Haier Electronics Group Co., Ltd.
海爾電器集團有限公司*

Stock Code ： 01169

INTERIM REPORT **2019**

* for identification purpose only

CORPORATE PROFILE

Haier Electronics Group Co., Ltd. (Stock code: 01169) (the "Company"), a subsidiary of Haier Group Corporation ("Haier Corp"), is listed on the Main Board of The Stock Exchange of Hong Kong Limited. The Company and its subsidiaries (the "Group") are principally engaged in: the research, development, manufacture and wholesale of washing machines and water heaters under Haier Corp brands ("Haier", "Casarte" and "Leader"); the distribution of electronics products of Haier Corp in the PRC and logistics services under the name of "Gooday" in the PRC for large-format items, including but not limited to home appliances, furniture and fitness equipment.

Founded in 1984, Haier Corp is headquartered in Qingdao, Shandong Province, the PRC and is one of the world's leading white goods home appliance manufacturers engaging in the research, development, production and sale of a wide variety of household appliances (including the white goods) and consumer electronic goods in the PRC today. The products of Haier Corp are now sold in over 100 countries. According to the data published by Euromonitor International in January 2019, Haier has once again been named as the number one major appliances brand in the world. This is the tenth consecutive year that Haier Corp has received the accolade.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. ZHOU Yun Jie *(Chairman)*
Mr. XIE Ju Zhi *(Chief Executive Officer)*
(appointed with effect from 27 March 2019)
Mr. LI Hua Gang *(appointed with effect from 27 March 2019)*
Mr. SUN Jing Yan *(retired with effect from 27 March 2019)*

Non-executive Directors

Mr. LIANG Hai Shan
Mr. YANG Guang
Ms. TAN Li Xia *(retired with effect from 27 March 2019)*
Dr. WANG Han Hua *(retired with effect from 27 June 2019)*

Independent Non-executive Directors

Mr. YU Hon To, David
Mrs. Eva CHENG LI Kam Fun
Mr. GONG Shao Lin
Dr. John Changzheng MA
(appointed with effect from 29 August 2019)

PRINCIPAL BOARD COMMITTEES

Audit Committee

Mr. YU Hon To, David *(Committee Chairman)*
Mrs. Eva CHENG LI Kam Fun
Mr. GONG Shao Lin *(appointed with effect from 27 March 2019)*
Ms. TAN Li Xia *(retired with effect from 27 March 2019)*

Remuneration Committee

Mrs. Eva CHENG LI Kam Fun *(Committee Chairman)*
Mr. YU Hon To, David
Mr. ZHOU Yun Jie

Nomination Committee

Mr. YU Hon To, David *(Committee Chairman)*
Mrs. Eva CHENG LI Kam Fun
Mr. ZHOU Yun Jie

Strategic Committee

Mr. ZHOU Yun Jie *(Committee Chairman)*
Mr. YANG Guang
Mr. GONG Shao Lin

COMPANY SECRETARY

Mr. NG Chi Yin

LEGAL ADVISORS

As to Hong Kong Law

DLA Piper Hong Kong
Jeffrey Mak Law Firm

As to Bermuda Law

Conyers Dill & Pearman

PRINCIPAL BANKERS IN HONG KONG

Industrial and Commercial Bank of China (Asia) Limited
China Construction Bank (Asia) Corporation Limited
DBS Bank (Hong Kong) Limited
Mizuho Bank, Ltd.

PRINCIPAL BANKER IN THE PRC

China Construction Bank Corporation

AUDITORS

Ernst & Young

FINANCIAL CALENDAR

Six-month interim period end	:	30 June
Financial year end	:	31 December

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 3513
35/F., The Center
99 Queen's Road Central
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PRC

Haier Industrial Park
No. 1, Haier Road
Qingdao, the PRC

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Corporate Services (Bermuda) Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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INVESTOR RELATIONS CONTACT

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INTERIM RESULTS

The Board of Directors (the "Board") 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 2019 together with comparative figures for the corresponding period in 2018. This interim condensed consolidated financial information has not been audited, but has been reviewed by the Company's audit committee.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019

	Notes	**2019** **RMB'000** **(Unaudited)**	2018 RMB'000 (Unaudited) (Restated)
REVENUE	3	**41,182,923**	42,318,071
Cost of sales		**(33,868,154)**	(35,159,101)
Gross profit		**7,314,769**	7,158,970
Other income and gains	4	**466,548**	399,525
Selling and distribution expenses		**(4,205,168)**	(4,154,840)
Administrative expenses		**(1,250,743)**	(1,222,777)
Other expenses and losses		**(11,171)**	(20,383)
Finance costs	5	**(33,009)**	(4,531)
Share of losses of associates		**(223)**	(151)
PROFIT BEFORE TAX	6	**2,281,003**	2,155,813
Income tax expense	7	**(403,883)**	(396,895)
PROFIT FOR THE PERIOD		**1,877,120**	1,758,918
Attributable to:			
Owners of the Company		**1,805,539**	1,668,195
Non-controlling interests		**71,581**	90,723
		1,877,120	1,758,918
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic		**RMB0.65**	RMB0.60
Diluted		**RMB0.64**	RMB0.59

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	2019 **RMB'000** **(Unaudited)**	2018 RMB'000 (Unaudited) (Restated)
PROFIT FOR THE PERIOD	**1,877,120**	1,758,918
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of financial statements of group companies	**(65)**	124,767
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	**(65)**	124,767
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income/(loss):		
Changes in fair value	**(34,860)**	111,800
Income tax effect	**3,327**	(11,180)
	(31,533)	100,620
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	**(31,533)**	100,620
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	**(31,598)**	225,387
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**1,845,522**	1,984,305
Attributable to:		
Owners of the Company	**1,773,941**	1,893,582
Non-controlling interests	**71,581**	90,723
	1,845,522	1,984,305

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2019

	Notes	**30 June 2019 RMB'000 (Unaudited)**	31 December 2018 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	**6,139,810**	5,373,818
Investment properties		**27,386**	28,449
Right-of-use assets	2.2(a)	**2,415,434**	—
Prepaid land lease payments	2.2(a)	**—**	1,142,478
Goodwill		**289,078**	267,992
Other intangible assets		**108,358**	101,917
Investments in associates		**177,850**	178,073
Equity investments designated at fair value through other comprehensive income		**1,237,267**	1,261,664
Other non-current financial assets	10	**417,738**	422,878
Long-term prepayments		**440,485**	760,351
Deferred tax assets		**874,149**	879,786
Total non-current assets		**12,127,555**	10,417,406
CURRENT ASSETS			
Inventories		**6,944,689**	8,654,478
Trade and bills receivables	11	**5,411,852**	5,205,997
Prepayments, other receivables and other assets		**2,121,143**	3,403,008
Other financial assets	10	**4,540,045**	4,382,181
Pledged deposits		**66,724**	89,524
Cash and cash equivalents		**15,553,209**	14,660,708
		34,637,662	36,395,896
Asset and disposal groups held for sale	12	**559,008**	144,091
Total current assets		**35,196,670**	36,539,987
CURRENT LIABILITIES			
Trade and bills payables	13	**6,329,526**	5,780,722
Other payables and accruals		**6,691,062**	7,212,667
Contract Liabilities		**1,787,077**	4,183,758
Interest-bearing borrowings		**77,657**	68,799
Lease liabilities	2.2(a)	**579,210**	—
Tax payable		**631,727**	780,261
Provisions	14	**674,597**	674,411
Dividend payable		**936,564**	—
		17,707,420	18,700,618
Liabilities directly associated with the assets classified as held for sale	12	**103,398**	32,362
Total current liabilities		**17,810,818**	18,732,980

	Notes	**30 June 2019 RMB'000 (Unaudited)**	31 December 2018 RMB'000 (Audited)
NET CURRENT ASSETS		**17,385,852**	17,807,007
TOTAL ASSETS LESS CURRENT LIABILITIES		**29,513,407**	28,224,413
NON-CURRENT LIABILITIES			
Interest-bearing borrowings		**22,460**	23,575
Lease liabilities	2.2(a)	**503,479**	—
Deferred income		**185,861**	192,596
Deferred tax liabilities		**96,274**	98,611
Put option liabilities	15	**1,827,098**	1,792,322
Provisions	14	**371,477**	363,320
Other non-current liabilities		**—**	5,705
Total non-current liabilities		**3,006,649**	2,476,129
Net assets		**26,506,758**	25,748,284
EQUITY			
Equity attributable to owners of the Company			
Issued equity	16	**2,925,637**	2,922,364
Shares held for the Restricted Share Award Scheme		**(94,806)**	(97,391)
Reserves		**21,632,889**	20,947,640
		24,463,720	23,772,613
Non-controlling interests		**2,043,038**	1,975,671
Total equity		**26,506,758**	25,748,284

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Attributable to the owners of the Company															
			Reserves													
	Issued equity RMB'000 (Unaudited)	Shares held for the Restricted Share Award Scheme RMB'000 (Unaudited)	Capital reduction reserve RMB'000 (Unaudited)	Capital reserve RMB'000 (Unaudited)	Share option reserve RMB'000 (Unaudited)	Awarded share reserve RMB'000 (Unaudited)	Put option reserve RMB'000 (Unaudited)	Reserve funds RMB'000 (Unaudited)	Retained profits RMB'000 (Unaudited)	Exchange fluctuation reserve RMB'000 (Unaudited)	Other comprehensive reserves RMB'000 (Unaudited)	Other reserves RMB'000 (Unaudited)	Total reserves RMB'000 (Unaudited)	Total RMB'000 (Unaudited)	Non-controlling interests RMB'000 (Unaudited)	Total equity RMB'000 (Unaudited)
At 31 December 2018																
As previously reported	2,922,364	(97,391)	(1,758,526)	780,485	3,177	137,044	(849,758)	1,206,125	21,708,362	291,224	(813)	(569,680)	20,947,640	23,772,613	1,975,671	25,748,284
Effect of adaptation of IFRS 16 (note 2.2(a))	–	–	–	–	–	–	–	–	(8,747)	–	–	–	(8,747)	(8,747)	(9,228)	(17,975)
As restated	2,922,364	(97,391)	(1,758,526)	780,485	3,177	137,044	(849,758)	1,206,125	21,699,615	291,224	(813)	(569,680)	20,938,893	23,763,866	1,966,443	25,730,309
Profit for the period	–	–	–	–	–	–	–	–	1,805,539	–	–	–	1,805,539	1,805,539	71,581	1,877,120
Other comprehensive income/(loss) for the period:																
Exchange differences on translation of financial statements of group companies	–	–	–	–	–	–	–	–	–	(65)	–	–	(65)	(65)	–	(65)
Change in fair value of equity instruments at fair value through other comprehensive income, net of tax	–	–	–	–	–	–	–	–	–	–	(31,533)	–	(31,533)	(31,533)	–	(31,533)
Total comprehensive income/(loss) for the period	–	–	–	–	–	–	–	–	1,805,539	(65)	(31,533)	–	1,773,941	1,773,941	71,581	1,845,522
Issue of shares	4,376	–	–	–	(910)	–	–	–	–	–	–	–	(910)	3,466	–	3,466
Shares transferred to participants from the Share Award Scheme Trust	(1,103)	3,371	–	–	–	(2,268)	–	–	–	–	–	–	(2,268)	–	–	–
Shares received for the Restricted Share Award Scheme	–	(786)	–	–	–	–	–	–	–	–	–	–	–	(786)	–	(786)
Restricted share award scheme arrangements	–	–	–	–	–	60,779	–	–	–	–	–	–	60,779	60,779	–	60,779
Share-based incentive arrangements of subsidiaries	–	–	–	–	–	1,808	–	–	–	–	–	4,255	6,063	6,063	4,687	10,750
Changes in fair value of put option liabilities	–	–	–	–	–	–	(24,155)	–	–	–	–	–	(24,155)	(24,155)	(10,646)	(34,801)
Disposal of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(4,338)	(4,338)
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	–	–	30,626	30,626
Capital contributions from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	(9,301)	(9,301)	(9,301)	17,991	8,690
Acquisition from non- controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	(173,589)	(173,589)	(173,589)	(30,142)	(203,731)
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(3,164)	(3,164)
Final 2018 dividend declared	–	–	–	(780,485)	–	–	–	–	(156,079)	–	–	–	(936,564)	(936,564)	–	(936,564)
At 30 June 2019	2,925,637	(94,806)	(1,758,526)	–	2,267	197,363	(873,913)	1,206,125	23,349,075	291,159	(32,346)	(748,315)	21,632,889	24,463,720	2,043,038	26,506,758

	Attributable to the owners of the Company																
			Reserves														
	Issued equity RMB'000 (Unaudited)	Shares held for the Restricted Share Award Scheme RMB'000 (Unaudited)	Capital reduction reserve RMB'000 (Unaudited)	Capital reserve RMB'000 (Unaudited)	Capital redemption reserve RMB'000 (Unaudited)	Share option reserve RMB'000 (Unaudited)	Awarded share reserve RMB'000 (Unaudited)	Put option reserve RMB'000 (Unaudited)	Reserve funds RMB'000 (Unaudited)	Retained profits RMB'000 (Unaudited)	Exchange fluctuation reserve RMB'000 (Unaudited)	Other comprehensive reserves RMB'000 (Unaudited)	Other reserves RMB'000 (Unaudited)	Total reserves RMB'000 (Unaudited)	Total RMB'000 (Unaudited)	Non-controlling interests RMB'000 (Unaudited)	Total equity RMB'000 (Unaudited)
At 31 December 2017																	
As previously reported	2,995,491	(158,583)	(1,758,526)	1,465,890	425	6,020	153,009	(404,037)	919,328	18,240,080	64,839	—	(723,867)	17,963,161	20,800,069	2,211,673	23,011,742
Effect of business combination under common control (note 2.1)	—	—	—	—	—	—	—	—	—	(39,361)	—	—	45,718	6,357	6,357	12,352	18,709
As restated	2,995,491	(158,583)	(1,758,526)	1,465,890	425	6,020	153,009	(404,037)	919,328	18,200,719	64,839	—	(678,149)	17,969,518	20,806,426	2,224,025	23,030,451
Profit for the period	—	—	—	—	—	—	—	—	—	1,668,195	—	—	—	1,668,195	1,668,195	90,723	1,758,918
Other comprehensive income for the period:																	
Exchange differences on translation of financial statements of group companies	—	—	—	—	—	—	—	—	—	—	124,767	—	—	124,767	124,767	—	124,767
Change in fair value of equity instruments at fair value through other comprehensive income, net of tax	—	—	—	—	—	—	—	—	—	—	—	100,620	—	100,620	100,620	—	100,620
Total comprehensive income for the period	—	—	—	—	—	—	—	—	—	1,668,195	124,767	100,620	—	1,893,582	1,893,582	90,723	1,984,305
Issue of shares	12,580	—	—	—	—	(2,617)	—	—	—	—	—	—	—	(2,617)	9,963	—	9,963
Shares purchased/received for the Restricted Share Award Scheme	—	(12,765)	—	—	—	—	—	—	—	—	—	—	—	—	(12,765)	—	(12,765)
Restricted share award scheme arrangements	—	—	—	—	—	—	54,732	—	—	—	—	—	—	54,732	54,732	—	54,732
Share-based incentive arrangements of subsidiaries	—	—	—	—	—	—	3,728	—	—	—	—	—	6,739	10,467	10,467	7,110	17,577
Transfer of awarded share reserve upon the expiry of awarded shares	—	—	—	—	—	—	(4,336)	—	—	4,336	—	—	—	—	—	—	—
Changes in fair value of put option liabilities	—	—	—	—	—	—	—	(33,796)	—	—	—	—	—	(33,796)	(33,796)	(18,913)	(52,709)
Disposal of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	232	232
Acquisition from a non-controlling shareholder	—	—	—	—	—	—	—	—	—	—	—	—	(47)	(47)	(47)	(4,394)	(4,441)
Dividends paid to non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(15,360)	(15,360)
Final 2017 dividend declared	—	—	—	(685,169)	—	—	—	—	—	—	—	—	—	(685,169)	(685,169)	—	(685,169)
At 30 June 2018	3,008,071	(171,348)	(1,758,526)	780,721	425	3,403	207,133	(437,833)	919,328	19,873,250	189,606	100,620	(671,457)	19,206,670	22,043,393	2,283,423	24,326,816

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited) (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	**2,281,003**	2,155,813
Adjustments for:		
Finance costs	**33,009**	4,531
Share of losses of associates	**223**	151
Bank interest income	**(164,708)**	(148,466)
Return on investments in other financial assets	**(84,211)**	(44,669)
Dividend income from an equity investment designated at fair value through other comprehensive income	**(18,402)**	(75,454)
Loss/(gain) on disposal of subsidiaries, net	**3,516**	(242)
Changes in fair value of financial instruments	**598**	—
Loss on disposal/write off of items of property, plant and equipment, net	**3,716**	8,121
Depreciation of property, plant and equipment	**166,261**	168,122
Depreciation of investment properties	**1,066**	1,037
Depreciation of right-of-use assets/recognition of prepaid land lease payments	**254,325**	12,365
Amortisation of intangible assets	**7,456**	4,505
Amortisation of long-term prepayments	**3,879**	1,437
Provision for obsolete and slow-moving inventories, net	**189,625**	174,253
Impairment of trade receivables, net	**3,642**	4,615
Impairment of prepayments, other receivables and other assets, net	**(300)**	7,645
Share-based payment expense	**3,206**	6,260
Equity-settled Restricted Share Award Scheme expense, net	**60,779**	54,732
	2,744,683	2,334,756
Decrease/(increase) in inventories	**1,500,243**	(1,112,658)
Decrease/(increase) in trade and bills receivables	**(520,887)**	861,379
Decrease in prepayments, other receivables and other assets	**1,280,305**	1,266,787
Increase in trade and bills payables	**639,497**	1,167,503
Decrease in other payables and accruals	**(598,689)**	(462,865)
Decrease in contract liabilities	**(2,400,470)**	(1,870,433)
Increase in provisions	**8,343**	97,955
Increase/(decrease) in deferred income	**(6,683)**	5,409
Effect of foreign exchange rate changes, net	**1,469**	94,774

	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited) (Restated)
Cash generated from operations	2,647,811	2,382,607
Interest received	108,400	94,491
Mainland China corporate income tax paid	(537,469)	(629,905)
Net cash flows from operating activities	2,218,742	1,847,193
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(707,515)	(849,289)
Receipt of government grants for property, plant and equipment	—	8,946
Proceeds from disposal of items of property, plant and equipment and prepaid land lease payments	191,406	10,299
Additions to prepaid land lease payments included in right-of-use assets	(159,550)	(16,576)
Additions to intangible assets	(200)	(19,784)
Acquisition of subsidiaries	(46,027)	—
Disposal of subsidiaries	(9,163)	(51)
Acquisition of non-controlling interests	—	(4,441)
Dividends from an associate	—	400
Dividends from an equity investment designated at fair value through other comprehensive income	—	67,763
Mainland China corporate income tax paid on investing activities	—	(15,071)
Purchases of other non-current assets	—	(9,800)
Purchases of other financial assets, net	(159,721)	(417,057)
Purchases of an equity investment designated at fair value through other comprehensive income	(10,508)	—
Interest received from other financial assets	82,655	40,174
Increase in long-term prepayments	(735)	(172,307)
Decrease in pledged deposits	22,800	1,680
Net cash flows used in investing activities	(796,558)	(1,375,114)

	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited) (Restated)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	3,466	9,963
Capital contributions from non-controlling shareholders	8,690	11,317
New borrowings	23,211	54,940
Repayment of borrowings	(41,122)	(65,242)
Dividends paid to non-controlling shareholders	(4,800)	(24,796)
Principal portion of lease payment	(265,950)	—
Interest portion of lease payment	(13,032)	—
Interest paid for borrowings	(2,612)	(4,569)
Acquisition of non-controlling interests	(203,731)	—
Net cash flows used in financing activities	(495,880)	(18,387)
NET INCREASE IN CASH AND CASH EQUIVALENTS	926,304	453,692
Cash and cash equivalents at beginning of period	14,661,025	15,040,624
Effect of foreign exchange rate changes, net	1,042	14,851
CASH AND CASH EQUIVALENTS AT END OF PERIOD	15,588,371	15,509,167
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Non-pledged cash and bank balances	2,944,178	3,929,070
Time deposits	12,609,031	11,542,873
Cash and cash equivalents as stated in the statement of financial position	15,553,209	15,471,943
Cash and cash equivalents of a disposal group classified as held for sale	35,162	37,224
Cash and cash equivalents as stated in the statement of cash flows	15,588,371	15,509,167

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, as at 30 June 2019, the holding company of the Company is Haier Smart Home Co., Ltd. (formerly known as Qingdao Haier Co., Ltd.), which is established in the People's Republic of China (the "PRC"), and the ultimate holding company of the Company is Haier Group Corporation ("Haier Corp"), which is established in the PRC.

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial information for the six months ended 30 June 2019 has been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* promulgated by the International Accounting Standards Board. This financial information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2018.

Merger accounting for business combinations under common control

As at 17 July 2018, the Group, through its wholly-owned subsidiary namely, Qingdao Goodaymart Chuangzhi Investment Management Co., Ltd. ("Qingdao Chuangzhi"), acquired an additional 25% equity interest in Qingdao Jushanghui Network Technology Co., Ltd. ("Jushanghui") at a cash consideration of RMB50,000,000 (the "Acquisition"), which has been fully paid in 2018, and the Group's equity interest in Jushanghui has increased to 49% after the Acquisition. Jushanghui was an indirect non-wholly-owned subsidiary of Haier Corp and is currently principally engaged in the provision of channel services. Notwithstanding that the Group's equity interest in Jushanghui was no more than 50% immediately after the completion of the Acquisition, it is accounted for as a subsidiary to the Group by virtue of an agreement pursuant to which a shareholder holding 11% equity interest in Jushanghui agreed to follow the Group's actions and votes in the shareholders' meetings of Jushanghui.

Pursuant to the Acquisition, the Company became an indirect holding company of Jushanghui. Since the Company and Jushanghui were ultimately controlled by Haier Corp both before and after the completion of the Acquisition, the Acquisition was accounted for using the principles of merger accounting.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

Merger accounting for business combinations under common control *(continued)*

The consolidated statements of profit or loss, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for the six-month periods ended 30 June 2019 and 2018 include the results, changes in equity and cash flows of all companies then comprising the Group and Jushanghui, as if the corporate structure of the Group immediately after the completion of the Acquisition had been in existence throughout the six-month periods ended 30 June 2019 and 2018, or since their respective dates of acquisition, incorporation or registration, where this is a shorter period.

The operating results previously reported by the Group for the six-month period ended 30 June 2018 have been restated to include the operating results of Jushanghui as set out below:

	The Group (as previously reported)	Jushanghui	Elimination	The Group (combined)
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	42,314,801	7,302	(4,032)	42,318,071
Profit before tax	2,155,609	204	—	2,155,813
Profit for the period	1,758,714	204	—	1,758,918

2.2 Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of the new and revised International Financial Reporting Standard ("IFRS") effective as of 1 January 2019.

Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
IFRS 16	*Leases*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
IFRIC-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015–2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

Other than as explained below regarding the impact of IFRS 16 *Leases*, Amendments to IAS 28 *Long-term Interests in Associates and Joint Ventures* and IFRIC-Int 23 *Uncertainty over Income Tax Treatments*, the new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial information. The nature and impact of the new and revised IFRSs are described below:

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policies and disclosures (continued)

(a) *Adoption of IFRS 16*

IFRS 16 replaces IAS 17 *Leases*, IFRIC-Int 4 *Determining whether an Arrangement contains a Lease*, SIC-Int 15 *Operating Leases — Incentives* and SIC-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under IAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of land use rights, property and plant and machinery. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset).

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. After the commencement date, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method.

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

Upon the adoption of IFRS16, the Group reclassified the prepaid land lease payments to right-of-use assets and elected to present the right-of-use assets separately in the statement of financial position.

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policies and disclosures (continued)

(a) Adoption of IFRS 16 (continued)

As a lessee — Leases previously classified as operating leases (continued)

Impacts on transition (continued)

The right-of-use assets were recognised based on the carrying amount as if the standard had always been applied since the commencement date, except for the incremental borrowing rate where the Group applied the incremental borrowing rate at 1 January 2019.

The Group has used the following elective practical expedients when applying IFRS 16 at 1 January 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease

The impacts arising from the adoption of IFRS 16 as at 1 January 2019 are as follows:

	Increase/ (decrease) RMB'000 (Unaudited)
Assets	
Increase in right-of-use assets	2,156,295
Decrease in prepaid land lease payments	(1,142,478)
Decrease in prepayments, other receivables and other assets	(27,131)
Increase in deferred tax assets	5,843
Increase in total assets	992,529
Liabilities	
Increase in lease liabilities	1,038,011
Decrease in trade and bills payables	(22,126)
Decrease in other payables and accruals	(5,381)
Increase in total liabilities	1,010,504
Decrease in retained earnings	(17,975)

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policies and disclosures (continued)

(a) Adoption of IFRS 16 (continued)

As a lessee — Leases previously classified as operating leases (continued)

Impacts on transition (continued)

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

	RMB'000 (Unaudited)
Operating lease commitments as at 31 December 2018	1,615,368
Weighted average incremental borrowing rate as at 1 January 2019	4.9%
Discounted operating lease commitments as at 1 January 2019	1,475,944
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019	437,933
Lease liabilities as at 1 January 2019	1,038,011

Amounts recognised in the interim condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities, and the movement during the period are as follow:

	Right-of-use assets				
	Building RMB'000	**Plant and machinery** RMB'000	**Prepaid land lease payments** RMB'000	**Total** RMB'000	**Lease liabilities** RMB'000
As at 1 January 2019	987,260	473	1,168,562	2,156,295	1,038,011
Additions	295,095	—	218,369	513,464	295,095
Depreciation charge	(240,775)	(75)	(13,475)	(254,325)	—
Interest expense	—	—	—	—	28,565
Payments	—	—	—	—	(278,982)
As at 30 June 2019	1,041,580	398	1,373,456	2,415,434	1,082,689

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policies and disclosures (continued)

(b) Amendments to IAS 28 clarify that the scope exclusion of IFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies IFRS 9, rather than IAS 28, including the impairment requirements under IFRS 9, in accounting for such long-term interests. IAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

(c) IFRIC-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any significant impact on the Group's interim condensed consolidated financial information.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four reportable 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;

(c) the channel services business segment sells and distributes home appliances and other products as well as provision of after-sale and other value-added consumer services; and

(d) the logistics business segment provides logistics services.

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 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 treasury and investment income, 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 deferred tax assets, wealth management products included in other financial assets, pledged deposits, cash and cash equivalents, equity investments designated at fair value through other comprehensive income, asset and disposal groups held for sale and corporate and other unallocated assets as these assets are managed on a group basis.

Segment liabilities exclude deferred tax liabilities, tax payable, interest-bearing borrowings, liabilities directly associated with the assets classified as held for sale and corporate and other unallocated liabilities as these liabilities are managed on a group basis.

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

3. OPERATING SEGMENT INFORMATION (continued)

For the six months ended	Washing machine business 2019 RMB'000 (Unaudited)	Washing machine business 2018 RMB'000 (Unaudited)	Water heater business 2019 RMB'000 (Unaudited)	Water heater business 2018 RMB'000 (Unaudited)	Channel services business 2019 RMB'000 (Unaudited)	Channel services business 2018 RMB'000 (Unaudited) (Restated)	Logistics business 2019 RMB'000 (Unaudited)	Logistics business 2018 RMB'000 (Unaudited)	Consolidated 2019 RMB'000 (Unaudited)	Consolidated 2018 RMB'000 (Unaudited) (Restated)
Segment revenue:										
Revenue from contracts with customers										
Sales of goods	3,492,558	3,271,706	775,877	730,142	32,506,341	33,953,855	—	—	36,774,776	37,955,703
Rendering of services	—	—	—	—	122,412	173,920	4,285,735	4,188,448	4,408,147	4,362,368
Sales to external customers	3,492,558	3,271,706	775,877	730,142	32,628,753	34,127,775	4,285,735	4,188,448	41,182,923	42,318,071
Intersegment sales	6,353,586	6,037,772	2,672,624	2,552,107	120,994	140,285	622,075	457,180	9,769,279	9,187,344
Total	9,846,144	9,309,478	3,448,501	3,282,249	32,749,747	34,268,060	4,907,810	4,645,628	50,952,202	51,505,415
Reconciliation:										
Elimination of intersegment sales									(9,769,279)	(9,187,344)
Segment revenue									41,182,923	42,318,071
Segment other income and gains	108,934	57,179	46,530	29,357	14,540	19,209	29,616	23,344	199,620	129,089
Total segment revenue and other income and gains									41,382,543	42,447,160
Segment results	887,419	798,463	394,355	374,342	574,961	601,563	180,521	223,027	2,037,256	1,997,395
Reconciliation:										
Elimination of intersegment results									84,451	(35,131)
Treasury and investment income									267,321	268,589
Corporate and other unallocated income and gains									346	116
Corporate and other unallocated expenses and losses									(75,362)	(70,625)
Finance costs									(33,009)	(4,531)
Profit before tax									2,281,003	2,155,813

3. OPERATING SEGMENT INFORMATION (continued)

	Washing machine Business		Water heater business		Channel services business		Logistics business		Consolidated	
	30 June 2019	31 December 2018	**30 June 2019**	31 December 2018	**30 June 2019**	31 December 2018	**30 June 2019**	31 December 2018	**30 June 2019**	31 December 2018
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)
Segment assets	**7,375,755**	7,337,829	**1,890,642**	2,151,191	**8,800,399**	10,808,616	**7,212,234**	5,897,806	**25,279,030**	26,195,442
Reconciliation:										
Elimination of intersegment receivables									**(5,557,237)**	(5,620,600)
Deferred tax assets									**874,149**	879,786
Wealth management products included in other financial assets *(note 10)*									**4,868,533**	4,709,540
Pledged deposits									**66,724**	89,524
Cash and cash equivalents									**15,553,209**	14,660,708
Equity investments designated at fair value through other comprehensive income									**1,237,267**	1,261,664
Asset and disposal groups classified as held for sale									**559,008**	144,091
Corporate and other unallocated assets									**4,443,542**	4,637,238
Total assets									**47,324,225**	46,957,393
Segment liabilities	**3,610,784**	3,410,380	**1,365,454**	1,627,813	**11,393,895**	13,279,290	**4,155,089**	3,550,926	**20,525,222**	21,868,409
Reconciliation:										
Elimination of intersegment payables									**(5,557,237)**	(5,620,600)
Deferred tax liabilities									**96,274**	98,611
Tax payable									**631,727**	780,261
Interest-bearing borrowings									**100,117**	92,374
Liabilities directly associated with the assets classified as held for sale									**103,398**	32,362
Corporate and other unallocated liabilities									**4,917,966**	3,957,692
Total liabilities									**20,817,467**	21,209,109

Geographical information — revenue from external customers

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited) (Restated)
Mainland China	**39,839,158**	40,941,716
Other countries/regions	**1,343,765**	1,376,355
	41,182,923	42,318,071

4. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Treasury and investment income:		
Bank interest income	**164,708**	148,466
Return on investments in other financial assets#	**84,211**	44,669
Dividend income from an equity investment designated at fair value through other comprehensive income	**18,402**	75,454
	267,321	268,589
Government grants*	**96,232**	62,684
Compensation received from suppliers	**97,674**	54,494
Gross rental income	**1,354**	1,523
Gain on disposal of a subsidiary	**—**	242
Others	**3,967**	11,993
	466,548	399,525

* Various government grants have been received for investments in certain regions in Mainland China in which the Company's subsidiaries operate as well as for the Group's technology advancements. There are no unfulfilled conditions or contingencies relating to these grants.

\# The amount represents investment income in other financial assets of RMB72,271,000 during the period (six months ended 30 June 2018: RMB35,552,000) and their fair value changes of RMB11,940,000 (six months ended 30 June 2018: RMB9,117,000).

5. FINANCE COSTS

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on borrowings	**4,444**	4,531
Interest on leases	**28,565**	—
	33,009	4,531

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Depreciation of property, plant and equipment	**166,261**	168,122
Depreciation of investment properties	**1,066**	1,037
Depreciation of right-of-use assets/recognition of prepaid land lease payments	**254,325**	12,365
Amortisation of intangible assets	**7,456**	4,505
Amortisation of long-term prepayments	**3,879**	1,437
Provision for obsolete and slow-moving inventories, net	**189,625**	174,253
Impairment of financial assets, net:		
Impairment of trade receivables, net	**3,642**	4,615
Impairment of prepayments, other receivables and other assets, net	**(300)**	7,645
Loss on disposal of a subsidiary	**3,516**	—
Loss on disposal/write-off of items of property, plant and equipment, net	**3,716**	8,121
Changes in fair value of financial instruments	**598**	—
Share-based payment expense	**3,206**	6,260
Equity-settled Restricted Share Award Scheme expense, net	**60,779**	54,732

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

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	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current		
Charge for the period	**391,263**	351,375
Underprovision in prior years	**150**	7,293
Deferred	**12,470**	38,227
Total tax charge for the period	**403,883**	396,895

8. 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 period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 2,795,823,754 (six months ended 30 June 2018: 2,790,570,407) 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. 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 of all dilutive potential ordinary shares into ordinary shares.

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

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Earnings		
Profit attributable to ordinary equity holders of the Company used in the basic earnings per share calculation	**1,805,539**	1,668,195

	Number of shares for the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**2,795,823,754**	2,790,570,407
Effect of dilution — weighted average number of ordinary shares:		
Share options	**1,033,955**	1,461,503
Awarded shares under the Restricted Share Award Scheme	**16,275,558**	20,609,133
Total	**2,813,133,267**	2,812,641,043

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 RMB1,000,909,000 (six months ended 30 June 2018: RMB729,368,000) and disposed of items of property, plant and equipment with a total net carrying amount of RMB17,974,000 (six months ended 30 June 2018: RMB18,420,000).

10. OTHER FINANCIAL ASSETS

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Derivative financial instruments	**89,250**	95,519
Wealth management products	**4,868,533**	4,709,540
	4,957,783	4,805,059
Portion classified as non-current	**(417,738)**	(422,878)
Current portion	**4,540,045**	4,382,181

As at the end of the reporting period, included in the Group's wealth management products were products with floating returns amounting to RMB1,264,974,000 (31 December 2018: RMB1,895,008,000) which were measured at fair value through profit and loss; and products with fixed returns amounting to RMB3,603,559,000 (31 December 2018: RMB2,814,532,000) which were stated at amortised cost. All wealth management products are principal protected. The expected credit losses for the assets measured at amortised cost are immaterial to the Group.

11. TRADE AND BILLS RECEIVABLES

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Trade receivables	**3,745,201**	3,636,122
Impairment	**(61,911)**	(61,318)
Trade receivables, net	**3,683,290**	3,574,804
Bills receivables	**1,728,562**	1,631,193
	5,411,852	5,205,997

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 ranging from 30 to 90 days.

An ageing analysis of the trade receivables (net of impairment) as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Trade receivables:		
Within 1 month	**2,342,196**	2,878,569
1 to 2 months	**835,417**	477,963
2 to 3 months	**147,954**	69,917
Over 3 months	**357,723**	148,355
	3,683,290	3,574,804
Bills receivable	**1,728,562**	1,631,193
	5,411,852	5,205,997

12. ASSET AND DISPOSAL GROUP HELD FOR SALE AND ASSOCIATED LIABILITIES

	30 June 2019				
	Asset held for sale RMB'000 (note a) (Unaudited)	**Disposal group held for sale and associated liabilities RMB'000 (note b) (Unaudited)**	**Disposal group held for sale and associated liabilities RMB'000 (note c) (Unaudited)**	**Total RMB'000 (Unaudited)**	31 December 2018 RMB'000 (Audited)
Assets	**106,010**	**18,802**	**434,196**	**559,008**	144,091
Liabilities	**—**	**14,097**	**89,301**	**103,398**	32,362

Notes:

(a) In the prior year, the Group agreed to sell its entire 58.08% equity interest in Shengfeng Logistics Co., Ltd., an indirect subsidiary of the Company, to its non-controlling shareholders for RMB798,354,000, of which 50.37% equity interest has been disposed of in 2018, while the remaining 7.71% equity interest is scheduled to be disposed of in the second half of 2019 and is carried at fair value of RMB106,010,000 as at 30 June 2019 and 31 December 2018.

(b) In the prior year, the Group agreed to sell its entire 67.45% equity interest in Shanghai Guangfulai Co., Ltd., an indirect subsidiary of the Company, to its non-controlling shareholders for RMB5,059,000, and the transaction is scheduled to be completed in the second half of 2019.

(c) During the period, the Group agreed to sell its entire 100% equity interest in Foshan Shunde Haier Intelligent Electronics Co., Ltd, an indirect subsidiary of the Company, to Haier Kaaosi IOT Ecosystem Technology Limited, a fellow subsidiary of the Group, for RMB556,000,000 which was determined with reference to the fair value of the equity interest, and the transaction is scheduled to be completed in the second half of 2019.

13. TRADE AND BILLS PAYABLES

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

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Trade payables:		
Within 1 month	**4,934,198**	4,884,971
1 to 2 months	**655,820**	384,171
2 to 3 months	**102,019**	65,848
Over 3 months	**594,559**	360,124
	6,286,596	5,695,114
Bills payable	**42,930**	85,608
	6,329,526	5,780,722

The trade and bills payables are non-interest-bearing and are normally settled on credit terms ranging from 30 to 180 days.

14. PROVISIONS

The Group provides installation services and warranties of three to eight years to its customers on washing machines and water heaters, under which faulty products are repaired or replaced. The amount of the provision is estimated based on sales volume and the expected unit costs for warranties and installation services. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

15. PUT OPTION LIABILITIES

The put option liabilities arose from the put options granted to non-controlling shareholders of the Group's subsidiaries namely, GREENoneTEC Solarindustrie GmbH, Qingdao Gooday Logistics Co., Ltd. ("Gooday Logistics") and Peiji Logistics Group Co., Ltd., to sell their respective interests in those entities to the Group at prices to be determined based on agreed formulas, and they are carried at fair values amounting to RMB55,934,000, RMB1,622,204,000 and RMB148,960,000 (31 December 2018: RMB55,959,000, RMB1,587,403,000 and RMB148,960,000), respectively, as at 30 June 2019. Other than the put option liability attributable to Gooday Logistics which is categorised in Level 2 of the fair value measurement, all the put option liabilities are categorised in Level 3 of the fair value measurement.

16. ISSUED EQUITY

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
At 1 January	**2,922,364**	2,995,491
Exercise of share options *(note i)*	**4,376**	12,580
Shares transferred to participants from the Share Award Scheme Trust *(note ii)*	**(1,103)**	—
At 30 June	**2,925,637**	3,008,071

Notes:

(i) The subscription rights attaching to 312,455 share options were exercised during the period, resulting in the issue of 312,455 shares of HK$0.1 each for a total cash consideration of HK$4,012,000 (equivalent to RMB3,466,000). An amount of RMB910,000 was transferred from the share option reserve to the issued equity upon the exercise of the share options.

(ii) During the period, the Company transferred 210,338 shares which were held by the Share Award Scheme Trust to participants with no cash consideration under the Restricted Share Award Scheme. An amount of RMB2,268,000 was transferred from the awarded share reserve to the share premium account, and an amount of RMB3,371,000 was credited to shares held for the Restricted Share Award Scheme from share premium account.

17. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in this interim condensed consolidated financial information, the Group had the following material transactions with Haier Corp and its subsidiaries and/or associates (collectively referred to as "Haier Affiliates") and non-controlling shareholders (and their affiliates) during the period:

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Haier Affiliates:		
Export sale of products	**1,245,354**	1,005,152
Export sale expenses	**(18,680)**	(15,067)
Export sale of products after sale expenses	**1,226,674**	990,085
Domestic sale of products	**71,749**	57,694
Purchase of finished goods	**18,793,670**	22,058,394
Purchase of raw materials	**7,855,278**	8,961,307
Purchase of equipment	**55,920**	13,462
Mould charges	**44,713**	89,455
Utility service fee expenses	**48,251**	53,352
Research and development service fees	**95,324**	67,063
Other service fee expenses	**236,167**	211,113
Interest income	**5,921**	2,486
Other financial service fees	**19,428**	18,560
Logistics service income	**1,568,889**	1,359,980
After-sale service income	**110,576**	109,426
Non-controlling shareholders:		
Logistics service income	**981,593**	945,807
Logistics service fees	**100,396**	98,228
General service fees	**182,818**	163,470

The above transactions were conducted in accordance with the terms and conditions mutually agreed by the parties involved.

17. RELATED PARTY TRANSACTIONS (continued)

(b) Other transactions with related parties

(i) On 21 December 2018, the Group entered into acquisition agreements to acquire 6.33%, 0.08% and 0.08% (totally 6.49%) of the equity interests in Qingdao Haier Washing Machine Co., Ltd., an indirect non-wholly-owned subsidiary of the Company, from certain subsidiaries of Haier Corp, namely Qingdao Haier New Economics Consulting Limited, Qingdao Haier Components Procurement Limited, and Qingdao Haier International Trading Limited, respectively, for the cash consideration of RMB81,667,000, RMB1,032,000 and RMB1,032,000, respectively, which were determined with reference to the fair value of the equity interest. The acquisition was completed on 30 January 2019.

(ii) The Group leases its investment properties to Haier Affiliates under operating lease arrangements, and the rental income is RMB1,099,000 during the period (six months ended 30 June 2018: RMB1,113,000).

(iii) As a result of the undertakings issued by Haier Corp to the Group in prior years to which Haier Corp agreed to provide other suitable properties to the Group to ensure that the operations of certain subsidiaries of the Company are not disrupted and/or indemnify the Group against the related losses, the Group reached an agreement with a Haier affiliate in 2018 which agreed to compensate the Group for the expenses and/or losses arising from the relocation of two factories in Qingdao, the PRC. The compensation amount is RMB38,640,000 (six months ended 30 June 2018: nil) during the period.

(c) Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Short term employee benefits	**4,627**	4,693
Post-employment benefits	**175**	180
Equity-settled Restricted Share Award Scheme expense	**19,695**	14,054
Total compensations paid to key management personnel	**24,497**	18,927

17. RELATED PARTY TRANSACTIONS (continued)

(d) The Group had the following material outstanding balances with Haier Affiliates and non-controlling shareholders (and their affiliates) at the end of the reporting period:

	Notes	**30 June 2019 RMB'000 (Unaudited)**	31 December 2018 RMB'000 (Audited)
Haier Affiliates:			
Cash and cash equivalents	(i)	**1,551,182**	1,926,881
Trade and bills receivables	(ii)	**2,121,529**	1,823,604
Trade and bills payables	(ii)	**3,690,307**	3,009,446
Prepayments, other receivables and other assets	(iii)	**370,486**	1,428,178
Long-term prepayments	(iii)	**176,156**	218,215
Other payables and accruals	(iii)	**474,516**	566,525
Non-controlling shareholders:			
Trade and bills receivables	(ii)	**445,264**	456,107
Prepayments, deposits and other receivables	(iii)	**1,245**	46,097
Other payables and accruals	(iii)	**1,492**	1,811

Notes:

(i) The balances represent deposits placed with Haier Group Finance Co., Ltd., a subsidiary of Haier Corp and a financial institution approved by the People's Bank of China.

(ii) The Group's trade balances with related parties are on similar credit terms to those offered to/by the similar unrelated customers/suppliers of the Group.

(iii) The balances are unsecured, interest free and repayable on demand.

18. CONTINGENT LIABILITIES

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

19. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Contracted, but not provided for:		
Property, plant and equipment	**1,249,809**	1,306,208

20. 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	
	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000	**30 June 2019 (Unaudited) RMB'000**	31 December 2018 (Audited) RMB'000
Financial assets				
Equity investments designated at fair value through other comprehensive income	**1,237,267**	1,261,664	**1,237,267**	1,261,664
Other non-current financial assets	**417,738**	422,878	**417,738**	422,878
Bills receivable	**1,728,562**	1,631,193	**1,728,562**	1,631,193
Other financial assets (note 10)	**936,486**	1,567,649	**936,486**	1,567,649
	4,320,053	4,883,384	**4,320,053**	4,883,384

	Carrying amounts		Fair values	
	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000	**30 June 2019 (Unaudited) RMB'000**	31 December 2018 (Audited) RMB'000
Financial liabilities				
Interest-bearing borrowings	**100,117**	92,374	**100,002**	92,247
Lease liabilities	**1,082,689**	—	**1,082,689**	—
Put option liabilities	**1,827,098**	1,792,322	**1,827,098**	1,792,322
Other non-current liabilities	**—**	5,705	**—**	5,705
	3,009,904	1,890,401	**3,009,789**	1,890,274

Note: As at the end of the reporting period, the Group's other financial assets comprised financial instruments carried at fair value amounting to RMB936,486,000 (31 December 2018: RMB1,567,649,000) and financial instruments carried at cost amounting to RMB3,603,559,000 (31 December 2018: RMB2,814,532,000).

20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair values:

As at 30 June 2019
(Unaudited)

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Equity investments designated at fair value through other comprehensive income	—	—	1,237,267	1,237,267
Other non-current financial assets	—	328,488	89,250	417,738
Bills receivable	—	1,728,562	—	1,728,562
Other financial assets	—	936,486	—	936,486
	—	2,993,536	1,326,517	4,320,053

As at 31 December 2018
(Audited)

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Equity investments designated at fair value through other comprehensive income	—	—	1,261,664	1,261,664
Other non-current financial assets	—	376,859	46,019	422,878
Bills receivable	—	1,631,193	—	1,631,193
Other financial assets	—	1,567,649	—	1,567,649
	—	3,575,701	1,307,683	4,883,384

20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Liabilities measured at fair values:

As at 30 June 2019
(Unaudited)

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Put option liabilities	**—**	**1,622,204**	**204,894**	**1,827,098**

As at 31 December 2018
(Audited)

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Put option liabilities	—	1,587,403	204,919	1,792,322
Other non-current liabilities	—	—	5,705	5,705
	—	1,587,403	210,624	1,798,027

Interest-bearing borrowings and lease liabilities are measured at amortised cost at the end of the reporting period and their disclosed fair values are categorised within Level 2.

21. EVENTS AFTER THE REPORTING PERIOD

(a) On 30 August 2018, the Group and Haier Electric International Co., Ltd. ("Haier International"), a subsidiary of Haier Corp, entered into an asset swap agreement, pursuant to which Guanmei (Shanghai) Enterprise Management Co., Ltd. ("Guanmei"), an indirect wholly-owned subsidiary of the Company, agreed to acquire and Haier International agreed to sell 51% of the equity interest in Qingdao Haishi Water Equipment Co., Ltd. ("Qingdao Haishi") at a consideration of RMB1,074,000,000 to be satisfied by Guanmei by way of transfer of 55% of the equity interest in Bingji (Shanghai) Enterprise Management Co., Ltd. ("Bingji"), a wholly-owned subsidiary of Guanmei, from Guanmei to Haier International at the same consideration. Qingdao Haishi is principally engaged in the research and development and sale of household water purifying solutions, and Bingji is an investment holding company that indirectly controls Gooday Logistics, which is principally engaged in the business of providing logistics services in the PRC and primarily represents the logistics segment of the Group.

The above transaction has been approved by shareholders in a special general meeting of the Company held in November 2018. It has been further approved by the relevant authorities and completed in July 2019, resulting in a net disposal gain of approximately RMB3.16 billion.

(b) Subsequent to the end of the reporting period, a total of 34,000 share options with the exercise price of HK$12.84 per share were exercised.

In addition, the Company transferred 8,748,646 shares which were held by the Share Award Scheme Trust to participants for nil consideration under the Restricted Share Award Scheme, and issued 3,570,500 new shares to the Share Award Scheme Trust for nil consideration.

22. APPROVAL OF THE INTERIM FINANCIAL INFORMATION

The interim financial information was approved and authorised for issue by the board of directors on 29 August 2019.

INDUSTRY ANALYSIS

Household appliance business

Beginning from the second half of 2018, the global economy has been facing a new round of downward pressures and China's growth has been gradually slowing down. Influenced by the uncertainties of the US-China trade war and real estate regulatory policies, the overall scale of the household appliance industry has shrunk in the first half of 2019. During the period, retail sales in China's household appliance market (excluding 3C, mobile phones and computer products) recorded a year-on-year decrease of 4.9% according to CMM's semi-annual statistics.

In terms of business segments, household appliance products that were highly dependent on the real estate market have witnessed a dip in sales revenue. According to statistics from CMM, retail revenue of air-conditioner, washing machine, and color TV products recorded year-on-year decline of 8.2%, 3.9% and 13.2% respectively. However, benefited from the diversified trend of consumer demand, new household appliances and small lifestyle home appliances[1] maintained high growth rates. In particular, vacuum cleaner, dishwasher and cooking machine products have achieved spectacular performances and become the driving force for the household appliances market. In terms of brands, market shares have further concentrated towards leading brands. According to CMM's offline statistics, the total share of the top 3 brands of refrigerators, washing machines and air conditioners were 58.57%, 72.07% and 74.61% respectively. Brand awareness among consumers were ever-increasing.

In the first half of 2019, sales revenue of the overall household appliance market still experienced a slide, but factors including the potential support from national policies, the further penetration to low-tier cities, the upgrading of consumption and the variety of consumption scenarios have brought new opportunities and growth points for household appliance enterprises.

To boost the consumption of household appliances, the National Development and Reform Commission, the Ministry of Industry and Information Technology and other ministries issued the "Implementation Plan for Further Optimizing Supply to Promote the Stable Consumption Growth and Facilitating the Formation of a Strong Domestic Market (2019)" in early 2019. The Plan proposed to promote the trade-in of home appliances, and to subsidize consumers who purchase new, green and smart home appliance products. In June, the National Development and Reform Commission, the Ministry of Commerce and the Ministry of Ecology and Environment issued the "Implementation Plan for Promoting the Upgrading of Key Consumer Goods and Smooth Resources Recycling (2019–2020)". The Plan encouraged consumers to replace their refrigerators, washing machines, air conditioners, televisions and other household appliances with energy-efficient models. At present, Beijing and Guangxi have begun to implement relevant home appliance subsidy policies, which may be extended in future to other provinces including Shanghai, Guangdong, Shandong and Jiangsu. These various supporting policies were expected to increase the sales of high-efficiency and energy-saving smart household appliances by a volume of 150 million units between 2019 and 2021, stimulating consumption of about RMB700 billion, and injecting new vitality into the household appliance market.

1 Small home appliances include: induction cookers, rice cookers, electric kettles, electric pressure cookers, soy milk makers, cooking machines, juicers, health pots, and frying machines

Markets in the first- and second-tier cities were gradually reaching saturation, cities below the third-tier and villages, also known as "sinking markets", have become the new growth points. On one hand, we were witnessing the rise of "small-town youths" and the generation born after 1985. Compared to consumer groups living and working in fast-paced first and second-tier cities with huge pressure on mortgage and car loans, they had more time and energy, as well as more disposable income, their shopping desire especially for advanced consumption were much stronger. On the other hand, prevalence of the 4G network has reshaped the sense of consumption. The intentions of consumers' product purchase have gradually shifted from meeting basic needs of living to the pursuit of healthy, comfortable and quality lifestyle. The unleashing of consumption power in third- and fourth-tier markets propelled the sinking of household appliance channels. This introduced plentiful home appliance products with transparent prices to lower-tier markets, opening up new battlefields for household appliance brands.

Consumption upgrades and the rise in per capita disposable income have strengthened consumers' emphasis on quality goods. The proportion of high-end and smart products in the household appliance market were gradually increasing. According to AVC offline statistics, sales of high-end[2] products accounted for 36.1%, 41.5% and 38.9% of revenue in the electric water heater, gas water heater and washing machine categories respectively. At the same time, the application of key technologies in various types of household appliances also grew significantly. For instance, penetration rate of washing machine's two-in-one washer dryer combo technology has reached 37.8%, with a year-on-year increase of 6.8 percentage points, whereas the penetration rate of electric water heater's instantaneous heat technology and gas water heater's zero-cold-water technology have amounted to 81.9% and 19.6%, with year-on-year increase of 3.5 and 11.5 percentage points respectively.

In addition, the variety in home appliance consumption scenarios also drove the growth of household appliance products. The rise of lazy economy and the increasing proportion of well-furnished apartments by developers have transformed the home decor market, turning single-item purchases into all-inclusive packages offered by home decor companies. This model provided new consumption scenarios for pre-installed home appliances such as air conditioners, water heaters, whole-house water purification, and kitchen appliances. Through collaborating with home decor and real estate developers, household appliance enterprises could obtain a large number of stable orders and build new growth momentum.

Logistics business

With the rapid development of e-commerce platforms, the proportion of online shopping for home appliances and household products continued to rise. Competitions in the large-format logistics market was becoming increasingly intense. In addition to Gooday Logistics, Suning Logistics and JD Logistics, express delivery companies such as Deppon Express, SF Express and UC Express also joined the competition. With low standardization, large-format household products suffered from high levels of product damage during transportation and difficulties in door-to-door delivery. This compelled logistics companies to urgently improve their logistics quality. Furthermore, users were demanding more refined logistics services. Compared to purchasing mere logistics service, they preferred one-stop experience that covered order placement, shipping, warehousing and distribution. Besides, consumers had increasing expectations on delivery timeliness and goods intactness. Therefore, major logistics service providers were progressively transforming to become integrated end-to-end solution providers. During such process, costs would ramp up due to the planning of warehousing, optimization of routings and upgrading of management systems, but this could also drive profit growths as distribution processes were optimized and service efficiency was enhanced.

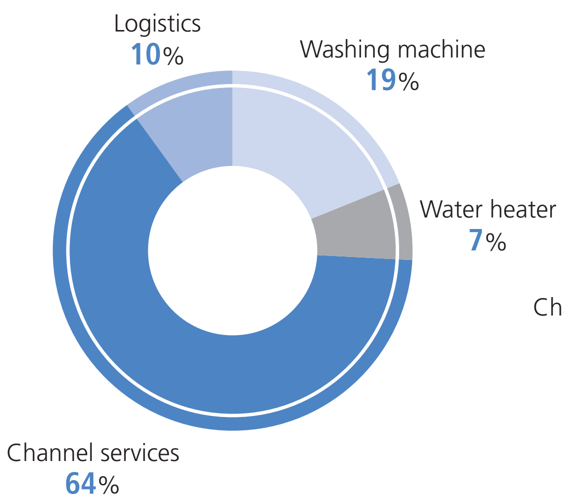
2 Definitions of High-end products: washing machines (top-load RMB3,000+ & front-load RMB5,000+); water heater (electric heater RMB3,000+ & gas heater RMB4,000+)

The Performance of the Group

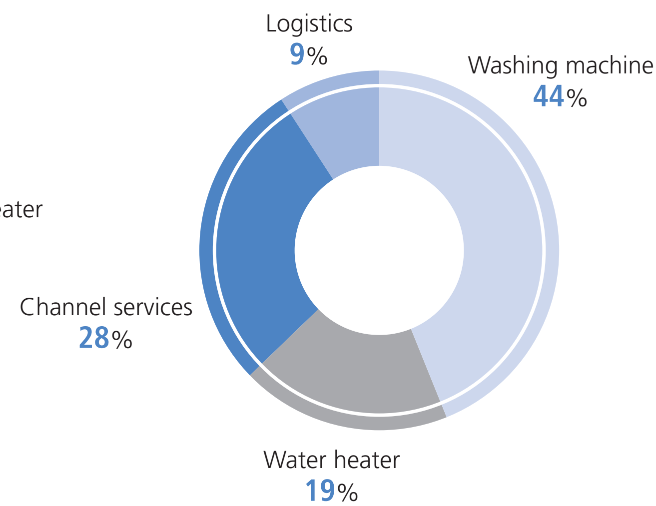
In the first half of 2019, our Group recorded a revenue of RMB41,182,923,000. Net profit attributable to shareholders was RMB1,805,539,000, representing a year-on-year increase of 8.2%. Riding on the overall trend of consumption upgrade, our white goods business continued to provide quality products while optimizing operational efficiency. This resulted in a growth in business performance despite a downward economic trend. In terms of our channel services business, we continued to intensify integration of the four networks[3] while increasing the proportion of sales of smart products and product sets. Although the business showed a decline as being dragged down by the sluggish retail sales and a few weak product categories, we outperformed the overall industry with increased shares in all major product categories.

The breakdown of segment revenue and business performance for the first half of 2019 is set out below:

Proportion of segment revenue to revenue before consolidated eliminations



Proportion of segment profit to profit before consolidated eliminations



[3] the integration of the four networks: refers to the integration of marketing, services, information and logistics networks

The above pie charts are prepared based on the amounts of segment revenue and the entire business performance, without taking into account any inter-segment eliminations of revenue and business performance. Inter-segment eliminations refer to the revenue generated from sales of washing machines and water heaters to the Group's internal distribution channels, service fee revenue generated from after-sales installation and repair services for washing machines and water heaters of the channel services segment, and revenue under logistics segment generated from warehousing and transportation services for washing machine, water heater and distribution businesses. In the first half of 2019, the inter-segment eliminations of washing machine, water heater, channel services and logistics businesses are as follows:

		Product or service receiver			
	Business segments	Washing machine	Water heater	Channel services	Logistics
Product or service provider	Washing machine	Nil		RMB6,354 million	Nil
	Water heater	Nil		RMB2,673 million	Nil
	Channel services	RMB117 million		Nil	RMB4 million
	Logistics	RMB612 million		RMB10 million	Nil

Washing Machine Business

According to CMM's statistics for the first half of 2019, retail sales of the washing machine industry in the Chinese market dropped 3.9%. Facing the sluggish performance in the overall industry, Haier's washing machine business rose against the downward trend, recording a revenue of RMB9.85 billion, representing an increase of 5.8% year-on-year. At the same time, the Group's washing machine business has further reinforced its leading position in the market. Our market shares in terms of sales revenue and sales volume continued to soar, reaching 35.61% and 32.26% which represent year-on-year increases of 2.67 and 1.86 percentage points respectively.

In 2019, consumer demand in the washing machine market displayed polarized features. On one hand, consumers continued to upgrade to washer-dryer combo, large-capacity washers as well as products that are smarter and of higher quality. On the other hand, the rise of young consumer groups and the diversification of demands have brought consumers on the pursuit of fashionable, personalized, good-looking, and economical products.

As the leader of China's laundry industry, Haier's washing machine is committed to solving users' pain points. We relentlessly strive for product innovation and technological advancement, so as to provide superior wash and care experience to our users. Our high-end brand "Casarte" focuses on meeting complex user needs. Since the launch of Air Wash in 2017, the product has undergone four iterations, upgrading from an initial variable-temperature steam Air Wash, to an ultrasonic atomized Air Wash with adjustable washing time and fabric options. It offers superior laundry services that integrate washing, caring and drying for high-end fabrics such as silk, wool, down jacket and mink.

In order to achieve enhanced laundry effects and enable smarter laundry operations, our washing machine business introduced IoT and AI image recognition technologies. Through smart identification of the garment, detergent, location and water quality, such technologies enable automatic calculations and recommendations of the best laundry procedures, hence achieving smart washing and customized washing programs for different fabrics. In the first half of 2019, the market share of Haier's front-load models priced over RMB10,000 among the entire industry continued to grow to 75%, representing a year-on-year increase of 6 percentage points. At the same time, we created the industry's first "outer-drum-free" zero-cleaning top-load product which eliminated dirt accumulation in top-load washing machines. It accounted for 65% of the top-load product market priced over RMB5,000, an increase of 5 percentage points year-on-year.

As consumer groups were getting younger, washer products that were fashionable, simple and smart were widely praised. Positioned as the young and fashionable household appliances brand of Haier, Leader has actively polished its products and deployed marketing strategies that focused on the sales of product sets. Its revenue growth reached more than 20% which surpassed the industry and its rivals, making a leap to rank among the top ten washing machine brands online. Leader pioneered the sales of young, fashionable and smart product sets. It realized the interconnecting experience of 20 intelligent scenarios in smart homes, effectively increased bundled sales. Leader also created a proprietary IP "Happy Chickens" series, which significantly enhanced brand awareness and users' loyalty.

The Group's washing machine industry has been actively establishing an Internet of Clothing ecosystem, exploring cross-sector alliance, and expanding product awareness. As the world's first life-cycle management platform for clothing based on IoT, the clothing ecosystem has attracted over 4,000 resource partners from about 13 related industries, such as the apparel industry, home appliance industry, Internet of Things, etc. It aggregated 65 million users, and was awarded the title of "China's most influential IoT Ecosystem in 2018" by the China IoT Industry Application Alliance. From production, sales, delivery and after sales, the platform formed a whole-process digital management which empowered resource partners such as apparel manufacturers and retailers.

The Group continued to promote social networks and community-based marketing, enhancing brand awareness and user conversions. During this period, the washing machine business has successfully launched campaigns such as "Haier Washing Machine Mission Impossible (海爾洗衣機挑戰不可能)" and "Marriage at the Centre Position with Casarte (卡薩帝C位出嫁)", which have reached millions of users and triggered tens of thousands of hot topics. Meanwhile, the Group continued to organize Air Wash activities in communities and stores. Through onsite comparison of the washing effects for dedicated fabrics such as silk, the activities have greatly aroused enthusiasm among consumers, and achieved promotional effects across user communities. Trade-in programs were launched in township and village markets, which effectively unleashed the needs of product upgrades in township areas.

In terms of overseas exports, our washing machine business was committed to promoting Haier's brands while driving brand awareness. In the first half of 2019, our overseas export recorded a revenue increase of more than 20% year-on-year. The export business accounted for 12% of our overall washing machine business sales value. Among global export markets, growths in the Asia Pacific and American markets were substantial. Through continuous product upgrades and channel expansions, sales in the Asia Pacific market achieved a growth of over 30%, representing an increase of 2 percentage points year-on-year. In the American market, as the GEA collaborative project entered the mass production phase, market sales grew significantly.

The Group completed the construction of Haier's front-load washing machine interconnected factory in Huangdao, Qingdao in late 2018. The factory's production capacity was being further unleashed during this period. As the world's leading mass customization factory of IoT ecosystem brands, 51% of products manufactured on the production lines of our interconnected factories were customized for franchise stores, 20% were customized directly for end consumers, resulting in an overall build-to-order rate of 71%. Besides, order delivery cycles were greatly shortened, production efficiency also significantly improved compared to that in conventional factories. With the increase in production capacity from the front-load washing machine factory in Huangdao, we will gradually fulfill the market demand for high-end front-load products. Being the Group's largest interconnected factory, it also served as a benchmark for mass customization manufacturing in the washing machine industry.

Water heater business

Through developing a broad range of products including electric heating, gas heating, solar energy and heat pumps, the Group's water heater business is committed to providing safe, comfortable and energy-efficient whole-house hot water and heating solutions to consumers. In the first half of 2019, the water heater business maintained steady growth in spite of a sluggish real estate market and an overall industry slump, recording a revenue of RMB3.45 billion, representing a year-on-year increase of 5.1%. At the same time, our market share has further expanded. According to CMM's retail monitoring statistics, the share of our water heater business reached 20.24% in terms of sales volume and 19.19% in terms of sales revenue, this represented year-on-year increases of 1.01 and 1.35 percentage points, respectively.

The growth of the water heater business mainly stemmed from product innovations and the diversification of our brand matrix, as well as an increase in sales volume of pre-installed products and the launch of top-selling products. Electric heating products, which contributed the highest proportion of revenue amongst all heating products, maintained steady development. Meanwhile, gas heaters and air energy heat pumps categories also witnessed rapid growths. Leveraging our Group's diversified brand matrix, we established specialty stores for Haier Casarte and Leader, targeting sub-markets of different consumer groups. In the first half of the year, Casarte's water heater business achieved double-digit growth whereas the Leader brand went up by 20%.

According to CMM's retail monitoring data, during the period, the market share of Haier's electric heating products in terms of sales volume was 27.44% with a year-on-year increase of 0.43 percentage points, surpassing the market share of the second place by 6 percentage points. Meanwhile, during the 618 Shopping Festival, our electric heating products came first in terms of shares across all sales channels of JD, Tmall, Suning.com and Gome. According to statistics from Euromonitor International, Haier continued to lead the market as the world's top electric heater brand in terms of sales volume.

Traditional electric water heater requires lengthy heat up time, occupies large space, and is susceptible to bacteria and water scale. In response to these problems, the Group worked relentlessly to launch innovative features that optimize user experience. In particular, Casarte's Tianmu series offered a twelve-time massive water capacity, while staying as the thinnest heater among the industry, equipped with a speedy heat up feature. Besides, in order to protect the health of our users during bathing, Haier's water purification technology effectively removed scale, residual chlorine, impurities and bacteria from water, providing users with a thoroughly clean bathing and water using experience. In addition, through the use of U+ big data calculation and artificial intelligence technologies, our water heaters would automatically record and analyze users' water using habits, combining with information such as water temperature, weather, the city's electricity price, etc., proactively heat up water for users in advance, hence bringing forth a smart, energy-efficient and comfortable bathing experience for consumers. Haier's outstanding capability in product innovation has received international recognition. Our electric heater Tianmu MAX series in particular has won the AWE Innovative Product Award.

During the period, the sales value of gas water heaters has grown by over 8%. At the same time, according to CMM's offline statistics, our market share of gas water heaters in terms of sales volume reached 10.34%, with a year-on-year increase of 1 percentage point. Compared to electric water heater, gas water heater has lower cost of usage and higher thermal efficiency, but it has stringent technical barriers and requires high standards of safety, stability and comfort. Haier's gas heater products successfully developed the world's first patented technology on the active elimination of carbon monoxide, effectively reducing the level of carbon monoxide emissions to 60 times lower than the national minimum standard. Haier also developed a groundbreaking zero-cold-water waterfall washing product, which significantly improved the comfort in using gas water heaters and successfully created a series of top sellers. The waterfall washing zero-cold-water technology has won the annual Innovation Award from the China Household Electrical Appliances Research Institute (CHEARI). The associated zero-cold-water product also received the German iF Design Award.

For alternative energy products, building on our solar energy and heat pump technologies, our water heater industry launched a pioneering solar- and air-powered heat pump. The product could provide all-day effective and energy-efficient heating solutions through segmented heating and dynamic adjustment of heating strategies according to the changes in solar radiation and ambient temperature. Moreover, existing solar collectors must be installed at a certain angle from the wall surface, which could easily block the sunlight for households living in lower floors. Haier pioneered the installation of collectors parallel to the external wall which was unprecedented in the water heater industry. Not only did this solve the technical problem, it also increased the business opportunities for installations of solar water heaters.

Haier water heater is upgrading its production end for smart manufacturing at interconnected factories. In 2019, it will complete its production lines upgrade for all categories including electric heater, gas heater, heat pump and solar energy products. Its three production bases will achieve a timely delivery of orders of 13 million units. At the same time, the construction of the new Qingdao Sino-German interconnected factory and the new Zhengzhou interconnected factory are progressing on schedule. Upon operation, they will further enhance the manufacturing strategies and improve production efficiency, enabling mass customization production to satisfy users' demand for personalized experience.

During the period, our water heater industry was actively constructing a water ecosystem, joining hands with the water purification industry to develop system solutions for smart whole-house water usage. Besides the provision of services such as whole-house heating, water purification, water softening and water heating, it also mobilized the hardware industry on smart bathrooms and showering to create a smart bathroom ecosystem. In addition, in order to promote synergies between the water heater and water purification channels, and to retain users at the point of home decorations and renovations, the water heater industry has vigorously expanded to 1,751 stores in household building material and home décor markets in the first half of the year, among which 1,000 stores were offering whole-house water usage and whole-house heating product set solutions, leading to a related sales growth of 27%.

The Group issued an announcement in 2018 to acquire 51% equity interest in Qingdao Haishi Water Equipment Co., Ltd. through an asset swap agreement with the Haier Group. As of the date of this announcement, the Group has already completed the industrial and commercial registration of this "asset swap" project announced in 2018. From the date of completion of transaction, Haier Group's water purification business would be merged into our Group, and would be handled using merger accounting rules.

Haier's water purification currently offered solutions including household point-of-use water purification, whole-house point-of-entry water purification and commercial use water purification. The merger of the water purification and the water heater businesses will generate synergies in various dimensions such as shared supplier resources and joint procurement, R&D collaborations, shared network in sales, product installation and after-sales services. At the same time, the integrated water purification business will facilitate the Group in developing comprehensive water usage solutions for smart households, which include whole-house water purifying, softening, hot water, heating, as well as energy-efficient water using solutions.

According to CMM's monitoring data, Haier's water purification business recorded online and offline market shares of 12.6% and 6.0% respectively in the first half of 2019, representing year-on-year increases of 0.4 and 1.6 percentage points.

Looking into the future, whole-house and commercial water purification are important development directions for Haier. Within the period our Group has already entered into an agreement with BWT AG, a reputable leading European water treatment corporation, to establish a joint venture manufacturing company and a joint venture sales company in China. The joint venture manufacturing company will set up a production factory and R&D center in Qingdao. Through importing BWT's production lines for high-end whole-house products (which include central water purifiers, water softeners and filters, etc.), and adopting BWT's superior patented technologies, the joint venture company will build on our Group's excellent production management experience to design localized products that are suitable for the Chinese market, offering high-quality whole-house point-of-entry water purification products to consumers. Investment for the construction of the manufacturing factory will take place in the second half of 2019, and the factory is scheduled to be put into operation in 2020. Through exclusive sales arrangement with the joint venture manufacturing company, the joint venture sales company will leverage our Group's strong sales network and robust capabilities in installation and after-sales services, providing consumers with convenient product purchasing and usage experience. The first batch of products is expected to be ready for sales in early 2020.

Channel Business

In the first half of 2019, the channel business achieved sales revenue of RMB32.75 billion. Among which, all major product categories witnessed continuous growths in market shares by sales revenue. According to the offline statistics from CMM, our market shares of refrigerators, washing machines, air conditioners and water heaters have increased by 1.28, 2.67, 0.86 and 1.35 percentage points respectively.

During the 618 Festival in 2019, according to the monitoring data of CMM, Haier reaped an online growth rate of 19.4% which exceeded the industry; the Company's refrigerator, freezer, washing machine, air conditioner, water heater and kitchen appliance categories also recorded online growths that surpassed the industry levels, continuously expanding our market shares. The proportion of high-end products in the online market also continued to rise, with users' satisfaction improving year-on-year and surpassing the industry average.

In terms of our franchise store channels, impacted by the overall sluggish consumer demand and the sinking of e-commerce in the first half of the year, our sales revenue showed a decline, mainly due to the underperformance in the air conditioner and color TV product categories. Nevertheless, with the exception of air conditioners and color TVs, our major product categories including refrigeration appliances, washing machines and water heaters have all recorded growth rates that exceeded industry levels.

Since the transformation of our retail-end management in late 2015, the Group has continued to intensify its reforms, diligently cultivating for the continuous expansion of market share and improvement in channels efficiency, enabling us to stay on top of the ever-changing market landscape.

First of all, we continued to promote the integration of the four networks, unifying our warehousing and distribution systems, and developing a business model that centered on retail sales.

To strengthen our service capabilities for customers and users, the Group continued to drive the construction of a service system that integrated our four networks of marketing, logistics, services and information. During the period, our channel business successfully developed a pilot for the unified warehousing and distribution model. Through the provision of warehousing services and digitized management for distributors' inventories, we enabled the whole process visualization and queries of orders, integrating terminal sales with delivery and installation services. This greatly enhanced our township markets with refined standards of operation, and strengthened the service efficiency and control of defective products at our franchise stores, resulting in a boost of users' satisfaction.

In terms of the construction of the whole process information system, currently the Jushanghui platform already covered all distributors', whereas the Yilihuo platform had a coverage of 33,000 customers at township levels, and has established a system for services, products, incentives and trainings in town. In addition, development of the cloud warehouse model could help equip our logistics and distribution services with the capabilities of delivering in township markets directly.

Secondly, we were committed to the development of smart household experience, consolidating our design capabilities on set products and improving per square meter sales.

The Group was actively strengthening our design, sales and service capabilities for set products, so as to develop "one-stop, complete-scenario, and customized" set product solutions for smart households. During the period, the Group continued to reform stores within our channels, while setting up new smart household stores. Combining our strengths of diverse brand composition and comprehensive range of products, we diverted from the traditional spatial arrangements based on product categories, and turned our stores into real-life scenarios that featured set product solutions. Scenarios were interconnected using voice control, which greatly improved users' experience and satisfaction. The Group has gradually formulated the foundation of product sets development to cater for various needs in users' everyday lives. Currently this comprised 5 room scenarios such as smart kitchen and smart living room, and 7 whole-house solutions such as whole-house air and whole-house water purification. Our smart household channels achieved retail growth of 9% year on year, with an average order price per customer of RMB10,271. The retail sales value of product sets[4] accounted for 28.29% of total revenue in the channel segment, representing a year-on-year increase of 2.71 percentage points.

Thirdly, we focused on weak product categories, synergizing developments across all product lines.

The underperformance of air-conditioner and color TV categories were mainly influenced by the industry downturn and price competitions. The channel business has launched a series of measures to reverse the declining trend of air conditioners and color TVs, which included leveraging smart home strategies for product set sales, broadening product portfolio to cover different price ranges, implementation of household appliance trade-in policy, marketing support and a focus on development of hot-selling products.

In addition, we strived to refine our network constructions, proactively acquiring customers to stimulate consumption demand.

We drove the refinement of our stores' operations. By upgrading display booths, samples and trainings, we strengthened the construction of our market terminal and enhanced user experience. Besides, the Group intensified our Love To Home and One-Stop Home-based services. Our Love To Home salespersons would visit well developed communities, offering home appliances cleaning and free laundry services to gain users' trust, thus incentivizing their intention to trade their old appliances in for new products. In the One-Stop Home-based service, salespersons would proactively reach out to customers by visiting undecorated new communities, so as to provide users with bundled solutions on furnishing. Both services enhanced the interactions between users and our salespersons, impressing customers with proactive and heartfelt services, which developed their trust in Haier's products. In addition, the trade-in activities in township markets were effective in unleashing local consumer demand for product replacements and upgrades.

[4] Retail sales value of product sets: refer to retail sales value for orders of more than one product each

Finally, we expanded our coverage to a diversity of market segments through enriching our brand matrix.

In view of the polarized consumption trend, we leveraged our multi-brand matrix of Haier, Casarte and Leader to achieve coverage of all market segments. With a focus on high-end communities, Casarte aimed to attract life-long users who had a sense of identity with the brand, offering products that were superior in the multiple dimensions of intelligence, comfort and quality. Casarte currently had a total of over 8,000 stores across the country with sales growth rate reaching 15%. On the other hand, Leader was positioned for the urban, young and fashionable communities, and targeting users who placed high importance on economical products. Through adopting proactive product and marketing strategies, promoting sales of product sets and the building of hot-selling products, we achieved stable performance amid the declining trend in the industry.

Logistics Services Business

As of the date of this announcement, our Group has already completed the industrial and commercial registration of the "asset swap" project announced in 2018. Gooday Logistics is no longer a holding subsidiary of the Group, but the Group retains 47% of equity interest in Gooday Logistics. From the date of the transaction completion, the Group will adopt equity method to book our share of Gooday Logistics' profits and losses.

In the first half of 2019, the revenue of Gooday Logistics increased 5.6% year-on-year, amounting to RMB4.91 billion. Among which, the online household appliance logistics business grew 11%; offline household appliance logistics business grew 4%; and the offline household furniture logistics business grew 10%.

During the reporting period, the Group continued to strengthen its collaborations with e-commerce platforms, providing regional distribution and last-mile delivery services of large-format home appliances for online platforms. Orders placed via Tmall achieved a growth of 10% year on year, with our user reputation (DSR) reaching 4.921, surpassing the industry average of 4.89 and that of our rivals. During the 618 Festival period, the on-time delivery rate of Gooday Logistics was 97.4%, which was higher than the industry level of 96%.

As of June 30, Gooday Logistics managed a total warehouse area of 5 million square meters, of which 24% were self-built warehouses. It had 150,000 vehicles in operation, and has established 96 city transit centers, covering all provincial capitals and major prefecture-level cities. In the future, Gooday Logistics will further optimize routings to improve distribution efficiency.

In the first half of this year, Gooday Logistics focused primarily on capacity building for unified warehousing and distribution services, collaborating with various industries within the Group to intensify the "integration of the four networks". Unified warehousing and distribution services means that Gooday Logistics would unify the warehouse management of inventories from distributors, conduct systematic planning of warehouse storage, delivery timeline and transportation routes according to orders from township level stores, and subsequently carry out unified distribution. This approach increased the warehousing capacities of distributors in the third- and fourth-tier markets, and optimized the inventory turnover of distributors. Goods damage during transport and warehousing were reduced, and delivery timeliness was improved. At the same time, it also realized the sinking of the logistics network and the building of service capacities at township levels, driving Gooday Logistics to continue to enhance its route planning capability and warehouse management standard, so as to provide better service to customers of all kinds, laying a solid foundation to further improve its last-mile delivery as well as simultaneous delivery and installation services.

In the household appliance sector, Gooday Logistics strengthened its collaboration with Alibaba, ensuring synchronized delivery and installation services for Haier products, while developing value-added services for socialized household appliances, gradually transforming the original mere distribution service into an integrated service of delivery and installation, extending the industrial value chain. In the household furniture sector, in addition to collaborations with major household furniture enterprises such as Easyhome and Red Star Macalline, Gooday Logistics expanded its services to the distribution of pan-large-format products, such as health equipment and massive office screens.

While expanding its domestic warehousing and distribution network, Gooday Logistics also planned for its cross-border business and enhanced its capabilities on sea freight, air freight and customs clearance. Taking India micro-enterprise as a pilot and backed by local Haier's factories, Gooday Logistics has established overseas shipment centers, gradually building its localized delivery capacity which laid a solid foundation for expansion of the localized business into other international regions.

In this period, Gooday Logistics has strengthened its warehouse establishment and network arrangements, leading to a rise in costs for warehouse construction and management, which impacted its profits to a certain extent. In the long run, however, this would be conducive to the optimization and upgrading of its logistics structure, enabling Gooday Logistics to closely integrate with the Group's various business segments, and gaining a dominant position among intense industry competition.

At present, the large-format logistics market had promising prospects, competitors were scattered and services were homogeneous. In order to attract customer flow and dominate market share, Gooday Logistics relied on the Group's four-network integration strategies to enhance its operation and dispatching abilities, while strengthening the establishment of endpoint support networks, and providing users with integrated whole-process solutions. By opening up the whole value chain of "order-taking, transportation, warehousing, distribution, delivery, installation and value-adding", we could gain a foothold in the market through differentiation.

FUTURE OUTLOOK

Facing the pressure of economic downturn and uncertainties from trade frictions, our Group needs to keep forging ahead, stays committed to serving our users, and embraces innovative development as driving forces, so we can turn challenges into opportunities, and open up new chapters for our businesses.

Continuously improving smart household solutions to create superior one-stop shopping experience. We always believe that the Artificial Intelligence and Internet of Things technology will revolutionize people's lives in the next decade. With the advent of 5G technology which is a catalyst for the AIoT, we can expect the popularization and application of smart households in the near future. At present, Haier smart household solutions have more than 1,000 living scenarios, spreading across first- and second-tier cities in China, providing users with a wealth of personalized and customizable options. The Group will continue to collect feedback on user demands, upgrade product designs, optimize solutions for smart household scenarios and establish industry benchmarks.

Grasping the massive consumption potential in township markets. The Group will continue to intensify our retail channels transformation and promote the integration of the four networks, striving to unify our warehousing and distribution systems with refined management in third- and fourth-tier markets, so as to capture township users with high-quality products and superior services. At the same time, the Group will fully cooperate with sinking channels in the e-commerce sector, jointly exploring the massive consumption potential of township markets.

Continuous investment and development in the new field of water-related household appliances. As of the date of this announcement, our Group has already completed the "asset swap" transaction announced in 2018. The water purification business will be merged into our Group starting from the transaction completion date. In the first half of the year, the Group has confirmed a strategic collaboration with BWT AG, a reputable leading European water treatment corporation. We will jointly set up factories in China to create high-end whole-house water purification products. Moving forward, the Group will ceaselessly explore opportunities in the development of household and commercial markets from upstream and downstream water industries. We will spare no effort in investing existing capital and resources on relevant new opportunities to drive future growth.

Principal risks and uncertainties faced by the Company

Potential Risks

Currently the Group is still facing a number of risks, including external risk, market risk, policy risk and operational risk.

Since March last year, China and the United States have been negotiating back and forth in the trade field. Both sides have repeatedly raised tariff rates, putting pressure on exports from both countries. In the first half of 2019, the Group's export revenue to the U.S. accounted for less than 1% of total revenue. Although it accounted for a rather small proportion of our total revenue, in order to minimize the impact of these external factors to the Group and to ensure usual and smooth operation of our businesses, we will on one hand proactively expand to overseas market, avoiding reliance on a single country; on the other hand, we will improve our R&D and innovation capabilities, promoting upgrades of our product mix, so we can withstand the impacts from the changing international economic situation.

The durable household appliance sector is regarded as an industry that is highly subject to the influence of the real estate market. Under the regulatory policy against housing speculation, real estate markets in various cities were experiencing downturns. As the sales of large-format household appliances were largely affected by demands from new home purchases and home replacements, growth was relatively slow. To relieve the industry pressure caused by policy regulations, the Group needs to continuously upgrade and iterate its products according to users' needs, hence increasing products' added value and improving the level of product intelligence. At the same time, we have to widen the healthy water-drinking appliance market, focus on users' pain points in the pursuit of quality living, expand product categories, and maintain steady growth.

In the current large-format home appliance market, mid-range and low-end products are highly homogenized with fierce price competition. In this regard, the Group believes relentless technological innovation and the establishment of differentiation barriers are keys to the development of future household appliance enterprises. As always, in order to strengthen our technical strength and talent reserve, we are committed to performing R&D innovation, and recruiting high-end talents and industry experts. However, the establishment of technical barriers is constrained by the scarcity of high-end skilled talents in the industry and the imitation strategies of competitors. To cope with such factors, we need to stay centered on users' demand, strengthening our R&D capacity and talent pool through resource integration with various education and R&D institutes, so as to enhance the industry threshold.

Raw materials constitute a bulk of the cost of household appliances. Volatility of raw material prices would have significant impact on the Group's gross profit. Although in the first half of 2019, the prices of raw materials such as copper, steel and plastics have steadily fallen back, if raw material prices fluctuate substantially in the future, our gross profit will be under greater pressure. In order to control such risks, the Group established synergies in global procurement, gathering scattered procurement resources from various regions into an interconnected resource pool, and set up a global big data procurement system. With relentless endeavors we managed to diversify the price risk of sourcing from a single region, and at the same time formed optimal procurement plans that realized integration and sharing, enabling the exploration of synergistic opportunities.

At present, the large-format logistics market is still fragmented, comprising third-party logistics enterprises, e-commerce self-fulfillment logistics as well as sporadic businesses, no orderly situation could be formed. Chaotic pricing and intense competition in this market have exposed our Group's logistics segment to the risks of insufficient competitiveness, falling order prices and loss of customers. In response, we will continue to pursue the construction of our own warehouses, improve the development of the whole process visualization information system, enhance our warehousing and transportation capabilities, and optimize the structure of our industrial chain to reduce costs.

In order to optimize our industry strategies and strengthen the development of our water purification segment, our Group performed strategic investment, business mergers and acquisitions, and join-venture cooperations. Through these activities, we have expanded our product line in the water purification segment, and improved its operational capability and management standard. However, even if we conducted thorough business, financial and legal due diligence of target companies before confirming the investment and collaborations, and employed industry experts to perform project analysis, we still could not completely avoid the risks stemmed from cultural and business integration of different companies.

FINANCIAL REVIEW

In the first half of 2019, the Group's revenue amounted to RMB41,182,923,000, representing a decrease of 2.7% from RMB42,318,071,000 (restated) in the first half of 2018. The profit attributable to owners of the Company was RMB1,805,539,000, representing an increase of 8.2% from RMB1,668,195,000 (restated) in the first half of 2018. The basic earnings per share attributable to ordinary equity holders of the Company was RMB0.65, representing an increase of 8.3% from RMB0.60 in the first half of 2018.

1. Analysis of Revenue and Profit

Items	For the six months ended 30 June **2019** **RMB'000** **(Unaudited)**	2018 RMB'000 (Unaudited) (Restated)	Change %
Revenue			
Washing machine business	**9,846,144**	9,309,478	+5.8%
Water heater business	**3,448,501**	3,282,249	+5.1%
Channel services business	**32,749,747**	34,268,060	−4.4%
Logistics business	**4,907,810**	4,645,628	+5.6%
Inter-segment elimination	**(9,769,279)**	(9,187,344)	+6.3%
Consolidated revenue	**41,182,923**	42,318,071	−2.7%
Adjusted operating profit*	**1,954,573**	1,828,829	+6.9%
Profit attributable to owners of the Company	**1,805,539**	1,668,195	+8.2%
Earnings per share attributable to ordinary equity holders of the Company			
Basic	**RMB0.65**	RMB0.60	+8.3%
Diluted	**RMB0.64**	RMB0.59	+8.5%

* Adjusted operating profit was defined as profit before tax, net of interest income and expenses, investment gains and losses (including dividend income from an equity investment designated at fair value through other comprehensive income, return on investments in other financial assets, gains/(losses) on disposal of subsidiaries), government grants and changes of fair value of financial instruments.

The revenue of the Group for the first half of 2019 was RMB41,182,923,000, representing a decrease of 2.7% as compared to RMB42,318,071,000 (restated) in the first half of 2018.

The revenue from washing machine business amounted to RMB9,846,144,000 in the first half of 2019, representing an increase of 5.8% as compared to RMB9,309,478,000 in the first half of 2018. This was mainly attributable to Haier washing machine's continuous advancement and innovation in product technology, as well as the continuous upgrade in connection network, community interaction and user experience. In terms of driving factors, the average unit price and sales volume of washing machines increased. In terms of individual brand, Casarte achieved continuous breakthrough in technology and maintained a leading position in the high-end market. Meanwhile, Leader achieved a high-speed growth of over 20% by launching popular products and continued to lead the home appliance market in the younger generation.

The revenue from water heater business amounted to RMB3,448,501,000 in the first half of 2019, representing an increase of 5.1% as compared to RMB3,282,249,000 in the first half of 2018. This was mainly attributable to the focus and intensification of the retail transformation strategy, the expansion and upgrade of various store networks represented by the home decor channel, as well as the rapid enhancement of online operation capabilities. In terms of individual brand, Casarte recorded a double-digit growth by achieving high-end breakthrough in industry-leading technologies such as gas waterfall washing and electric thin instantaneous heat. Leader recorded a high growth rate of over 20% through aggressive product and marketing strategies targeting at the young fashion user group.

The revenue from channel services business amounted to RMB32,749,747,000 in the first half of 2019, representing a decrease of 4.4% as compared to RMB34,268,060,000 (restated) in the first half of 2018. In the first half of 2019, as affected by the market downturn and price war, the performance of air conditioners and color television products did not meet the expectation. But at the same time, except air conditioners and color television, fridges, washing machines, water heaters and other major home appliances have achieved steady growth.

The revenue from logistics business amounted to RMB4,907,810,000 in the first half of 2019, representing an increase of 5.6% as compared to RMB4,645,628,000 in the first half of 2018. This was mainly attributable to the steady growth of the home appliances and household furniture business.

Adjusted Operating Profit

Adjusted operating profit was defined as profit before tax, net of interest income and expenses, investment gains and losses (including dividend income from an equity investment designated at fair value through other comprehensive income, return on investments in other financial assets, gains/(losses) on disposal of subsidiaries), government grants and changes of fair value of financial instruments. By excluding these items, it is easier for the management and investors to compare the Group's financial results over multiple periods and analyze trends in its operations.

Adjusted operating profit is used as a non-IFRS measure to evaluate the Group's results of operations. This measure provides investors with a valuable information of the Group's ongoing operation performance because it reveals its business trends that may be obscured by the net effect of realized capital gains and losses, fair value changes on derivative financial instruments, gains and losses on disposition of operations and adjustments for other significant non-recurring or unusual items.

In the first half of 2019, the adjusted operating profit of the Group amounted to RMB1,954,573,000, representing an increase of 6.9% as compared to RMB1,828,829,000 (restated) in the first half of 2018. The increase in the adjusted operating profit was mainly attributable to the increase in profit of washing machine and water heater businesses.

Profit Attributable to Owners of the Company

In the first half of 2019, profit attributable to owners of the Company amounted to RMB1,805,539,000, representing an increase of 8.2% from RMB1,668,195,000 (restated) in the first half of 2018. Basic earnings per share attributable to ordinary equity holders of the Company was RMB0.65 in the first half of 2019, representing an increase of 8.3% from RMB0.60 in the first half of 2018.

Gross Profit Margins

In the first half of 2019, the overall gross profit margin of the Group was 17.8%, representing an increase of 0.9 percentage points from 16.9% in the first half of 2018. The increase in the overall gross profit margin was mainly attributable to the increase in proportion of high-margin washing machine and water heater businesses, and the increase in gross profit margins of washing machine and channel services businesses.

The gross profit margin of washing machine business was 27.6%, representing an increase of 0.3 percentage points from 27.3% in the first half of 2018. The increase in gross profit margin of washing machine business was mainly attributable to the continuous optimization of product mix, the fall of bulk raw material prices and the reduction of value-added tax rate.

The gross profit margin of water heater business was 36.2%, remained the same as 36.2% in the first half of 2018. On the one hand, the fall of bulk raw material prices and the reduction of value-added tax rate have positive contributions to the gross profit margin; on the other hand, Haier water heaters dynamically adjust the market prices to enhance market competitiveness, thus lowering the gross profit margin.

The gross profit margin of channel services business was 10.6%, representing an increase of 0.2 percentage points from 10.4% in the first half of 2018. The increase in gross profit margin of channel services business was mainly attributable to the product mix optimization.

The gross profit margin of logistics business was 9.0%, representing a decrease of 1.8 percentage points from 10.8% in the first half of 2018. The decrease in gross profit margin of logistics business was mainly attributable to the increase in storage and transportation costs of Gooday Logistics.

Selling and Distribution Expenses

The ratio of selling and distribution expenses of washing machine and water heater businesses to its segment revenue increased by 0.3 percentage points from 16.3% in the first half of 2018 to 16.6% in the first half of 2019, which was mainly attributable to the increase in distribution personnel and investment in interactive marketing during the period.

The ratio of selling and distribution expenses of channel services business to its segment revenue increased by 0.3 percentage points from 7.7% in the first half of 2018 to 8.0% in the first half of 2019, which was mainly attributable to the increase in investment in stores and booths as a result of the Group's active development and construction of intelligent home connection networks.

The ratio of selling and distribution expenses of logistics business to its segment revenue decreased by 0.2 percentage points from 0.9% in the first half of 2018 to 0.7% in the first half of 2019, which was mainly attributable to the enhancement of operational efficiency.

Administrative Expenses

The ratio of administrative expenses of washing machine and water heater businesses to its segment revenue increased by 0.1 percentage points from 4.7% in the first half of 2018 to 4.8% in the first half of 2019, which was mainly attributable to the increase in investment in research and development during the period, so as to enhance long-term competitiveness.

The ratio of administrative expenses of channel services businesses to its segment revenue decreased by 0.1 percentage points from 1.0% in the first half of 2018 to 0.9% in the first half of 2019.

The ratio of administrative expenses of logistics business to its segment revenue decreased by 0.5 percentage points from 5.5% in the first half of 2018 to 5.0% in the first half of 2019, which was mainly attributable to the enhancement of operational efficiency of Gooday Logistics.

2. Financial Position

Items	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Non-current assets	12,127,555	10,417,406
Current assets	35,196,670	36,539,987
Current liabilities	17,810,818	18,732,980
Non-current liabilities	3,006,649	2,476,129
Net assets	26,506,758	25,748,284

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

The Group's total balance of cash and cash equivalents and wealth management products from other financial assets increased by 5.4% from RMB19,370,248,000 as at 31 December 2018 to RMB20,421,742,000 as at 30 June 2019. The increase was mainly attributable to profit contribution for the year.

Items	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Cash and cash equivalents as stated in the statement of financial position	15,553,209	14,660,708
Wealth management products from other financial assets		
— Current portion	4,540,045	4,382,181
— Non-current portion	328,488	327,359
Total	20,421,742	19,370,248

Net Assets

The Group's net assets increased by 2.9% from RMB25,748,284,000 as at 31 December 2018 to RMB26,506,758,000 as at 30 June 2019. The increase in net assets was mainly attributable to the profit contribution for the period.

Working Capital

Trade and Bills Receivables Turnover Days

The bills receivable turnover days of the Group's washing machine and water heater businesses was 18 days in the first half of 2019, representing a decrease of 2 days as compared to the end of 2018, which was mainly attributable to the increase in proportion of the use of bills for settling payments.

In the first half of 2019, trade receivables turnover days of the Group's washing machine and water heater businesses was 18 days, remained the same as that of the end of 2018.

In the Group's channel services business, the majority of customers of Haier brand in the 3rd and 4th-tier markets are relatively small scale customers, and the sales are generally settled with payment in advance of delivery. Trade receivables turnover days in the first half of 2019 was 2 days, remained the same as that of the end of 2018.

In the first half of 2019, trade receivables turnover days of the Group's logistics business was 72 days, representing an increase of 9 days as compared to the end of 2018, which was mainly attributable to the increase in trade receivables of a newly acquired company.

Inventory Turnover Days

In the first half of 2019, inventory turnover days of washing machine and water heater businesses was 27 days, representing a decrease of 5 days as compared to the end of 2018, which was mainly attributable to the improved accuracy of order forecasting.

In the first half of 2019, inventory turnover days of channel services business was 38 days, representing a decrease of 8 days as compared to the end of 2018, which was mainly attributable to the improvement of efficiency for inventory management.

Trade Payables Turnover Days

In the first half of 2019, trade payables turnover days of washing machine and water heater businesses was 36 days, remained the same as that of the end of 2018.

In the first half of 2019, trade payables turnover days of the channel services business was 13 days, representing an increase of 5 days as compared to the end of 2018, which was mainly attributable to the increase in stocking for the "618" shopping festival.

In the first half of 2019, trade payables turnover days of logistics business was 83 days, representing a decrease of 9 days as compared to the end of 2018, which was mainly attributable to the adjustment of supplier's account period due to the shortage of resources for warehousing.

3. Cash Flow Analysis

Items		For the six months ended 30 June 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited) (Restated)
Cash and cash equivalents as stated in the statement of cash flows at the beginning of the period		**14,661,025**	15,040,624
Net cash flow from operating activities		**2,218,742**	1,847,193
Net cash flow used in investing activities	(a)	**(796,558)**	(1,375,114)
Net cash flow used in financing activities	(b)	**(495,880)**	(18,387)
Effect of foreign exchange rate changes, net		**1,042**	14,851
Cash and cash equivalents as stated in the statement of cash flows at the end of the period		**15,588,371**	15,509,167
Less: Cash and cash equivalents of a disposal group classified as held for sale		**35,162**	37,224
Cash and cash equivalents as stated in the statement of financial position at the end of the period		**15,553,209**	15,471,943

Net cash inflow from operating activities for the period amounted to RMB2,218,742,000, representing an increase of 20.1%, as compared to the corresponding period of last year, which was mainly due to profit contribution for the period.

(a) Net cash outflow from investing activities for the period amounted to RMB796,558,000, with details as follows:

Items	**For the six months ended 30 June 2019 RMB'000 (Unaudited)**	2018 RMB'000 (Unaudited)
Capital expenditure	**(868,000)**	(1,057,956)
Purchase of wealth management products	**(159,721)**	(417,057)
Acquisition of subsidiaries	**(46,027)**	—
Purchase of an equity investment	**(10,508)**	—
Cash from disposal of fixed assets and leasehold land	**191,406**	10,299
Interest received from wealth management products	**82,655**	40,174
Dividend from Sinopec Sales Company Limited (after tax)	**—**	67,763
Net cash from/(used in) other investing activities	**13,637**	(18,337)
Net cash flow used in investing activities	**(796,558)**	(1,375,114)

(b) Net cash outflow from financing activities for the period amounted to RMB495,880,000, with details as follows:

Items	**For the six months ended 30 June 2019 RMB'000 (Unaudited)**	2018 RMB'000 (Unaudited)
Lease principal and interest	**(278,982)**	—
Cash paid for acquisition of non-controlling interests	**(203,731)**	—
Net repayment of borrowings	**(20,523)**	(14,871)
Dividends paid to non-controlling shareholders	**(4,800)**	(24,796)
Capital contributions from non-controlling shareholders	**8,690**	11,317
Net cash from other financing activities	**3,466**	9,963
Net cash flow used in financing activities	**(495,880)**	(18,387)

LIQUIDITY AND FINANCIAL RESOURCES

The Group focuses on cash flow management and has been able to maintain a healthy financial and liquidity position. As at 30 June 2019, the Group had a current ratio of 197.6%, representing an increase of 2.5 percentage points as compared to 195.1% as at 31 December 2018.

Items	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Cash and cash equivalents as stated in the statement of financial position	15,553,209	14,660,708
Wealth management products from other financial assets	4,868,533	4,709,540
	20,421,742	19,370,248
Less:		
Interest-bearing borrowings	100,117	92,374
Net balance of cash and cash equivalents and wealth management products from other financial assets	20,321,625	19,277,874

As at 30 June 2019, wealth management products from other financial assets amounted to RMB4,868,533,000 (31 December 2018: RMB4,709,540,000).

As at 30 June 2019, the Group's net balance of cash and cash equivalent and wealth management products from other financial assets amounted to RMB20,321,625,000 (31 December 2018: RMB19,277,874,000), representing an increase of 5.4% as compared to 2018.

The Group will continue to maintain stable liquidity in its operations in 2019 to ensure the meeting of its working capital requirements for the next year, to construct intelligent factories and logistics network, as well as to maintain financial flexibility for future strategic investment opportunities.

There was no equity fund raising activity of the Company during the period and there were no proceeds brought forward from any issue of equity securities of the Company made in previous financial years.

CAPITAL EXPENDITURE

The Company assesses its capital expenditure and investments in washing machine, water heater and logistics businesses from time to time. The capital expenditure during the period was RMB868,000,000 (30 June 2018: RMB1,072,924,000), in which RMB553,604,000 (30 June 2018: RMB855,983,000) was used in factory construction and equipment modifications for washing machine and water heater businesses, and RMB314,396,000 (30 June 2018: RMB216,941,000) was used in developing the logistics business including the construction of warehouse.

GEARING RATIO

As at 30 June 2019, the Group's gearing ratio (defined as total borrowings, including interest-bearing borrowings, over net assets) was 0.4% (31 December 2018: 0.4%).

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. Cash is generally placed in deposits denominated in Renminbi, United States Dollars 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, of which mostly are derived from domestic sales in China and denominated in Renminbi. Only approximately 3.3% 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.

CAPITAL COMMITMENT

The Group's capital commitments contracted but not yet provided for amounted to RMB1,249,809,000 as at 30 June 2019 (31 December 2018: RMB1,306,208,000), in which RMB744,780,000 (31 December 2018: RMB619,702,000) was used in intelligent factory construction, and RMB505,029,000 (31 December 2018: RMB686,506,000) was used in the construction of warehouses for logistics business.

CHARGE OF ASSETS

As at 30 June 2019, certain of the Group's buildings and leasehold land with a net carrying value of RMB52,896,000 (31 December 2018: RMB45,853,000), freehold land with a net carrying value of RMB9,370,000 (31 December 2018: RMB9,464,000) and trade receivables with a net carrying value of RMB30,424,000 (31 December 2018: RMB14,231,000) were pledged to secure certain of the Group's bank loans.

In addition, as at 30 June 2019, certain of the Group's bills payable were secured by the pledge of the Group's bank deposits amounting to RMB54,611,000 (31 December 2018: RMB57,853,000) and the Group's bills receivable amounting to RMB10,692,000 (31 December 2018: RMB35,108,000).

CONTINGENT LIABILITIES

At the end of the reporting period, neither the Group nor the Company had any significant contingent liabilities.

RELATIONSHIP WITH EMPLOYEES AND REMUNERATION POLICY

The Group understands that employees are valuable assets and ensures that the remuneration packages for its employees remain competitive. Its employees are generally remunerated with fixed monthly salaries, which are reviewed annually, along with discretionary performance bonuses, share options and share award schemes. In addition, the Group has a thorough employee training and promotion mechanism that enables employees to continuously develop themselves.

The total number of employees of the Group increased by approximately 0.4% to 16,831 as at 30 June 2019 from 16,759 as at 31 December 2018.

MATERIAL ACQUISITIONS AND DISPOSALS

On 30 August 2018, the Group and Haier Electric International Co., Ltd. ("Haier International"), a subsidiary of Haier Corp, entered into an asset swap agreement, pursuant to which Guanmei (Shanghai) Enterprise Management Co., Ltd. ("Guanmei"), an indirect wholly-owned subsidiary of the Company, agreed to acquire and Haier International agreed to sell 51% of the equity interest in Qingdao Haishi Water Equipment Co., Ltd. ("Qingdao Haishi") at a consideration of RMB1,074,000,000 to be satisfied by Guanmei by way of transfer of 55% of the equity interest in Bingji (Shanghai) Enterprise Management Co., Ltd. ("Bingji"), a wholly-owned subsidiary of Guanmei, from Guanmei to Haier International at the same consideration. Qingdao Haishi is principally engaged in the research and development and sale of household water purifying solutions, and Bingji is an investment holding company that indirectly controls Gooday Logistics, which is principally engaged in the business of providing logistics services in the PRC and primarily represents the logistics segment of the Group.

The above transaction has been approved by shareholders in a special general meeting of the Company held in November 2018. It has been further approved by the relevant authorities and completed in July 2019, resulting in a net disposal gain of approximately RMB3.16 billion.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Save for the receipt of 49,027 shares of the Company from the employees as substitution of their individual income tax for exercising awarded shares which amounted to HK$1,209,000 pursuant to the Company's Restricted Share Award Scheme as announced by the Company on 15 April 2014, neither the Company, nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2019.

DIVIDENDS

The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

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 (the "Listing Rules") during the period from 1 January 2019 to 30 June 2019, except for the following deviations:

Under 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 by the nomination committee and the Board when they are due for re-election.

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 of the Company 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 2019.

CHANGES OF INFORMATION OF DIRECTORS UNDER RULE 13.51B(1) OF THE LISTING RULES

Below are the changes of directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules up to the date of this report:

In April 2019, Mr. Liang Hai Shan retired as the general manager of Haier Smart Home Co., Ltd., the holding company of the Company, and Mr. Li Hua Gang has been appointed as the general manager of Haier Smart Home Co., Ltd.. Mr. Li Hua Gang has also been appointed as a director of Haier Smart Home Co., Ltd., in June 2019.

Mr. Xie Ju Zhi has retired as a director of Shanghai Boyol New Brothers Supply Chain Management Co., Ltd., a subsidiary of the Company in July 2019. Mr. Xie is a director of Qingdao Haishi and its certain subsidiaries, the acquisition of 51% of the equity interest of Qingdao Haishi by the Group has been completed in July 2019.

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 financial reporting matters including the review of the unaudited interim condensed consolidated financial information of the Group for the six months ended 30 June 2019, and discussed with internal audit department on internal audit and controls, and risk management.

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, 29 August 2019

(I) DIRECTORS AND CHIEF EXECUTIVE OF THE COMPANY

Save as disclosed below, as at 30 June 2019, none of the directors and the chief executive of the Company and their respective associates had any interest and short position in the shares, debentures or underlying shares ("Share(s)") of the Company and its associated corporation (within the meaning of Part XV of the Securities and Future Ordinance ("SFO")), which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or as recorded in the register required to be kept under section 352 of the SFO or as otherwise required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code for Securities Transactions by Directors adopted by the Company:

(a) Long position in shares of the Company

Name	Number of Shares directly (personal) beneficially owned	Approximate % of issued Shares*
Mr. Zhou Yun Jie	8,410,000	0.30
Mr. Xie Ju Zhi	197,000	0.01
Mr. Li Hua Gang	230,000	0.01
Mr. Yu Hon To, David	480,000	0.02
Mrs. Eva Cheng Li Kam Fun	216,000	0.01

Apart from above, the following Directors and chief executive are also the grantees of the restricted shares of the Company in accordance with the Company's Restricted Share Award Scheme under its Directors' Trust comprising shares purchased from the stock market.

Name	Outstanding awarded Shares	Approximate % of issued Shares*
Mr. Zhou Yun Jie	1,305,600	0.05
Mr. Xie Ju Zhi	402,780	0.01
Mr. Li Hua Gang	416,100	0.01
Mr. Yu Hon To, David	30,000	0.001
Mrs. Eva Cheng Li Kam Fun	24,000	0.001

* The percentage is calculated on the basis of 2,803,383,278 shares in issue of the Company as at 30 June 2019.

(I) DIRECTORS AND CHIEF EXECUTIVE OF THE COMPANY (Continued)

(b) Long position in underlying shares of the Company pursuant to share options

Name	Date of grant of share options	Number of share options granted and not yet exercised*	Approximate % of issued shares upon exercise of share options#
Mr. Li Hua Gang	11/09/2015	108,000	0.004

Note:

* The exercise price of each of the above share options is HK$12.84 for subscription of one share. The exercisable period is from 10 May 2016 to 10 May 2020.

\# The percentage is calculated on the basis of 2,803,383,278 shares in issue of the Company as at 30 June 2019.

(c) Long position in shares of Haier Smart Home Co., Ltd., the Company's shareholder

Name	Number of shares held	Approximate% of total registered share capital	Capacity and interest
Mr. Liang Hai Shan	14,483,466	0.23	Directly (personal) beneficially owned
Mr. Zhou Yun Jie	196,596	0.003	Directly (personal) beneficially owned
Mr. Li Hua Gang	653,306	0.01	Directly (personal) beneficially owned

(II) SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at 30 June 2019, the directors and the chief executive of the Company were not aware of any other shareholders interested in 5% or more of the interests and short positions in shares and underlying shares of the Company or any person (other than a Director or chief executive of the Company) which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or as otherwise recorded in the register required to be kept by the Company under section 336 of the SFO:

Long positions in Shares:

Name of shareholders	Notes	Number of Shares interested	Approximate percentage of the Company's issued shares*
Haier Corp	1	1,616,081,592	57.65
Haier Smart Home Co., Ltd. ("Haier Smart Home")	2	1,616,081,592	57.65
Haier Shareholdings (Hong Kong) Limited ("Hong Kong Haier")	2	886,804,110	31.63
Haier (HK) Investment Co., Limited ("Haier (HK) Investment")	3	336,600,000	12.01
HCH (HK) Investment Management Co., Limited ("HCH (HK)")	3	336,600,000	12.01

Short positions in Shares:

Name of shareholders	Notes	Number of shares interested	Approximate percentage of the Company's issued share capital*
Haier Corp	1, 4	245,776,794	8.77
Haier Smart Home	2, 4	245,776,794	8.77
Hong Kong Haier	2, 4	245,776,794	8.77

Notes:

1. As Haier Smart Home is a non wholly-owned subsidiary of Haier Corp, Haier Corp was deemed to be interested in 1,279,481,592 shares of the Company held by Haier Smart Home pursuant to the SFO, and deemed to have a short position in the shares of the Company as detailed in note 4.

   Haier Corp was also deemed to be interested in 336,600,000 shares of the Company held by its subsidiary, HCH (HK).

   Mr. Zhou Yun Jie, executive director of the Company, and Mr. Liang Hai Shan, non-executive director of the Company, are also the members of the management committee of Haier Corp.

(II) SUBSTANTIAL SHAREHOLDERS (Continued)

Notes: (Continued)

2. Haier Smart Home held 392,677,482 shares of the Company as beneficial owner. Moreover, Haier Smart Home was deemed to be interested in 886,804,110 shares of the Company held by its wholly-owned subsidiary, Hong Kong Haier, pursuant to the SFO, and deemed to have a short position in the shares of the Company as detailed in note 4.

   Furthermore, HCH (HK) has appointed Haier Smart Home to exercise voting in respect of its holding of 336,600,000 shares of the Company.

3. HCH (HK) is a wholly controlled by Haier (HK) Investment, and Haier (HK) Investment was deemed to be interested in 336,600,000 shares of the Company held by HCH (HK) pursuant to the SFO.

4. Exchangeable bonds exchangeable into fully paid ordinary shares of the Company were issued by a subsidiary of Haier Smart Home on 21 November 2017. The underlying shares of the above exchangeable bonds are 245,776,794 shares of the Company currently owned by Hong Kong Haier.

* The percentage is calculated on the basis of 2,803,383,278 shares in issue of the Company as at 30 June 2019.

(I) SHARE OPTION SCHEME

The Company operates a share option scheme (the "Share Option Scheme") for the purpose of providing incentives and reward to eligible participants who contribute to the success of the Group's operations. The Company's current Share Option Scheme became effective on 8 June 2011 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The following table discloses movements in the Company's share options outstanding during the period:

Name or category of participants	Number of share options						Date of grant of share options (note 1)	Exercise period of share options	Exercise price of share options per share (note 2)
	At 1 January 2019	Granted during the period	Exercised during the period (note 3)	Cancelled during the period	Lapsed during the period	At 30 June 2019			HK$
Executive directors									
Mr. Sun Jing Yan	84,000	—	—	—	—	84,000	11/09/2015	10/05/2016–10/05/2020	12.84
Mr. Li Hua Gang	108,000	—	—	—	—	108,000	11/09/2015	10/05/2016–10/05/2020	12.84
	192,000	—	—	—	—	192,000			
Other employees									
In aggregate	2,262,855	—	312,455	—	—	1,950,400	11/09/2015	10/05/2016–10/05/2020	12.84
	2,454,855	—	312,455	—	—	2,142,400			

Notes:

1. For share options granted on 11 September 2015, 40% and 60% of the total share options granted were vested on vesting dates of 10 May 2016 and 10 May 2017, respectively. The vesting period of the share options is from the date of grant until the respective vesting dates.

2. The exercise price of the share options is subject to adjustment(s) in the case of rights or bonus share issues, or other similar changes in the share capital of the Company.

3. The weighted average closing price of the Company's shares immediately before the exercise dates of the share options was HK$21.69 per share.

4. The total share options that could be granted under the then available scheme mandate limit as at 30 June 2019 were in respect of 153,890,890 shares which represented 5.5% of the issued shares of the Company as at 30 June 2019.

As at 30 June 2019, the Company had 2,142,400 share options outstanding under the Share Option Scheme. Should the share options be fully exercised, the Company will receive approximately HK$27,508,000 (before issue expenses). The fair value of these unexercised options measured in accordance with the Group's accounting policy amounted to HK$7,220,000.

The particulars regarding dilution effect of the share options are set out in Note 8 of Notes to Interim Condensed Consolidated Financial Information.

(II) RESTRICTED SHARE AWARD SCHEME

The Group operates a Restricted Share Award Scheme, which aims at providing incentives to employees and optimising the remuneration structure of the Group. According to the Award Scheme, the Company may purchase the scheme shares in the open market and hold the purchased shares in the Share Award Scheme Trust for the relevant selected employees until such shares vest or issue and allot new scheme shares to the trustee. The board of the Company has discretion to decide whether the awarded shares are to be purchased or subscribed.

The following table discloses movements in the Company's restricted shares under the Award Scheme during the period:

Name of participants	Number of awarded shares						Date of grant of awarded shares	Exercise/vesting period of awarded shares (note 2)	Exercise price of awarded shares per share (note 1)
	At 1 January 2019	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	At 30 June 2019			HK$
Executive directors									
Mr. Zhou Yun Jie	576,000	—	—	—	—	576,000	29/05/2017	29/05/2017–01/07/2019	—
	605,000	—	—	—	—	605,000	05/07/2018	05/07/2018–01/07/2020	—
	124,600	—	—	—	—	124,600	17/09/2018	17/09/2018–01/07/2020	—
	1,305,600	—	—	—	—	1,305,600			
Mr. Xie Ju Zhi	164,580	—	—	—	—	164,580	03/03/2017	03/03/2017–01/07/2019	—
	238,200	—	—	—	—	238,200	17/09/2018	17/09/2018–01/07/2020	—
	402,780	—	—	—	—	402,780			
Mr. Li Hua Gang	44,000	—	—	—	—	44,000	08/07/2016	08/07/2016–07/07/2020	6.42
	172,800	—	—	—	—	172,800	05/07/2018	05/07/2018–01/07/2020	—
	135,800	—	—	—	—	135,800	12/07/2018	12/07/2018–01/07/2020	—
	63,500	—	—	—	—	63,500	17/09/2018	17/09/2018–01/07/2020	—
	416,100	—	—	—	—	416,100			
Mr. Sun Jing Yan	32,220	—	—	—	—	32,220	08/07/2016	08/07/2016–01/07/2019	—
	178,738	—	—	—	—	178,738	03/03/2017	03/03/2017–01/07/2019	—
	138,300	—	—	—	—	138,300	05/07/2018	05/07/2018–01/07/2020	—
	28,500	—	—	—	—	28,500	17/09/2018	17/09/2018–01/07/2020	—
	377,758	—	—	—	—	377,758			
	2,502,238	—	—	—	—	2,502,238			
Non-executive director									
Dr. Wang Han Hua	18,000	—	—	—	—	18,000	29/05/2017	29/05/2017–01/07/2019	—
Independent Non-executive directors									
Mr. Yu Hon To, David	30,000	—	—	—	—	30,000	29/05/2017	29/05/2017–01/07/2019	—
Mrs. Eva Cheng Li Kam Fun	24,000	—	—	—	—	24,000	29/05/2017	29/05/2017–01/07/2019	—
	54,000	—	—	—	—	54,000			
Other employees									
In aggregate	104,400	—	—	—	—	104,400	08/07/2016	08/07/2016–07/07/2020	6.42
In aggregate	476,940	—	125,760	—	—	351,180	08/07/2016	08/07/2016–01/07/2019	—
In aggregate	6,707,762	—	84,578	—	—	6,623,184	03/03/2017	03/03/2017–01/07/2019	—
In aggregate	10,143,200	—	—	—	—	10,143,200	17/09/2018	17/09/2018–01/07/2020	—
	17,432,302	—	210,338	—	—	17,221,964			
	20,006,540	—	210,338	—	—	19,796,202			

(II) RESTRICTED SHARE AWARD SCHEME (Continued)

Note:

1. The exercise price of the awarded shares is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

2. The restricted shares will become exercisable once they are vested.

As at 30 June 2019, the number of ordinary shares held for the Awarded Scheme was 7,429,532 (31 December 2018: 7,590,843) with an aggregate carrying amount of RMB94,806,000 (31 December 2018: RMB97,391,000).

At the date of approval of these financial statements, the Company had 11,047,556 awarded shares outstanding under the Award Scheme, which represented approximately 0.39% of the Company's shares in issue as at that date.

The particulars regarding dilution effect of the awarded shares under the Restricted Share Award Scheme are set out in Note 8 of Notes to Interim Condensed Consolidated Financial Information.