the first half of 2013, despite the slowdown of China's macro-economic growth due to challenges such as economic restructuring and weak overseas demand, the overall consumption maintained solid growth. In the first half of the year, the total retail sales of consumer goods increased by 12.7% year-on-year. As end user demand drove the gradual improvement of the residential property market, the home appliances market showed sign of recovery.

During the period, we saw obvious consumption upgrade for home appliances. Take the washing machine products for instance, the market share of front-loading washing machines increased progressively with its sales volume accounted for nearly 30% of the washing machine market in China. Benefited from the implementation of the energy-saving subsidy policy, energy-saving and environmental-friendly products were well promoted and became increasingly popular among consumers. As the technology and application become more mature, intelligent and internet-connected home appliances will gradually become the trend and will drive the advancement of the industry, while users will pay more attention to "Smart Home" that means safety, health, convenience and energy-saving. As consumers' brand loyalty becomes more centered on the leading brands, the leading players will have more opportunities to consolidate the market.

In light of the customized demand of home appliances consumption, enterprises need to build up operation management systems to equip themselves with internal operational systems which feature shorter response times and more agile supply chain. In this regard, the Group reformed its organizational systems, moving away from the original process-oriented mechanism to an open interactive platform, proactively introducing first-class partners specializing on R&D, design and module development. In addition, consumers are invited to participate and share their design ideas on the open platform, allowing users' needs to be considered at the initial stage of the design process, as well as to deliver superior customer experience through interaction with end-users.

In the internet era, sales of home appliances from brick-and-mortar channels are gradually diminishing, while the combination of sales through purely online and sales influenced by online will increase significantly. The Group will focus on initiatives of integrating online and offline channels, increasing the proportion of online sales while encouraging physical stores to launch its online business.

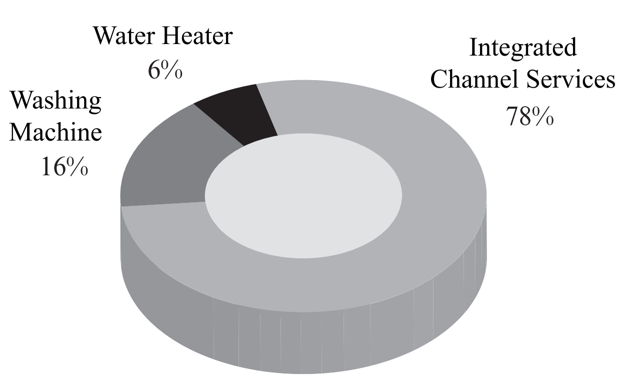
During the period, the Group expanded the production capacity of front-loading washing machines, enhanced product innovation while optimizing product mix. In addition, the Group continued to develop its logistics network and information systems, and deployed resources to improve the end-to-end logistics capability for large items to accelerate the development of third-party business.

During the period, revenue of the Group reached RMB28.98 billion, representing an increase of 10.2% year-on-year, profit attributable to owners of the Company increased by 15.4% as compared with the last corresponding period, amounting to RMB822 million. The Group focused on high quality growth with healthy cash flow, and recorded a net operating cash flow of RMB547 million during the period, representing an increase of 32.3% as compared with the last corresponding period.

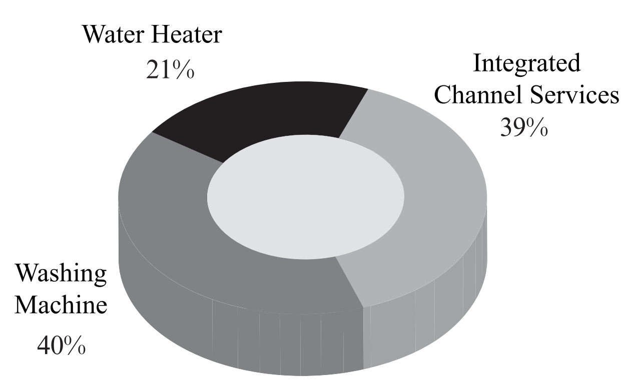
Business Segment Review

The segment breakdown by revenue and results for the first half of 2013 are as follows:

Segment Revenue



Segment Results



Note: the proportion of the above pie charts is presented in accordance with the aggregate amounts of segment revenue and results, without taking into account inter-segment eliminations of revenue and results.

Washing Machine Business

During the period, the washing machine business of the Group achieved a total revenue of RMB5.63 billion, representing an increase of 1.9% as compared to the same period last year (1H 2012: RMB5.53 billion), the slight growth in the first half was mainly due to the slowdown in growth in the domestic market during the second quarter of the year and the significant decrease in export sales. During the first half of the year, domestic sales of washing machines amounted to RMB5.08 billion, representing an increase of 5.6% year-on-year. Affected by the sluggish demand in overseas markets and unfavourable RMB appreciation, the Group's export sales recorded a year-on-year decrease of 23.1%.

According to a market research report from China Market Monitor (CMM), in terms of sales volume, the Group's washing machines retained No. 1 ranking in China market in the first half of 2013; however, the market share declined by 3.6 percentage points to 27.7% as compared with the corresponding period last year. The drop in market share was because some competitors regained market shares during the first half of this year, and the Group shifted its product structure away from subsidized product models to new models during the second quarter, given the expiry of the energy-saving subsidy by the end of May 2013. Furthermore, the sample data gathered by CMM monitored market information from appliance retailers in 846 cities and counties, which may not match the Group's geographical market distribution. According to the information from another authoritative institution, ChinaIOL, the market share of the Group in the washing machine market only declined by 0.1 percentage point to 33.3% in the first half of the year.

During the period, leveraging on the advanced design concepts and the revolutionary innovation, the Group won numerous awards both in the domestic and international markets. In March 2013, Haier Mini washer and Haier Cloud Power washer won the "iF Product Design Award", which is also reputed as "The Oscars" in the design industry, with the unique design concepts and superior functions. With respect to the reform and innovation in energy-saving and green technology, during the period, the Group successfully developed the technology of filtering washing and rinse water with ultrafiltration membrane. Such ground-breaking technology not only raises the sterilization rate to over 99%, but also reduces water consumption by over 40%, which is particularly significant given the increasingly scare water resources. In addition, high-speed spray technology is used to perform strong decontamination function.

For the development of smart appliances, the Haier U-Home washing machines, supported by Wifi connection, are available for the networking remote control via mobile phones, PADs and computers anywhere, which enables customers to be aware of the washing progress and to receive alert information and status information anytime, so as to ensure early receipt of information and prompt problem solving. At the same time, washings could be done according to the weather index instructions and professional washing instructions. In addition to those, the online optimization washing formula and the laundry internet community where customers can share their washing experience comprehensively meet the customers' needs while letting them gain more washing reminders and experience.

Water Heater Business

The water heater business of the Group grew steadily during the period, achieved a total revenue of RMB2.02 billion, representing an increase of 4.4% as compared to the same period last year (1H2012: RMB1.94 billion). The total revenue was below expectation, mainly because electric water heater, the major product of the Group's water heater segment, did not benefit from the subsidy for energy-saving home appliances, the industry growth of electric water heater was softer than other types of water heater. The Group is stepping up efforts in the development of other categories, such as gas water heaters, in order to diversify its products lines and gather momentum in growth. In the domestic market, the Group maintains its leading market share in the water heater industry. According to a report from CMM, in terms of sales volume, the water heater of the Group commanded 18.7% of the domestic market, representing a decrease of 1.8 percentage points as that of the last corresponding period.

During the period, the Group launched the E5/E7 electric water heater series and X1 gas water heater series, both well recognized by the market. E5/E7 series feature 5 major advantages of half-hidden installation plus 3D instant-heating technology with hot water immediately available once switching on. X1 series boast the third-generation thermostatic technology, which can limit the thermostatic deviation to less than 0.5°C. Also, with the adoption of advanced condensing technology, the thermal efficiency reaches up to 103.4% and significantly increases the efficiency in energy saving and environmental protection. In the appraisal given by the "2nd China International Consumer Electronics Global Leader Innovative Awards", Haier water heaters were accredited as "World Famous Brand" products by global influential organizations.

Integrated Channel Services Business

For the first half of 2013, the integrated channel services business reported revenue of RMB27.16 billion (1H12: RMB24.32 billion), representing a growth of 11.7% over the same period last year.

Distribution Unit

The Group continued to carry forward standardized store management and information management, step up the operation standard of nationwide Haier-branded stores. At the same time, the Group advanced the distribution, logistics and after-sales platforms to meet the demands of the non-Haier branded products business, thereby providing an integrated end-to-end solution to our users and customers. As at the reporting date, the Group distributed through over 8,000 Haier Exclusive Stores at the county level and nearly 1,000 Goodaymart franchise stores which sold various brands of home appliances. The total number of sales points nationwide had surpassed 30,000.

During the first half of 2013, the Group provided more abundant category management and retail management services to Haier Exclusive Stores to increase customer loyalty. Specifically, we helped franchise stores to timely track and analyze purchase, sales and inventory information through the E-Store system and greatly facilitated the analysis of customer traffic and sales trend collected from the Customer Traffic Monitoring System, which will boost the operational efficiency and inventory turnover efficiency of franchise customers. By the end of the period, the Group installed E-Store system in about 85% of county level sales points. In order to improve the in-store shopping experience of customers, the Group also upgraded the franchisees stores' image through redesigning store decoration and optimizing product layout; and offered professional training for store managers and sales staff to franchisees, which aims at elevating the operational and management level of managers and sharpening the marketing and customer service skill of store staff. During the period, the Group extended the pilot scheme implemented in Zhengzhou last year to 190 stores in Henan region. The Group deployed supervisors in franchise stores to offer comprehensive supervision and guidance on the execution of standardized operation. On average, comparable same store sales increased by over 20% year-on-year which evidenced the feasibility of this supervision program.

At the end of the period, the number of Goodaymart franchise stores that principally sell third-party brands, was close to 2,800, representing an increase of 17% compared to the end of 2012. The Group continued to deepen the cooperation with existing third party brands and extend the scope of cooperation. During the period, the Group focused on developing the "Turn-Key" service to provide customers with vertically-integrated channel services ranging from product design to marketing, promotion and brand development. In view of the rapid development of the online sales of home appliance, the Group utilize the platform website or launch online sales channels for Turn-key customers, thereby providing multi channel solution.

Logistics Unit

The Group actively deployed the resources necessary for providing logistic services to new sectors, successfully extending our service to the delivery of large items (such as furniture and bathroom accessories) and providing national delivery service to various brands of furniture and bathroom accessories and other e-commerce operators. With regard to large household items (large home appliances, furniture and bathroom accessories), although the proportion of online sales continues to grow, consumers are still highly concerned about the offline delivery experience and quality of service standards. In the 3rd and 4th tier markets where the penetration rate of highly efficient delivery service is still low, the lack of standardized service remains as the major bottleneck of the development of e-commerce. The Group's last-mile capability in providing 24-hour on-time delivery and simultaneous "delivery and installation" services in 400 cities and more than 1,500 regions and counties across the country and high-standard service system effectively solve the above bottleneck problem of customers, successfully attracting dominant e-business players and furniture brands to join our delivery platform.

In the first half year, the Group optimized inter-city, regional and intra-city delivery and installation service systems, and replicated the "direct-delivery-to-town" model from Shandong to regions like Shijiazhuang, Chengdu, Guangzhou and Nanjing. Considering the small and scattered orders of customers in 3rd and 4th tier markets, the "direct-delivery-to-town" model increases delivery efficiency through the utilization of order matching and a bulk delivery solution to assist customers to optimize various sectors of the supply chain, lowering inventory and delivery costs.

Leveraging on the 86 regional logistic centers across the country and vehicle route management which incorporates GPS information, the Group can cater to the customized demand of users and provide them with end-to-end one-stop logistics solution featuring on-time delivery, simultaneous "delivery and installation" and tracking function covering the whole delivery process.

After-sale Service Unit

During the first half year of 2013, after-sale unit continued to grow rapidly. On one hand, the Group developed new revenue model, such as extended warranty and value-added products etc, on the other hand, the Group further expanded after-sale service capacities to provide after-sale service for large items such as furniture. The furniture network currently covers mainly the 1st and 2nd tier markets across the country, and will be extended to the 3rd and 4th tier markets soon. Through integrating upstream and downstream resources and applying relatively mature home appliance service standard, the Group aims to build the largest professional third-party service platform for furniture installation in China and extend its service capacity for other large household items in the future.

As at the end of the first half year of 2013, the Group has nearly 20,000 service providers in China, yet Haier excelled again in the "Survey on Public Satisfaction with Service Industries across the Country" organized by authoritative media organization, clinching The Golden Award — Customer Service Centre with the Highest Public Satisfaction Rating in China in three consecutive years.

E-commerce Unit

During the period, revenue of the Group's e-commerce unit surged nearly 500% to RMB633 million (1H 2012: RMB106 million). To meet the personalized demands of the internet users, the Group adopts a product-customization approach, which integrates the Group's research and development and production capabilities and promotes C2B modular customization. Integrating the logistics and service network, the Group's online business unit implements measures such as 24 hours on-time delivery, and installation services upon delivery, which offer differentiated competitive edges to the Group. In March 2013, the Group launched a thematic promotion campaign on Tmall website and attracted 1.31 million netizens with over 20 thousand products being sold. In June 2013, the Group's e-Haier platform launched a face-panel customization event for Leader air-conditioner, largely boosting the sales of Leader air-conditioner on e-Haier.

Outlook

During the course of economic transformation, the government plans to change the previous investment-driven economy to a consumption-driven model, pushing forward income distribution reform in various aspects and continue to advance the progress of urbanization. At present, income of urban residents is about 3 times that of rural residents, the continuous progress of urbanization and increase in income level of residents will further unleash consumption potential and provide growth momentum to domestic consumption in China in the mid to long term.

Although China's energy saving subsidy policy expired at the end of May this year, the energy saving and environmental friendly home appliances have become increasingly popular thanks to the government's energy saving policy. Enterprises that have accumulated know-how in energy-efficiency would be able to capture more opportunities and lead the market while the market shares of small brands that relied on the government policy will erode further. The consumption upgrade trend in the home appliances industry is expected to continue, while the demand growth of high-end products such as front-loading washing machines, high energy efficiency and environmental-friendly products and intelligent home appliances is likely to beat the overall growth of the industry. With the launch of new products which meet the requirements of different levels of the market and match up with characteristics of the channels of its e-business customers, the Group is confident that the growth of washing machines will rebound in the second half of the year.

The rise of internet channel has become an irreversible trend and the swift development of e-commerce imposed higher requirements on China's logistics capabilities. At present, the development of e-commerce of large items generally faces three hurdles: (i) the lack of one-stop service capability of logistics service providers, which makes it necessary to go through repeated tran-shipment, loading and unloading, thus lowering efficiency and increasing damages to goods; (ii) the low penetration of logistics service, in particular last-mile service, in 3rd and 4th tier markets, which hinders the smooth development of e-commerce; and (iii) the absence of standardized service system in the industry, rendering it impossible to guarantee a satisfactory user experience. With our comprehensive marketing, logistics and service network in 3rd and 4th tier markets, the Group offers differentiated one-stop logistics solutions, such as the integrated warehousing and logistics service, to the customers. In the future, the Group will continue to consolidate the upstream and downstream resources and strengthen last-mile capability of full delivery and installation service, aiming to providing nationwide end-to-end logistics solution to various categories like home appliances, furniture and bathroom accessories.

The Group will develop itself as an superior service platform to provide offline and online services to third-party brands. On the one hand, the Group believes it is crucial to learn to think like e-commerce players. On the other hand, the Group needs to leverage its offline assets to build a winning model in China, especially in vast 3rd and 4th tier markets.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Save for the purchase of 801,000 shares of the Company on the open market for an aggregate consideration of HK$9,936,000 pursuant to the Company's Restricted Share Incentive Scheme as announced by the Company on 9 August 2012, neither the Company, nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the period.

DIVIDENDS

The directors do not recommend payment of any interim dividend (2012: nil) for the six months ended 30 June 2013.

CORPORATE GOVERNANCE PRACTICES

Compliance with Code on Corporate Governance Practices of the Listing Rules

The Company has complied with the code provisions of the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") during the period from 1 January 2013 to 30 June 2013, except for the following deviations:

Under the Code Provision A.2.1, the roles of chairman and chief executive officer ("CEO") should be separated and should not be performed by the same individual. Prior to the effective commencement date of her retirement as executive Director and chairman of the Company on 25 June 2013, Ms. Yang Mian Mian had served as the chairman of the Company whilst also performing the functions of CEO until the appointment of Mr. Zhou Yun Jie ("Mr. Zhou"), an executive Director, as CEO on 18 March 2013. The Board has met regularly to consider major matters affecting the business and operations of the Group. The Board believes that through the supervision of the Board and its independent non-executive Directors, checks and balances exist so that the interests of the shareholders are adequately and fairly represented. With the appointment of Mr. Zhou as CEO on 18 March 2013, there was compliance with the terms of Code Provision A.2.1 with effect from 18 March 2013 until the appointment of Mr. Zhou as also the chairman of the Company on 25 June 2013 such that following such appointment, Mr. Zhou had performed both the roles of a chairman and CEO. After evaluation of the current situation of the Company and taking into account the experience and past performance of Mr. Zhou, the Board is of the opinion that it is appropriate and in the best interests of the Group at the present stage for Mr. Zhou to hold both positions as the chairman and CEO of the Company as it helps to maintain the continuity of the policies and the stability of the operations of the Group. It also helps to promote the efficient formulation and implementation of the Company's strategies which will enable the Group to seize business opportunities efficiently and promptly. The Board comprising a vast majority of non-executive Directors also meets regularly on a quarterly basis to review the operations of the Group and to consider other major matters affecting the business of the Group. Accordingly, the Board believes that this arrangement will not have negative influence on the balance of power and authorizations between the Board and the management of the Company. In addition, through the continuing supervision of the Board and its independent non-executive Directors, checks and balances continue to exist so that the interests of the shareholders are continued to be adequately and fairly represented.

Under the Code Provision A.4.1, non-executive directors should be appointed for specific terms, subject to re-election. Currently, all the non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Bye-laws and their appointment will be reviewed when they are due for re-election.

Following the retirement of Mr. Wu Yinong as an independent non-executive Director, on 28 May 2013, the number of independent non-executive Directors and the members of the audit committee had fallen below the minimum number required under Rules 3.10(1) and 3.21 of the Listing Rules and the required composition of the remuneration committee and nomination committee had fallen below the requirements under Rules 3.25 and code provision A.5.1 of Appendix 14 of the Listing Rules. Following the effective commencement of appointment of Mrs. Eva Cheng Li Kam Fun as an independent non-executive Director on 1 June 2013, the Company has fulfilled the requirements of minimum number of independent non-executive directors under the Listing Rules. The Company has also fulfilled the requirements of the composition of the Company's audit committee, remuneration committee and the nomination committee under the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a Model Code for Securities Transactions by Directors (the "Haier Electronics Model Code") on no less exacting terms than the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. Upon specific enquiry by the Company, all Directors had confirmed that they had complied with the required standard as set out in the Haier Electronics Model Code throughout the period for the six months ended 30 June 2013.

AUDIT COMMITTEE

The Company has established an audit committee comprising three independent non-executive directors of the Company. The audit committee had reviewed, with no disagreement, with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2013.

PUBLICATION OF INTERIM RESULTS ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The 2013 Interim Report will be despatched to shareholders as well as made available on the HKExnews website of the Stock Exchange at http://www.hkexnews.hk and the website of the Company at http://www.haier-elec.com.hk. The 2013 interim financial information set out above does not constitute the Group's statutory financial statements for the six months ended 30 June 2013 and is extracted from the financial statements for the six months ended 30 June 2013 to be included in the 2013 Interim Report.

APPRECIATION

I would like to take this opportunity to thank all my fellow directors and staff for their dedicated services, contributions and support during the period.

By Order of the Board of
Haier Electronics Group Co., Ltd.
Zhou Yun Jie
Chairman

Hong Kong, 27 August 2013

As at the date of this announcement, the executive Directors are Mr. Zhou Yun Jie (Chairman) and Mr. Li Hua Gang; the non-executive Directors are Mr. Liang Hai Shan, Ms. Janine Junyuan Feng and Dr. Wang Han Hua; the independent non-executive Directors are Mr. Yu Hon To, David, Dr. Liu Xiao Feng and Mrs. Eva Cheng Li Kam Fun; the alternate Director is Mr. Gui Zhaoyu (alternate to Ms. Janine Junyuan Feng).

* *for identification purpose only*