

Stock Code: 600690

Short Name: Qingdao Haier

Qingdao Haier Co., Ltd. 2016 Annual Report

Stock Code: 600690

Haier

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Important Notice

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

II. All directors of the Company have attended the Board meeting to review this Annual Report.

III. Shandong Hexin Certified Public Accountants (LLP) has issued a standard and unqualified audited report for the Company.

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

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

Proposal of profit distribution and proposal of capitalizing capital reserves for the reporting period examined and reviewed by the Board: It is proposed that the Company will distribute a cash dividend of RMB2.48 per 10 shares (tax inclusive) to all shareholders based on the total number of shares registered at the date of profit distribution.

VI. Disclaimer in respect of forward-looking statements

Applicable Not Applicable

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

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

No

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

No

IX. Important Risk Warnings

Applicable Not Applicable

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

Chairman: Liang Haishan

Qingdao Haier Co., Ltd.

28 April 2017

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

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SECTION I DEFINITIONS

I. Definitions

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

Definition of frequently used terms		
CSRC		China Securities Regulatory Commission
MOFCOM		Ministry of Commerce of the PRC
SSE		Shanghai Stock Exchange
CSDCCL		China Securities Depository and Clearing Corporation Limited Shanghai Branch (the "CSDCCL")
The Company, Qingdao Haier		Qingdao Haier Co., Ltd.
Four Major Securities Newspapers		China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily
KKR (GROUP)		KKR & Co. L.P. and its subsidiary, KKR & Co. L.P., is a limited partnership incorporated and existed in accordance with the laws of the state of Delaware, USA. KKR & Co. L.P. is listed on the New York Stock Exchange (both stock name and stock ticker: KKR)
KKR, KKR (Luxembourg)		KKR Home Investment S.à.r.l., a wholly owned subsidiary of KKR China Growth Fund L.P., is a project company incorporated in Luxembourg in accordance with international practices for the sole purpose of strategic investment in the Company
Haier Electronics, 1169		Haier Electronics Group Co., Ltd. (a company listed in Hong Kong, stock code: 01169.HK)
GEA		GE Appliances, Household Appliance Assets and Business of General Electric
FPA		Fisher & Paykel Appliances Holdings Limited (Chinese Name: 斐雪派克) was established in 1934 and is known as the national appliance brand of New Zealand, the global top-level kitchen appliance brand and the famous luxury brand of the world. It has products including ventilator, gas stove, oven, dishwasher, microwave oven, freezer, washing machine, clothes dryer and etc. Its business covers over 50 countries across the world. In 2012, it became a wholly owned subsidiary of Haier Group. In order to perform the undertaking of Haier Group in respect of eliminating horizontal competition, the Company entered into the Trust Agreement on Fisher & Paykel Appliances Holdings Limited between Haier Group Corporation and Qingdao Haier Co., Ltd. on 25 May 2015, whereby Haier Group entrusted its assets held in Fisher & Paykel Appliances Holdings Limited to the Company for operation and management.
DCS		high-end kitchen electronic brand under FPA
CMM		China Market Monitor Co., Ltd., established in 1994, has been focusing on research on retail sales in China consumption market for a long term and is the nationally

		recognized market research institute in terms of appliance area.
Euromonitor		Euromonitor, established in 1972, is the leading strategic market information supplier and owns over 40-year experience in respect of publishing market report, commercial reference data and on-line database. They create data and analysis on thousands of products and services around the world.
The Stevenson Company		Based in Kentucky, the U.S., the firm is an institution specializing in market survey, research and analysis. The market research and analysis business of the Company started in 1995. Its “TraQline” product is a world-famous survey and research report on market share. The “TraQline” product offers customers with analysis based on global market share and consumer behaviors and supports the decision-making of various businesses.
IEC		The International Electrotechnical Commission. Founded in 1906, it is the world’s first organization for the preparation and publication of international standards of electro technologies, and is responsible for international standardization for electrical engineering and electronic engineering. The goals of the commission include: to ensure that the standards and conformity assessment programs are applied globally in a prioritized manner and to the greatest extent; to assess and improve the quality of products and services involved in its standards; to create conditions for the common use of complicated systems; to improve the effectiveness of the industrialization process; to improve human health and safety, and to protect the environment.
8 Interconnected Factories		Shenyang Refrigerator Interconnected Factory, Foshan Front-Loading Washing Machine Interconnected Factory, Zhengzhou Air-conditioner Interconnected Factory, Qingdao Mold Interconnected Factory, Qingdao Water Heater Interconnected Factory, Qingdao FPA Electrical Machine Interconnected Factory, Jiaozhou Air-Conditioner Interconnected Factory, Huangdao Central Air-Conditioner Interconnected Factory
The mode combining individual and goal		“Individual” means staff; “goal” means the need of users, rather than the “orders” in narrow sense. The mode “Combining individual and goal” encourages the integration of staff with users, and “win-win” means to realize every employee’s value while creating value for users.
Ton of refrigeration		A unit for refrigeration technology, also known as “refrigeration ton”, which represents the cooling capacity required for 1 ton of saturated water with a temperature of 0 °C being refrigerated to the ice with a temperature of 0 °C in 24 hours.

SECTION II GENERAL INFORMATION OF THE COMPANY AND FINANCIAL INDICATORS

I. Information of the Company

Chinese name	青岛海尔股份有限公司
Chinese short name	青岛海尔
English name	QINGDAO HAIER CO., LTD.
English short name	HAIER
Legal representative	Liang Haishan

II. Contact Person and Contact Information

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

III. General Information

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

IV. Place for Disclosure and Deposit of Information

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

V. Summarized Information of Shares of the Company

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

VI. Other Related Information

Accounting firm engaged by the Company (domestic)	Name	Shandong Hexin Certified Public Accountants (LLP)
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	Business address	26th – 27th Floor, Century Building, No.39 Donghai Road West, Qingdao City
	Name of signing accountant	Zhao Bo, Han Xiaojie

Note: Explanation on the information on the financial advisor responsible for continuing supervision of the Company

On 12 January 2017, the Company issued the Report on the Execution of Acquisition of Significant Assets by Qingdao Haier Co., Ltd., according to which, the acquisition of significant assets related to the acquisition of the appliance assets of General Electric had been completed. As the financial advisor for this acquisition of significant assets, China International Capital Corporation Limited will carry out continuing supervision on the Company in the period from 12 January 2017 to 31 December 2018. Information on such continuing supervision will be disclosed after the ending of the corresponding reporting period.

VII. Key accounting data and financial indicators of the Company for the last three years

(I) Key accounting data

Unit and Currency: RMB

	2016	2015		YoY change (%)	2014
		After adjustment	Before adjustment		
Operating revenue	119,065,825,201.51	89,797,165,994.89	89,748,320,410.91	32.59	96,929,763,894.36
Net profit attributable to shareholders of the Company	5,036,652,240.84	4,303,751,562.92	4,300,760,542.82	17.03	5,337,541,039.32
Net profit after deduction of non-recurring profit or loss attributable to shareholders of the Company	4,332,453,050.07	3,674,952,510.15	3,674,952,510.15	17.89	4,324,036,509.60
Net cash flows from operating activities	8,054,704,601.30	5,604,166,955.11	5,579,600,612.93	43.73	6,769,361,298.35
	As of December 31 2016	As of December 31 2015		YoY change (%)	As of December 31 2014
		After adjustment	Before adjustment		
Net assets attributable to shareholders of the Company	26,364,725,409.83	22,733,334,660.35	22,693,976,160.95	15.97	24,608,468,130.41
Total assets	131,255,290,325.24	75,960,718,327.49	75,960,672,801.38	72.79	82,348,719,644.44

(II) Key financial indicators

	2016	2015		YoY (%)	2014
		After adjustment	Before adjustment		

Basic earnings per share (RMB per share)	0.826	0.706	0.705	17.00	0.933
Diluted earnings per share (RMB per share)	0.823	0.706	0.705	16.57	0.932
Basic earnings per share after deducting non-recurring profit or loss (RMB per share)	0.71	0.603	0.603	17.74	0.754
Weighted average return on net assets (%)	20.41	16.22	16.22	Increased by 4.19 pct pt	29.34
Weighted average return on net assets after deducting non-recurring profit or loss (%)	17.56	13.86	13.86	Increased by 3.7 pct pt	23.89

Explanation of the key accounting data and financial indicators of the Company as at the end of the reporting period for the previous three years

√Applicable □Not Applicable

(1) Effective from June 2016, GEA has been included in the Company's consolidated statements. In the year 2016, GEA's contribution to the revenue of the Company amounted to RMB25.83 billion, while its contribution to the net profit attributable to shareholders of the Company of approximately RMB435 million, and the contribution to the net profit attributable to shareholders of the Company after deduction of non-recurring gain or loss of approximately RMB886 million.

(2) The original business of the Company (excluding the effect of consolidating the financial result of GEA) recorded a revenue of RMB93.23 billion, representing a year-on-year increase of 3.82%. In 2016, the revenue was affected by factors including 1) the black goods business of the brand of Leader was removed out of the Company's consolidated statements due to the sale of its equity to the strategic investors, 2) the disposal of joint ventures focusing on distribution business were proactively done in order to straighten the Company's business development direction and other factors. The impact of those factors is about RMB 3.2 billion. Excluding the impact of those factors mentioned above, the original business of the Company (excluding the effect of consolidating the financial results of GEA) recorded a year-on-year growth of 7.66% as measured with the same caliber.

(3) The original business of the Company (excluding the effect of consolidating the financial results of GEA) recorded net profit attributable to shareholders of the Company of RMB4.60 billion and net profit attributable to shareholders of the Company after deduction of non-recurring gain or loss of RMB3.45 billion. Assuming the simulation netting of non-comparable factors, net profit attributable to the shareholders of the Company increased by 13.91% in 2016 year over year while net profit attributable to shareholders of the Company after deduction of non-recurring gain or loss increased by 11.95% . [Those non-comparable factors included the change in accounting method with respect to Bank of Qingdao, acquisition costs and financial costs related to GEA, costs of stock incentive plan for employees, as well as the income generated from the disposal of some equity interests in 2015 (2016: nil) and etc.]

VIII. Differences in accounting data under domestic and overseas accounting standards**(I) Differences in net profit and net asset attributable to shareholders of listed company in financial report disclosed simultaneously according to international accounting standards and according to accounting standards in the PRC**

Applicable Not Applicable

(II) Differences in net profit and net asset attributable to shareholders of listed company in financial report disclosed simultaneously according to overseas accounting standards and according to accounting standards in the PRC

Applicable Not Applicable

(III) Reasons for the difference between the domestic and overseas accounting standards:

Applicable Not Applicable

IX. Key financial data of 2016 by quarters

Unit and Currency: RMB

	Q1 (January-March)	Q2 (April-June)	Q3 (July-September)	Q4 (October-December)
Operating revenue	22,236,608,015.25	26,549,998,909.62	35,483,986,460.51	34,795,231,816.13
Net profit attributable to shareholders of the Company	1,596,815,139.24	1,718,358,032.46	507,933,611.25	1,213,545,457.89
Net profit after deduction of non-recurring profit or loss attributable to shareholders of the Company	968,301,679.47	1,797,122,077.75	783,311,286.25	783,718,006.60
Net cash flows from operating activities	1,046,237,078.55	3,708,319,304.14	179,825,914.91	3,120,322,303.70

Reasons for difference between quarterly data and regular reporting data

Applicable Not Applicable

X. Non-recurring Profit or Loss Items and Amount

Applicable Not Applicable

Unit and Currency: RMB

Non-recurring profit or loss items	2016
Loss and profit from disposal of non-current assets	-3,064,257.71
Government grants included in current profit or loss, except that closely related to the normal operating business, complied with requirements of the national policies, continued to be granted with the amount and quantity determined under certain standards	515,957,895.78
Gains from the costs of investment in the acquisition of subsidiaries, associated	166,840,685.70

companies and joint ventures being lower than the share of the fair value of the transferor's identifiable net assets	
Enterprises' restructuring costs, such as the replacement cost of employees, the cost of integration, etc.	-702,771,321.12
In addition to the effective hedging business related to the normal operations of the Company, profit or loss of changes in fair value arising from holding of trading financial assets and trading financial liabilities, as well as investment gain realized from disposal of trading financial assets, trading financial liabilities and financial assets available for sale	74,049,457.95
Trust fee income from entrusted business	1,493,710.69
Other non-operating net income and expenses except the aforementioned items	203,542,135.31
Gain from disposal of long-term equity investment	86,010,966.27
Gain from disposal of financial assets available for sale	531,827,281.3
Minority interests	-207,157,250.36
Income tax	37,469,886.96
Total	704,199,190.77

XI. Items Measured by Fair Value

√Applicable □ Not Applicable

Unit and Currency: RMB

Name	Beginning balance	Ending balance	Change	Impact on profit
Forward foreign currency contract	14,362,482.92	78,092,170.97	63,729,688.05	74,049,457.95
Fair value hedging		11,736,192.18	11,736,192.18	11,381,247.23
Interest rate swap agreement		16,502,325.25	16,502,325.25	
Available-for-sale financial assets	1,453,993,243.39	30,354,194.80	-1,423,639,048.59	532,133,542.70
Total	1,468,355,726.31	136,684,883.20	-1,331,670,843.11	617,564,247.88

XII. Other

□ Applicable √ Not Applicable

SECTION III SUMMARY OF THE COMPANY'S BUSINESS

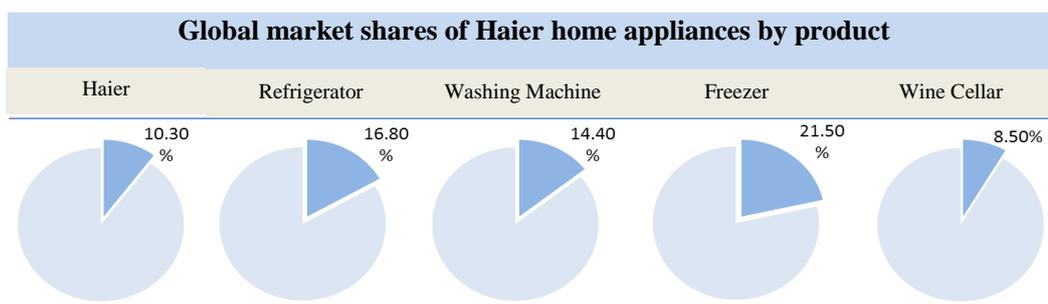
I. Introduction of Major Business, Operating Mode and Industry Background

(I) Major Business of the Company

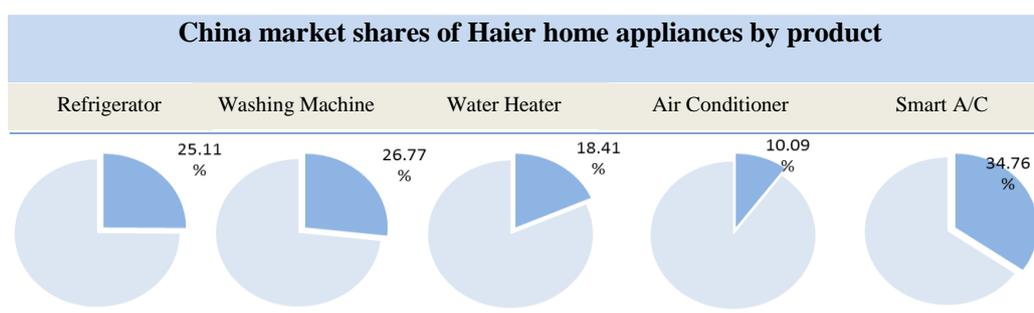
1. The Company mainly engages in research, development, production and sales of home appliances with product portfolios covering refrigerators/freezers, washing machines, air-conditioners, water heaters, kitchen appliances products, small home appliances, U-home smart home business, etc., offering integrated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

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

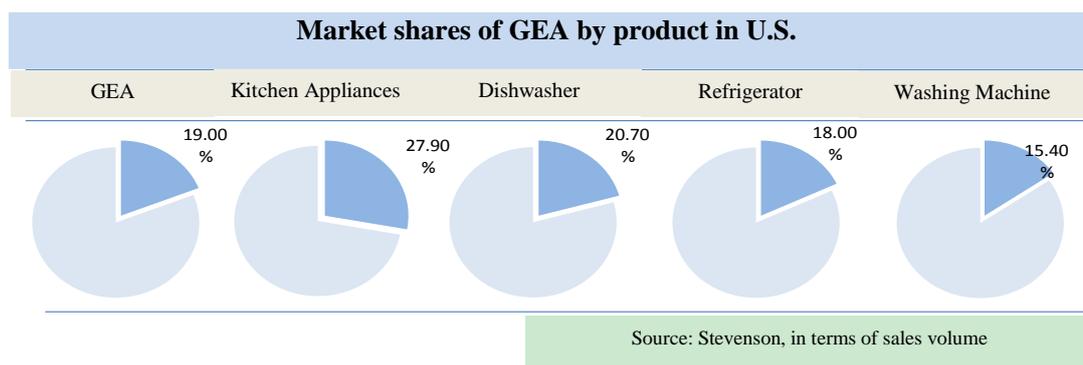
According to the retail sales statistics on the large home appliances for the year 2016 published by Euromonitor, the world's leading independent provider of strategic market research, in 2016, sales of Haier's large home appliances represented a global market share of 10.3%, ranked No. 1 in the world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



Source: Euromonitor, in terms of retail volume



Source: CMM, in terms of retail volume



2. The Company's U+ SmartLife platform (U+ home OS) + smart manufacturing platform (COSMOPlat):

In face of the opportunities and challenges arising in the Internet of Things ("IOT") era, the Company has initiated the transformation to the IOT platform and established its leading role in the development of consumer-oriented smart homes, and the development of smart manufacturing for producers and those engage in both production and sales through the construction of the U+ SmartLife platform and the smart manufacturing platform.

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

Smart manufacturing platform (COSMOPlat): As the original ground-breaking project in China, Haier's global-leading industrial Internet platform with independent intellectual property rights was built on its models developed from interconnected factories, as well as best practices in digitalization and product formation. This platform, combined with existing capabilities such as smart equipment, smart control, mold and Smart Research Institute, will be able to offer comprehensive solutions and value-added services featured by the union of software and hardware as well as the mix of virtual and real factors for the transformation and upgrading of smart manufacturing.

(II) Industry Background

1. Global white appliances markets: A slight recovery of overall market.

Growth rate of the global economy was increased somewhat compared with 2015. With the divergent growth of developed economies, and the gradual stabilization of emerging markets and developing economies, the global white goods market has witnessed a continuous recovery. According

to the statistics of Euromonitor, global retail sales of refrigerators, washing machines, household air-conditioners in 2016 recorded a year-on-year increase of 4.7%, 5.6% and 4.5% respectively.

2. Domestic white appliances market: The industry delivered a stable performance in 2016. Benefited from various factors, such as the increased sales of air-conditioners as a result of high temperature, and the recovery of property market, the industry showed the trend of picking up from the low level.

(1) Domestic white goods market recorded a slight increase in 2016. According to the statistics of CMM, during the year of 2016, the overall market retail sales of white goods increased year-on-year by 1.9% to RMB298 billion. In particular, the sales of air-conditioners was boosted by the high temperature and the property market, with sales volume for the year increased by 8.9% and retail sales increased by 9.1%. Retail sales volume of refrigerators increased by 3.5%, and retail sales recorded a minus growth of 0.7%. Retail sales volume of washing machines increased by 2.4%, and retail sales recorded a year-on-year growth of 4.6%.

(2) Product mix upgraded significantly, mid-end and high-end products maintained rapid growth. The household appliances market in the PRC has been transformed from popularization consumption to structural consumption. According to the statistics of CMM, in 2016, retail sales of multi-door refrigerators increased by 23.2%, retail sales of front-loading washing machines increased by 9.98%. The penetration rate of smart products rose rapidly. The retail sales of smart refrigerators, smart washing machines and smart air-conditioners accounted for 12.5%, 20.3% and 20.6% of the industry respectively, representing an increase of 9.1 pct pt, 11 pct pt and 8 pct pt respectively.

(3) Rapid development of Internet technology led to industrial transformation and upgrading and restructuring of business mode. The rapid development and application of the mobile Internet, IOT, big data, cloud platform technologies deeply changed people's living and consumption habit, and also would restructure the operating mode of white appliance sector. ①Major manufacturers of household appliances are leveraging on various technologies, such as the Internet, big data and cloud computing to develop smart home strategies and offer intelligent and customized solutions for household appliances, thus promoting the transformation of profit model from selling single hardware to the diversified model of "hardware + content + service"; ②For channels, e-commerce marks the rise of multi channel strategy, where e-commerce channel maintained a rapid growth and O2O transformation was actively promoted offline to keep up with the new era. ③For supply chain, Made in China 2025 plan would deeply promote the extensive integration of information and industrialization, accelerate the industry-wide transformation of smart manufacture, advance home appliance to transform from large-scale manufacture to large-scale customization and personalized C2B custom pattern to raise added value of products.

Industry Outlook:

According to the forecast of CMM, in 2017, the overall size of household appliances (including 3c) will reach RMB1,640.3 billion, representing a year-on-year increase of 4.5%. In particular, retail sales of white goods, black goods, kitchen appliances and living appliances will record a year-on-year increase of 0.5%, 5.4%, 9.9% and 11.9% respectively. Integration is taking place in the retail channels, and the general concept of “online + offline + service + logistics” are bringing changes to the market. It is forecast that retail sales through e-commerce channels will reach RMB244.2 billion in 2017, representing a year-on-year increase of 25.4%.

1. Continuous upgrade of products. The upgrade of products has been accelerated by the increasing household income and in particular, the pursuit of quality by the middle class who are the major force of consumption. Mid-end and high-end products, such as multi-door refrigerators, high-capacity and variable-frequency washing machines as well as highly-efficient variable-frequency air-conditioners as represented by APF level-1 are expected to maintain a relatively high growth rate.

2. The penetration rate of smart white goods is expected to rise rapidly. Statistics released by CMM predict that in 2017, retail sales of smart white goods will grow by 60.1%, while the amount of retail sales will reach RMB70.9 billion, and the penetration rate of smart white goods will reach 23.9%. In the next five years, market needs of RMB1.5 trillion will be created by smart white goods. In addition, on the smart home market, consumers will be offered comprehensive smart solutions covering use of water, safety, air, food, health, entertainment, washing and personal care products through hardware, software, services and content based on users as the interactive entrance.

3. Continuous upgrade to intelligent products in the household appliances industry. The release of the 13th Five-Year Plan for Smart Manufacturing in China raised the smart manufacturing of household appliances to the national strategic level. In the process of transformation into smart manufacturing, enterprises engaging in household appliances business can improve their profitability through the initiative of reducing manpower and enhancing efficiency. Looking into the future, the smart ecological system which integrates R&D, procurement, manufacturing, marketing, logistics, interaction with users and service will gradually take shape in the household appliances industry, and consumers will be offered comprehensive solutions on household appliances.

4. Chinese enterprises are gradually realizing the potential for growth in overseas market. After over 30 years of development, on the base of large Chinese market, competitiveness of Chinese leading white appliance companies in global market continues to improve. Excellent companies further improves their competitiveness and industrial position through internal productiveness construction and external merger, which will benefit for the global resources integration and market expansion and enhance overseas market share and profitability.

II. Explanation on significant change on major assets of the Company

Applicable Not Applicable

During the reporting period, the Company has completed the acquisition of the household appliances assets of GEA, which resulted in the increase in overseas assets of the Company. Of which, overseas assets amounted to RMB58,986,948,900, representing 44.9% of the total assets.

III. Analysis on core competitiveness

Applicable Not Applicable

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

(I) Brand competitiveness

According to the data published by Euromonitor, Haier has been ranked No. 1 among global large home appliances brands for 8th consecutive years. In segments of refrigerators, washing machines, wine cellars, freezers, the Company continues to be No. 1 in the world. To meet the personalized and diversified needs of users, we have broken down the global technical barriers in the household appliances industry and promoted the healthy development of the industry through the global strategic synergy among six brands of household appliances, namely Haier, GE Appliances in the U.S., Fisher & Paykel in New Zealand, AQUA in Japan, Casarte and Leader. Haier has built the largest household appliances industry cluster in the world which covers global market and communities.

(II) R&D and technological competitiveness

1. Layout of R&D resources around the world: With its 10 large open R&D centers around the world, Haier has established its global network of resources and users, and attracted world-class resources to participate in R&D with its “cooperation, win-win and sharing” mechanism, thus playing a leading role in the development of products and technologies in the industry and providing excellent experience for its users. For example, the Casarte solid cooling wine cellar is equipped with the world’s first no-compressor technology; the full-space preservation refrigerator using the global intelligent temperature control technology to achieve cold storage with separate storage for dry and wet items to keep the original flavor; the Purple Crystal (紫水晶) front-loading washing machine is equipped with direct-drive variable-frequency technologies and Dizun (帝樽) comfortable wind air-conditioner is the world’s first wind air-conditioner capable of delivering airflow at constant speed with the assistance of sensors.

2. Leadership in industrial standards. With its sustained innovation capacity, Haier has become a leader in the household appliances industry in the PRC and worldwide. At present, Haier holds a total of 66 expert seats in IEC and ISO, two international standardization organizations. Haier also holds 28 expert seats in UL standardization organization. Of the 90 proposal for the development of and amendments to international standards put forward by Haier, 43 proposals have been published and implemented. Haier ranks No. 1 among household appliances companies in the PRC in terms of the number of proposals raised. Haier took a leading role in the formulation of first international standards for fresh-keeping capabilities of refrigerators issued by IEC. Its proposal for electricity insulation wall technologies had been incorporated into IEC international standards. Haier has led or participated in the development of national/industrial standards and its amendments with a total of 410, marking the highest level of household appliance companies in China.

3. The proportion of invention patents was higher than 60%, and the network of global patents covers 25 countries and regions, making Haier the leader in household appliances companies in the PRC in terms of overseas invention patents. Haier has obtained more than one hundred international design awards, and was granted the unique gold award in China industrial design award for two consecutive years, demonstrating its industry-leading position. Apart from the 14 National Science and Technology Progress awards, it also obtained its first prize in 2016, which was unprecedented in the household appliances industry.

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

(III) Competitiveness of smart manufacturing

1. The core competitiveness of Haier’s smart manufacturing lies in its commitment to realizing long-term value for users through its user-oriented approach and the transition from large-scale manufacturing to large-scale customization. In practical operation, Haier has established eight global-leading sample interconnected factories, as well as the interconnected capabilities and ecological system covering the whole process. Such businesses cover refrigerators, washing machines, air-conditioners, water heaters, electric motors, molds and other fields, meeting our user's need for perfect experience in high-end personalized products and services. Such initiatives have produced notable effects: the orders from Creative Convergence customization in which users are involved in the whole process accounted for more than 10% of the total, and achieved the breakthrough which eliminated or shortened the period of the products in the warehouses. In addition, operational efficiency

throughout the process has been enhanced. (For example, development cycle for new products has been reduced by more than 50%, while order delivery cycle has been shortened by more than 70%).

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

(IV) Competitiveness in domestic market

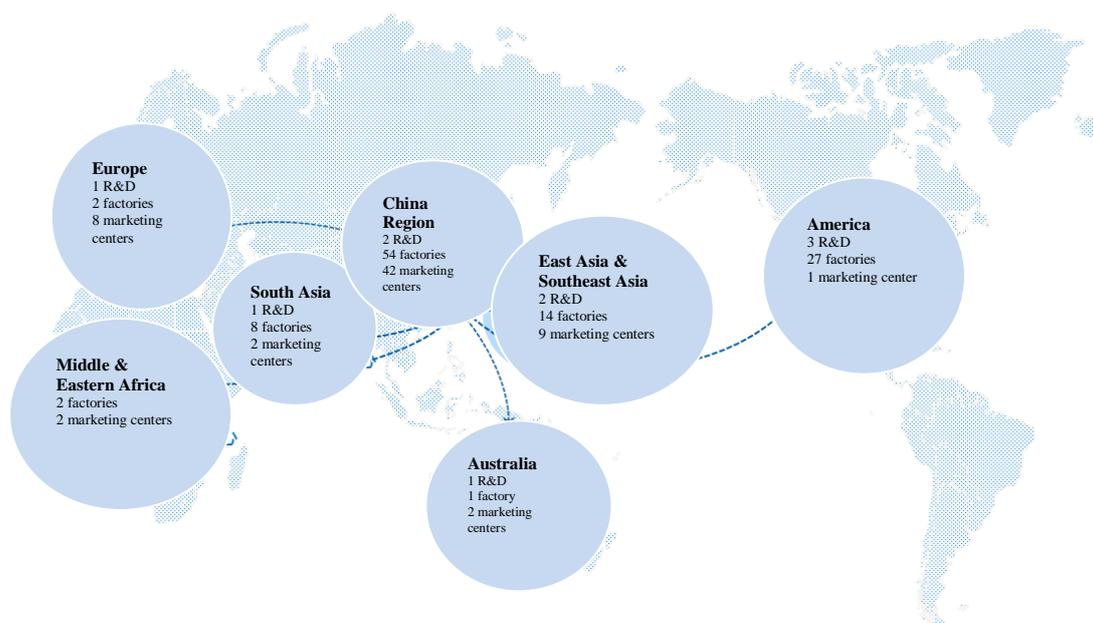
1. Through our diversified channel system, we have achieved full coverage of the first, second, third and fourth-tier-domestic market and provided convenient shopping experience anywhere, anytime. We have also maintained strong strategic cooperation relationship with professional chain for household appliances, such as Gome and Suning, as well as e-commerce platforms, such as Tmall and JD. In respect of our own channels, Haier has established more than 8,000 county-level stores, and more than 30,000 stores within town and country-level network. With regard to our comprehensive store channel, we have established a number of clubs, such as V58 and V140 Clubs, and maintained close cooperation with major enterprises engaging in regional distribution of household appliances.

2. The network of the warehouses of Gooday Logistics covers 100 cities and regions in the PRC, with a total storage area of 3 million square meters, and 90,000 motor vehicles for deployment. Gooday Logistics offers around-the-clock service combining delivery and installation, and is dedicated to providing users with comprehensive, timely and care-free services.

(V) Competitiveness in overseas market

We have been adhering to the strategy of building our own brand independently. The Company has completed its the trinity network comprising design, R&D and manufacturing, which helped us gain insight into and meet the needs of local consumers in a short time.

In 2016, the Company completed its acquisition of GEA, which ranked No. 2 in terms of market share in the market of household appliances in the U.S. There is strong complementarity between the two parties in R&D of technologies, market channels, categories of product as well as procurement and other aspects. The implementation of the project will promote the realization of synergies for each of the parties involved.



(VI) Cultural competitiveness

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

Section IV DISCUSSION AND ANALYSIS ON OPERATIONS

I. Discussion and Analysis on Operations

In 2016, the Company continued to push forward with the innovation-driven transformation, actively followed the trend of consumer upgrading, seized the opportunity of global mergers and acquisitions, promoted high-end branding and initiatives for globalization, and implemented the win-win mode of “individual-goal combination”. Through these efforts, the Company has consolidated its leading edge on global market while achieving sustained healthy development and bringing its overall performance to a new level.

Revenue of the Company for the year 2016 exceeded RMB100 billion and reached RMB119.07 billion, representing an increase of 32.59%. Excluding the effect of consolidating the financial results of GEA, the original businesses of the Company, i.e. refrigerator, washing machine, air-conditioner, kitchen products and logistic business recorded positive growth. Net profit attributable to shareholders of the Company amounted to RMB5.04 billion, representing an increase of 17.03%; net profit attributable to shareholders after deduction of non-recurring gain or loss amounted to RMB4.33 billion, representing an increase of 17.89%; net cash flows from operating activities amounted to RMB8.06 billion, representing a year-on-year increase of 43.73%.

Gross profit margin of the Company for the year 2016 was 31.02%, representing an increase of 3.09 pct pt. Excluding the effect of consolidating the financial results of GEA, gross profit margin of original business was 29.84%, representing an increase of 1.91 pct pt.

1. Global market: according to the survey data of large household appliances on the global market as published by Euromonitor, in 2016, the brands of Haier’s large household appliances accounted for 10.3% of the market share, the top ranking for eight consecutive years.

2. Domestic market: according to the statistics released by CMM, in 2016, retail sales of Haier’s refrigerators, washing machines and water heaters continued to expand the leading edge on the basis of maintaining the leading position: the share of refrigerators increased by 0.94 pct pt to 25.11%; the share of washing machines increased by 0.82 pct pt to 26.77%; the share of water heaters increased by 0.66 pct pt to 18.41%. The market share of retail sales of the air-conditioners of the Company was 10.09%, ranking third in the industry. In particular, the market share of smart air-conditioners of the Company was 34.76%, ranking No. 1 in the industry with clear competitive edge.

3. The U.S. market: according to the survey and research report issued by the Stevenson Company, in terms of share of sales, GEA’s market share in the U.S. household appliances market was 19%. The breakdown of share by products was as follows: 27.9% for kitchen electronic products, 20.7% for

dishwasher, 18% for refrigerator, 15.4% for washing machine. In particular, the market shares of kitchen electronics ranked No. 1 in the industry with clear competitive edge.

The above achievements was resulted from the Company's adherence to the direction of development during the reporting period, i.e. transformation, upgrading and globalization, and the promotion of the leading by iteration as well as structural upgrading. Such performance was also achieved through the Company's continued efforts in deepening and segmenting the online and offline networks, targeting the focus of marketing and enhancing the efficiency of retail sales, as well as the reasonable positioning of global distribution, enriching and consolidation of the capabilities in household and smart manufacturing ecological contents. The main initiatives were as follows:

I. Products: Setting up standards, enhancing R&D and adjusting structures

Building on the open R&D system around the world and through technological upgrade and disruptive innovation, we have been continuing to promote product iteration to provide users with best experience, and developing high-end and differentiated products to establish leading position in the industry.

(I) Refrigerators/freezers business

Taking a leading role in the development of standards, carrying out research and development on leading technologies, stepping up efforts in the network for developing high-end products, speeding up the popularization of refrigerators, promoting the development of different categories of products, such as multi-door & side-by-side refrigerators as well as T-type refrigerators, and leading the exploration of potential for future growth of the industry.

1. Took a leading role in the development of standards of the industry. Building on the world's first technology of separate storage for dry and wet items and precisely-controlled technology of separate storage for dry and wet items, Haier took the lead in developing the international standards for refrigerators issued by IEC, thus became the first Chinese household appliance enterprise which played a leading role in the formulation of international standards.

2. Launched industry-leading technologies. Haier has developed the world's first solid film refrigeration technologies without the use of compressors, a technology disrupting the conventional method of refrigeration, and has become a pioneer in the industrialization of the technology, which has been applied in Casarte wine cellar. The effects of zero noise, zero vibration and zero volatility in temperature satisfy the need of "wine cellar-style" experience by wine enthusiasts around the world.

Haier introduced the infrared thermostat technology iteration cell-level preservation technology, which came with smart air supply system to achieve accurate and precise temperature control. With this technology, we are able to offer customized food preservation solutions and achieve rapid refrigeration in 0.1 second, 2700 times faster than conventional refrigerators, thus achieving precise temperature control at an increment of 0.5 °C.

3. Maintaining the leading position of our products in terms of design, technology and utility. During the reporting period, Haier Star kitchen multi-door refrigerators, Haier T-type four-door refrigerators and Casarte Yunzhen (云珍) refrigerators successfully won the German IF design award, demonstrating the global competitiveness and leading edge in terms of design, technology, usability and other aspects of our refrigerator products.

4. Achieving robust growth with the introduction of high-end and differentiated products. With the change in consumption behaviors and family structure, there is an increasing need from residents for large capacity and flexible space. Therefore, domestic market in the PRC for multi-door & side-by-side refrigerators has greater potential for development than the market of developed countries. ① Launched drawer-type refrigerators with full-space preservation functions ranging from refrigerated storage to the frozen storage. Created a full-space preservation (refrigerated + frozen) drawer-type refrigerators category to achieve same effect equivalent to the supermarket for preservation of food ingredients at home. Since the launch in March 2016, drawer-type refrigerators have boosted the structural percentage of multi-door refrigerators in the industry from 20% to 30%; ② launched the Casarte Panoramic Space 622 refrigerator product and accelerated the high-end transformation, achieving leading position in the industry in terms of market share of products at the price of RMB10,000. ③ Introduction of the industry's first air-cooling refrigerators falling within the price range of lower than RMB1,500, thus igniting the general trend of popularization of air-cooled refrigerators from the previous direct-cooled refrigerators; according to the data of CMM, the market share of Haier's air-cooled refrigerators is 9.6 pct pt higher than the average level of the industry. In 2016, revenue from the Company's domestic multi-door & side-by-side refrigerator business grew by 23% and the share of revenue increased by 7 pct pt to 41%.

(II) Household air-conditioner business

In response to the trend of the household appliances industry towards offering comfortable and healthy experience and smart functions, the Company is dedicated to leveraging on leading technologies and creating differentiated consumer experience, and to forging high-end differentiated competitiveness with a focus on innovation in respect of intelligent and health product. According to data released by the China Industry Online, in 2016, sales of the air-conditioner industry grew by 2%, and the sales of Haier's air-conditioners grew by 9%, delivering better results than the overall performance of the industry.

1. Iteration of self-cleaning products. With the introduction of second-generation technology, we have achieved the thorough cleaning of indoor unit and outdoor unit, effective stripping of dirt and prevention of mold breeding, thus ensuring healthy airflow from the air-conditioners. In 2016, domestic sales of self-cleaning air-conditioners accounted for 40% of the total, representing an increase of nearly 30 pct pt, making notable contribution to the enhancement of overall profitability.

2. Developed the comfortable wind technology, warm-body bionic human technology and triple PID control technology, and introduced the wall-mounted/package air-conditioner products capable of generating comfortable airflow. Such products solved the pain points of users, i.e. the uncomfortable

experience or even “disease caused by the use of air-conditioner” as a result of the direct wind blowing out from ordinary air-conditioners. The series of products came with exclusive patented technology “airflow at constant speed with the assistance of sensors”, which enabled the automated adjustment of the speed of rotation and the frequency of compressors according to the distance between the human body and the air-conditioner. These features ensured the best wind speed and temperature and avoided the direct wind blowing at children playing in front of the air-conditioner.

3. Promoted the development of high-end market. In the second half of 2016, we launched the Casarte Yunding (云鼎) series of air-conditioner products, which were equipped with unique “BNT temperature automated balancing, self-control of dry and wet, and LIEP light ion purification” and other technologies to achieve various functions, such as temperature gap controlled by air-conditioners of no more than 1.0 °C, maintenance of golden humidity of 52%, automatic removal of PM0.3 particles, thus realizing the upgrade from the role of an air manager to the role of an ecological maintenance expert. The design of the products represented the perfect integration of western modern aesthetic and oriental traditional aesthetic cultures, which produced the remarkable sense of fashion and technology. The products gained a market share of 56% after being launched in the market segment in the price range of over RMB20,000.

4. Sales of smart air-conditioners far ahead of other players in the industry. The smart air-conditioner-based IOT transformation gradually became the point of new breakthrough for the enterprises in the industry. The interaction through experiencing became an important factor in the decision-making of purchasing, and the interaction transformation based on smart air-conditioner became a prevailing trend. As a result of the active development of smart products, Haier ranked No.1 in terms of sales volume in the segment of interconnected air-conditioners (including smart air-conditioners) with a market share of 23.6%, according to the report for the year 2016 published by Euromonitor.

5. Deployed resources for future development. Based on the potential of growth in the air-conditioner industry and market share of the Company, we have been actively planning the upgrade of interconnected factories in the southern, central-southern and central regions of China and promoting the large-scale smart interconnected customization. Our goal is to offer 15 million smart air-conditioners and maintain the first ranking in the industry in respect of smart air-conditioners in the upcoming three years.

(III) Central air-conditioner business

With a focus on customer’s needs, the Company has been adhering to the strategy of smart energy-saving, through building smart energy-saving user ecology with open resources to provide customized solutions, and maintained a fast growth of the central air-conditioner business. According to the data released by China Industry Online, in 2016, domestic market share of Haier’s central air-conditioner business increased by 0.7 pct pt.

1. Launched the industry’s first full series of customized products for energy-saving and retrofitting projects. This was the first time a full series of products were customized for energy-saving and retrofitting projects in the industry. As for the maglev energy-saving products, we continued to maintain

the leading position through iteration and launched the full falling-film maglev products with a capacity of 2,210 tons of refrigeration, the largest in the industry. In 2016, we made significant contribution to more than 130 energy-saving and power-saving commercial projects, which resulted in the reduction of 29,830 tons of carbon dioxide emissions. We also established a large number of sample projects in energy-saving and renewal, thus laying the foundation for igniting the energy-saving and renewal market in 2017.

2. Achieved the wireless connection of multi-split machines, the first time in the industry. With the launch of the MX8 wireless multi-split machines in 2016, as the pioneer in the industry the Company has achieved the wireless connection, saving time and costs for our users.

3. Achieved the 3.0 iteration for the smart cloud service, which provides continuous after-sales service to the users of our central air-conditioners. Remote control of switching on and off, temperature, mode of operation, entering and discharging of water of the maglev units were all materialized through technological upgrades. In addition, the connection of multi-split machines with cloud services were realized, and the remote management of distribution and centralized control for the multi-split machine projects have also been achieved.

(IV) Washing machine business

In response to the trend of energy-saving, health, and intelligence of the industry, the Company has been continuously delivering pioneering performance in the industry and leading the trend of development of the industry around the world with the support of and continued investment in our global R&D platform system. In 2016, revenue from sales of front-loading washing machines in the domestic market increased by 19%. According to the data released by CMM, in the segment of washing machines at the price range of RMB6,000 or above, the Company has secured a market share of 35%, outperforming foreign brands.

1. Direct-drive variable-frequency products offer smooth and quiet washing experience. Equipped with the direct-drive variable-frequency electric motor technology launched by the R&D resources of Fisher & Paykel, the washing machine demonstrates disruptive changes to the principle of driving the inner cylinder with belt in the electric motor of conventional washing machines. In this new model, the belt is replaced by the direct-drive variable-frequency electric motor, and the inner cylinder is directly driven by the electric motor. Thanks to these technology, the washing machine is able to deliver more smoothly and quieter operation performance. At the same time, the maximum speed of rotation of the inner cylinder can reach 1,600 rpm, which is more efficient than the ordinary electric motors with a speed of about 1,000 rpm, saving 50 minutes for the drying process.

2. Continued iteration of healthy washing technologies. ①With the application of our technology - “no water between the cylinders”, we have solved the challenge of laundries being polluted by the dirt existing between the inner and outer cylinders through the use of closed inner cylinder, which offers complete separation for the inner part of the inner cylinder from the interlayer between the inner and outer cylinders, thus helping the tidiness of the clothes and saving 30% of water. The Research and Application of Cleaning-free Technologies was granted the second prize of the National Science and

Technology Progress Award by China National Light Industry. ②The partition washing and caring technology continued to enjoy leading edge in the industry, and realized the separated washing of underwear/clothes and adult/children laundries. The Casarte Gemini Ella Washing Machine equipped with partition washing functions won the Red-Top Award. ③We have developed the ultrasonic collar washing technology, which is setting to the most common strains on clothes, such as the collar and sleeve, thus avoiding the damage to clothes resulting from scrubbing with hands.

3. Promoted the development of the technology of intelligent Internet of Things. The Company has promoted the research and application of intelligent washing technologies such as identification of laundries to optimize the washing experience with a cleaner laundry. With regard to application of IOT technologies, the functions of washing machine are expanded through IOT technologies, such as programmed washing and smart washing.

4. Mid-end and high-end products with obvious advantages. Based on FPA direct-drive electric motor, partition washing, 525 large diameter and laser welded inner cylinder as well as other leading technologies and modules, we have expanded the models under Casarte Gemini Ella product series, and introduced a number of new platforms, such as Casarte exponential Ella and Haier Purple Crystal, maintaining the leading position of new product launch.

(V) Water heater business

In line with the principle direction of safety, health, intelligence, energy saving and environment-friendliness, the Company continued to maintain its technical advantage in the field of electric water heaters, accelerating the development of gas water heater business and the commercialization of heat pump products. Revenue from the Company's domestic business of gas water heaters increased by more than 40%.

1. Originated electric water heaters with “double-effect water control and triple-step purification” for the industry, ensuring the health and safety of bath water. The unique feature of the product, i.e. clean water washing third-generation technology with “double-effect scale control and triple-step purification” is strengthened by more anti-scale factors to achieve a better water scale control throughout the waterways. We also released a report “*China National Standards on Healthy Quality of Bath Water in Water Heater Industry*” jointly with China Association for Standardization. It is the first bath water safety standards aiming to rectify the current unclear standards on quality of bath water.

2. Enhanced the level of energy-saving of electric water heaters and gas water heaters. ① Haier launched the industry's first “first-level of intelligence” SMART series of electric water heaters, which achieved intelligent energy-saving for our products. Building on the industry's first “cloud network and night power” function, such products are able to share data with the national grid, thus intelligent matching local regulations on peak to valley of power supply at night and pre-heating at night, which saves users' expenses on electricity. ②Together with China Academy of Space Technology, based on the principle of the aerospace propulsion technology, the Company developed oxygen-enriched combustion system, reducing energy consumption by 12.5% for its gas water heaters.

3. Launched gas water heaters with remote carrier wave smart control system, which was able to adjust water temperature through remote control. With greater efforts in technology research and development, the Company has promoted the civilian application of space technologies. Based on the technology of remote carrier wave control used in space exploration, the Company has developed a power carrier wave smart control system for gas water heaters. The system allows users to adjust water temperature through remote control without leaving the bathroom.

4. Applied the carbon monoxide conversion technology from space life monitoring system for more safe and environmental friendly. To solve the safe issues relating to carbon monoxide emissions, the Company has cooperated with Honeywell, and Tsinghua University to apply the carbon monoxide conversion technology from space life monitoring system into gas water heaters, reducing carbon monoxide emissions to merely 1.7% of that of the national emission standards.

(VI) Kitchen appliances business:

Leveraging on the world-leading platforms of R&D resources of FPA and GEA, the Company has developed tailor-made products for Chinese consumers to meet their requirements of Chinese cuisine, promoting the transition of high-end complete sets and multi-branding campaigns. The Company has established a system of a number of mainstream brands backing with a complete set of products, such as Haier, Casarte, GEA and Fisher & Paykel, and is able to meet various needs for kitchen appliances from different users and different home designs. In 2016, the sales volume of Casarte kitchen appliances series of product has been increased by more than 50%, while revenue from high-end kitchen appliances with a growth of 45%.

1. Product series of range hood

(1) Launched Yunchu (云厨) T892 series products with remote control. Thanks to the Yunchu system, we can operate these products with the mobile phones through remote control, such as power ON/OFF, wind speed, light and air purification.

(2) Launched ultra-quiet large suction range hood. Its large suction capacity of 20 cubic meters per minute and strong smoke concentration capacity are achieved with the support of the unique deep cavity 2.0 system and the deepening of the cavity from 50mm to 120mm. The innovative variable-frequency electric motor and excellent duct structure ensure the high efficiency and the excellent performance of super-quiet operation of the product.

(3) Cleaning-free C890 series with the flagship of health and convenience. Loaded with a core ring module, users are free from the range hood cleaning.

(4) Launched the Casarte Tianyue (天悦) series in collaboration with FPA to create an artistic kitchen featured by simplicity and quietness. Equipped with quiet module and round-shaped sliding touch module, the product series are designed to offer a simple and quiet artistic kitchen.

2. Stove products

(1) Together with the solid technical accumulation of GEA on kitchen appliances over a century, Haier launched Q8501, the gas stove product with five separated burners. As a product integrating both

Chinese and western elements, Q8501 is designed to create a new concept of consumption in professional cooking with separate zones.

With the precise temperature control and barbecue tray technology as well as its modules, the five burners gas stove has been expanded by 27%, offering a 1.1KW heat preservation zone, a 1.4KW stewing zone, a 1.4KW soup zone, a 1.1KW auxiliary heating zone and a 5.0KW stir-fry zone. Users are allowed to do steaming, cooking, stir-frying, baking and frying simultaneously, and assign different temperatures for different food, thus achieving professional-level cooking experience.

(2) We launched the QHA906U1 smart safe stove in collaboration with FPA. The smart stove was designed by the FPA team, equipped with Haier's U+wifi module and smart WIFI connection. Supported by the patented technology of dry heating prevention, the smart stove is able to detect the temperature inside the pot automatically. Under the circumstance where the pan is dried up, the gas will be cut to prevent harmful consequences away from safety risks.

3. Embedded oven products

① Launched high-temperature self-cleaning oven products. With the application of the hot air with constant temperature technology developed by GEA, the product is capable of performing carbonization decomposition of oil pollutants in the condition with a temperature of 420 degrees and is easy to clean, thus releasing users from the trouble of cleaning.

② Launched the product combining steaming and baking functions. The product offers innovative cooking method featured by the combination of steaming and baking.

4. Dishwasher products

Launched new categories of products and expanded in the full range of Xiaohaibei (小海贝) products (high-end, mid-end and low-end) iteration, and introduced the Chinese-style 45cm and 60cm Hybrid, the brand-new platform product series tailored for the needs of Chinese kitchens. In 2016, revenue from dishwasher business recorded a year-on-year increase of 48%.

II Domestic market: Engaging in retail business, strengthening sales terminals and improving efficiency

In the first quarter of 2016, the retail-driven system reform started in the domestic market with an aiming to fully change the traditional overstock model and the price war model, into the model of serving customers and the value competition. Stores were prepared well for the transformation from waiting for customers to community interaction. The percentage of mid-end and high-end products were increased by leveraging on the leading edge technologies and modules of Haier. The branding of the Casarte and its channels deployment were also sped up. Through these efforts, we aimed to better serve the continuously upgrading market with high-end products.

The market effect gradually emerged with the deepening of the retail transformation: Growth rate of revenue from China region recorded quarter-on-quarter increase in the third and fourth quarters. In 2016, the turnover days of commercial inventory decreased by 53%. In December 2016, the average factory price of products increased by 17% compared with that in December 2015.

1. Promoting to build up the marketing system of “Seeing is believing & experience is the king”.

Firstly, the Company promoted the sales terminal construction in accordance with the principle of “pleasant scenes, focus on demonstration, emphasis on interaction, enhancing structures” and let the products speak for themselves. The Company showcased the differentiated competitiveness of products endowed by leading technologies and modules in an intuitive and clear manner, and provided users with satisfactory experience. For instance, real model of self-cleaning air-conditioners were displayed in more than 10,000 stores, and the self-cleaning process and excellent quality were also demonstrated in power-on status. With regard to the washing machine industry, “coin erection” activities were organized to demonstrate the ultimate quiet and smooth washing experience brought by the FPA direct-drive variable-frequency electric motor through the scene of the coin maintaining upright position when the washing machine was operating at high speed.

Secondly, all staff were encouraged to engage in the introduction and demonstration of products. The Company promoted the PK activities in the introduction and demonstration of products to raise the professional aspects of products of our business staff, sales and customers.

Thirdly, the Company promoted the implementation of the 3UPs (upgrade in three aspects) standard for sales terminals: to improve the location of booths, enhance the image displayed and increase the market share in accordance with the requirement of “first position, first image, first market share”.

2. Promoting the establishment of the channel network system of “offline store, online store, Shuang micro-store” and broadened and deepened the entrance for the traffic of users.

Firstly, for the offline channels, the Company sped up the enhancement of the competitiveness of specialty stores and comprehensive stores. With regard to the specialty store channel, following the guidance of “focusing on the needs of users, onsite competitiveness, networks under the umbrella, as well as on the competitiveness of products”, the Company promoted the materialization of the leading models, and achieved the increase in the number of networks at county and township levels and the enhancement of competitiveness of stores. With regard to the comprehensive store channel, in response to the needs of key customers, the V58 Club and V140 Club were established with the exclusive interests and privileges as well as proprietary service teams developed. Indicators such as gross profits from customers and the turnover were improved through various measures, such as customization of products and enhancement of services.

Secondly, the Company promoted the development of e-commerce business. The department of e-commerce business was established to promote and strengthen the professional operation of the features of online channels. Coverage of mid-end and high-end products was added to the e-commerce channel, while the focus was switched from “price war” to “value war”, which resulted in an increase of average price. In 2016, retail sales of white goods through e-commerce terminal channels reached RMB13.5 billion, representing an increase of 64%. During the 11.11 Shopping Carnival, the Company became the champion in terms of sales in the category of large household appliances on the Tmall

platform for the fifth time, and Haier's flagship store ranked No.1 in terms of single-store sales among large household appliances stores on Tmall platform.

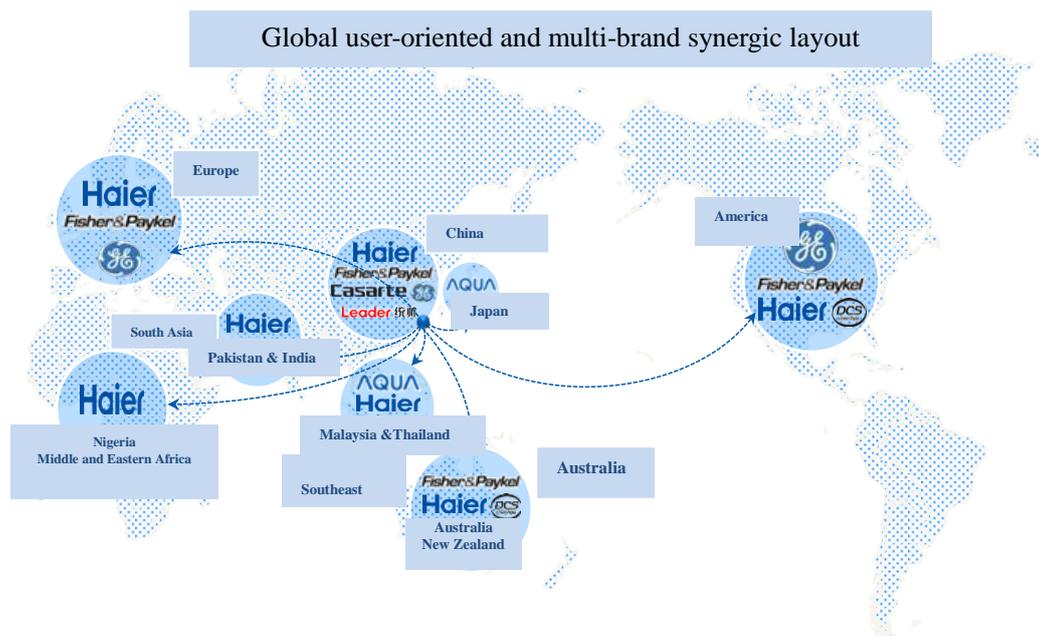
Thirdly, the Company promoted the transition to OTO of physical stores with the application of the model of Shunguang micro-stores. Under the real-time online model of Shunguang micro-stores, the products and booths, business hours and sales force can be expanded exponentially, thus significantly increased the traffic of users in the offline channels and accelerated the turnover of inventory and capital of physical stores. The number of micro-store owners reached 360,000. In 2016, the Shunguang platform recorded turnover of RMB1.12 billion, and successfully transformed the branded franchised stores into the interaction center for customer value.

3. Promoted the building of Casarte brand and the expansion of special channel networks, grasped the bonus from the upgrade of consumption.

For the Casarte brand, the Company have realized the emotional interaction and connection with consumers at various dimensions and constructed the high premium capability of the brand based on the orientation of "leading the change of high-end lifestyles" and through a number of campaigns, such as the "family marathon", "aesthetics trip for creative lifestyle" and sponsoring The 12 Tastes, a TV program produced by ZJTV. According to the Nilson 2016 annual high-end personnel research report, the popularity of Casarte brand reached 58%. In 2016, the number of exclusive display room and exclusive counters for Casarte brand exceeded 1,300, and the accumulated number of exclusive display room and exclusive counters exceeded 3,000, covering more than 60% of county-level market in the PRC.

III Overseas market: Building brands, promoting synergies and boosting effectiveness.

Completion of the acquisition of GEA marked the brand-new chapter of the globalization strategy of the Company: the remarkable transition from the globalization of a single brand to the cross-industry and cross-region globalization of multiple brands; from export to building brands, from local operations overseas to integration and synergy of global resources, and from "go global, dig deep in the market" to "go up". During the reporting period, in addition to the active development its original overseas business, the Company also made great efforts in promoting the all-round synergies with GEA and laid a robust foundation for the release of synergies.



1. Original overseas business maintained rapid growth.

Benefited from a number of factors, revenue from the Company's original overseas business increased by 16% in 2016. These factors included its persistent efforts in implementing the strategy of building overseas brand, promotion of the multi-brand operation across different regions, efforts in expanding Russia, India, Pakistan and other emerging markets, and deployment of resources in line with the national development strategy of "One Belt and One Road", development of customized business strategy based on local conditions, and the promotion of the mode of combining individual and goal.

(1) South Asian market: Trinity layout delivered remarkable result and boosted rapid growth.

① Revenue from the Indian market increased by 26%, with a market share of 5%. During the reporting period, the Company have stepped up its efforts in capability building in terms of products, channels and supply chains, etc., and launched glass-door refrigerators, cleaning-free washing machines, rapid cooling air-conditioners and other differentiated products; simplified channel structure and enhanced the network quality by 10%; promoted the expansion project of industrial park to lay a solid foundation of supply chain to increase the speed of response to local needs.

② Revenue from the Pakistan market increased by 18% while the overall share exceeded local brands and reached 22%, ranking No.1 among players in the market. The upgrading of product structure was promoted through the iteration growth of DC inverter air-conditioners. In addition, the Company also promoted network strategy with a focus on customer service, achieving growth of more than 30% in terms of the network of distributors.

(2) The European market: The effect of the strategy of offering high-end differentiated products was emerging gradually with a revenue growth of 17%, of which, mid-end and high-end products recorded a growth of 100%.

With the successive launch of 70CM-wide frostless combined multi-door refrigerators, a full range of Cube temperature-changing series products and Gemini Ella, the world's first double front-loading

washing machines, we have achieved growth of 100% over the previous level for such high-end products. In Italy, market share of our freezer products ranked first among industry players. In Russia, the production base reached its design capacity in the same year in which it was put into production, thus laying a solid foundation for the development of the Russian and Eastern European market.

(3) In Japan, despite the adverse conditions, such as the depreciation of the yen, the Company achieved growth in revenue and improvement in profits through adjustments in structure of products and structure of channels. In particular, revenue from AQUA commercial washing machines grew by more than 30%, and the market share of commercial washing machines reached 75%.

(4) In Southeast Asia, the Company has completed the switch of the “AQUA” brand in Vietnam and Indonesia market. The brand awareness of “AQUA” has been enhanced with the support of the products and manufacturing resources from the headquarter, which resulted in a successful introduction of products with differentiated competitiveness and the enhancement in structures. The Company has also focused on making breakthrough in channels of supply chains on the basis of conventional network of distributors to enlarge the coverage of its networks. In addition, the switch of the “AQUA” brand in Vietnam and Indonesia market was completed and the brand awareness of “AQUA” was raised.

(5) In Australia, upgrading of products was achieved through the cooperation with the FPA and the integration of resources with advantages from both parties. Revenue from Haier’s refrigerators increased by more than 50%, and revenue from Haier’s washing machines increased by 40%.

2. GEA delivered sound operational performance and its results was in line with expectations. Cooperative Initiatives in procurement, R&D, supply chains and channels were progressing smoothly.

(1) After the settlement of the transaction, GEA has been delivering healthy performance of operation, and better-than-expected results. In 2016, GEA contributed revenue of RMB25.83 billion and net profit attributable to shareholders of the Company of RMB435 million, net profit after non-recurring profit or loss attributable to the Company of RMB890 million. GEA also signed relevant agreements to add JC PENNEY to its portfolio of retail channels, the number of which has exceeded more than 1,000.

(2) Stable market position was achieved for each of GEA’s product lines. Its kitchen appliances still remained the leading position in the US market; market shares of refrigerators, washing machines, air-conditioners and dishwashers increased by 0.1 pct pt, 0.4 pct pt, 9 pct pt and 0.3 pct pt, respectively.

(3) Synergic development of GEA and Haier’s business in the U.S. were progressing smoothly. With the integration of the Company’s team with GEA, the integration and sharing of resources during the whole process covering R&D, product, channel, logistics, service and infrastructure has been achieved, which was beneficial to the Company’s overall planning and operation in the U.S. market.

(4) Promotion of the global synergic development and the organization and construction of the global operating platforms. While maintaining the independent operation of GEA, the synergy with various market of the Company around the globe throughout the whole process was also expanded, which involved not only ensuring the flexibility of each region, but also the optimization of efficiency through comprehensive regional and industrial cooperation. With the materialization of each initiative, the whole-process synergic platform was gradually delivering beneficial effects:

① **Synergic procurement.** In the second half of 2016, the Company have identified 142 synergic projects, resulting in synergic value of USD22 million, of which USD14 million was related to GEA. 162 synergic projected have been planned for 2017 with an annualized synergic value of USD55 million. With the deep mining of the global synergic procurement platform, the aggregated synergic value generated from 2016 to 2019 will grow from USD131 million estimated in June 2016 to a more aggressive target of USD311 million.

② **R&D collaboration.** Discussion and assessment in respect of all projects for the global-leading project synergy platform was completed on 17 March 2017. In the future, global sharing of R&D resources, product resources and module resources for all products under different brands (including Haier, GEA, Fisher & Paykel, AQUA) will be realized, which will accelerate the launch of leading products and minimize the problems of costs and efficiency incurred by redundant development. The probability of success of projects will be significantly increased as such projects will be carried out based on the local market survey and assessment conducted by the planning and development teams of global-leading products.

③ **Synergy of markets and supply chains.** As part of the Company's efforts in creating market synergy, mid-end and high-end refrigerators manufactured in the PRC have entered the mainstream channels (such as HomeDepot) in the U.S. With regard to medium to long-term planning, on the basis of integrating the resources of FPA, GEA and Mabe, the Company has made continuous efforts in promoting the leading position of the refrigerators of GEA in the mid-end and high-end segment of the U.S. market. To achieve the supply chains synergy, GEA has transferred the manufacturing of some models of front-loading washing machines, condensing dryers, top-loading washing machines and refrigerators to the manufacturing base in the PRC.

(IV) U+ smart homes: Reinforcing the smart scenes and expanding the ecological value

In 2016, under the guidelines of the U+ SmartLife 2.0 strategy, the Company pioneered in the application of artificial intelligence in smart household appliances and smart home scenes, with a view to improving the capacity of the U+ platforms and the experience of smart household appliances.

1. With a focus on value of Internet appliance products and value-added services, the Company developed new generation of full-range complete set of smart household appliances based on the interconnected feature of the whole scenes and closed-loop services.

The Company have improved the operating performance and enhanced the scene linkage experience for the new generation of complete sets of smart household appliances (Internet appliances).

Value users were activated and the activity was enhanced through the scenes and the establishment and operation of community for Internet appliance. In 2016, the number of users of the U+ SmartLife platform reached 41 million, and the accumulated number of devices connected to Internet appliances exceeded 15 million.

2. The Company released the UHomeOS, the first smart home operating system in the industry, which initiated and led the Industrial Alliance of Smart Life in China, and dedicated to create the ecology of smart life.

The Company released haimeng.com (海盟网), the open platform for ecological resources, and realized the seamless connection from user to Internet appliances and to the ecological environment, and the sharing of ecological resources within the Company. Along with the UHomeOS, the first smart home operating system in the industry, the Company also successfully launched the smart refrigerators equipped with UHomeOS. The Company initiated and led the Industrial Alliance of Smart Life in China and dedicated to create the ecology of smart life with the aim of building intelligent connection of various hardware.

3. The Company has have always attached great importance to participating in developing international standards and the protection of intellectual property rights. The Company has obtained the seat of chairman in the HETG Working Group of Wi-Fi Alliance and the seat in the OCF Board, and played a leading role in the development of standards owned by Working Group on Wireless Broadband for the connection of smart devices into the wireless networks. The Company has also applied for more than 150 patented technologies.

4. Strategic investment layout in respect of the critical nodes within the ecological circle of smart life.

The ecology of the smart home platform was complemented and enriched through the operation of the Haier SAIF Fund and the 22 innovative enterprises as the investment platform of the Company. In the field of smart hardware, the Company has invested in a number of companies, including those engaged in the business of smart oven, and companies engaged in robots for the education of children, etc. With regard to the IOT core technologies, the Company has invested in enterprises holding core technologies in various professional fields, such as IOT chips and vision of robots. In the field of ecological content services, we have deployed resources to develop laundry platforms on campus, platforms for VR content distribution, data systems for e-commerce, as well as companies offering entertainment content.

5. Actively promoting the exploration in community economy and the mode of application of big data in each ecological circle.

For the Xinchu refrigerator products, the Company offers users not only O2O one-hour home delivery and other daily life services, but also tracing the food ingredients throughout the whole supply process through joint efforts with suppliers of high-quality fresh products in building the ecological circle of cuisines. As for the air ecosystem, building on the network of sensors under the support of smart air-conditioners and using the real-time processing technologies and big data algorithm model, the

Company have achieved intelligent adjustment of temperature on the basis of providing comfortable experience for users. These efforts have delivered remarkable results. Taking the pilot program in Guangdong Province as an example, 38% of the online smart air-conditioners participated in energy-saving intervention, saving a total of 2600 kWh of electricity within 18 days, which can be translated into saving 0.23 kWh of electricity per hour.

(V) Interconnected factories and customization: interconnected factories engaged in cross-border activities through setting standards and creative convergence customization.

In line with the Made in China 2025 strategy, the Company has upgraded the intelligent system for supply chains, established the optimized management system based on big data analysis, intelligent decision-making and synergy throughout the whole process, and satisfied the personalized needs of users in a precise manner through a variety of customized solutions.

Haier's central air-conditioner interconnected factory was put into operation in October 2016, marking the establishment of 8 sample interconnected factories for the smart manufacturing of refrigerators, air-conditioners, washing machines, water heaters, molds and other products.

1. Participating in the development of industry standards and transiting from the role from a leader in models to a leader in standards. The Company participated in the development of 6 national standards for smart manufacturing, and delivered a total of 33 patents and 12 copyrights. The model of interconnected factories became the unique example being incorporated into the training textbooks of national standards for smart manufacturing, and the unique case in the industry being selected as one of the IEC standard cases.

2. Building the smart manufacturing system with output capacity.

① The Company set up Haier Smart Research Institute, accumulated technologies and standards, provided support for the upstream manufacturing section of household appliances industry, and served small and medium-sized enterprises and enterprises engaging in discrete manufacturing in accordance with the direction of "building on household appliances industry, targeting consumer goods and radiating to manufacturing industry". Meanwhile, the Company played a leading role in the establishment of Internet Industry Service Association of Jimo City, which offers smart manufacturing services for regional enterprises.

② Through transformation towards software and cloud technologies of the interconnected factories model, the Company has developed independently the COSMOPlat, its cloud platform for smart manufacturing. The platform is capable of providing various services, including smart transformation of knowledge, centralized sharing and big data analysis. These services are beneficial to the rapid replication of the fruits offered by interconnected factories and the reduction in costs of trial and error in the process of transformation and upgrading.

3. Promoting cross-border cooperation and leading the trend of the industry with a focus on personalized customization and experience in different scenes. In 2016, 1.09 million units of customized products were sold, representing an increase of more than 600%.

Through cross-border collaboration with providers of resources for IP images, the Company has built the community of fans and IP customization ecosystem with multiple contact points through interaction and diversion within the community. The Company also launched Hello Kitty series of household appliances and released a total of 11 Hello Kitty customized products under 6 major categories. As part of the first cross-border cooperation with branded furnishing companies, the Company launched the “fairy tale home”, which incorporated cartoon images and fairy tales into customized home furnishing products and customized appliances, thus creating exclusive bedrooms for children, and opening up new models of customization based on specific scenes featuring “household appliances + home furniture”. The customization platform also established strategic cooperation with babytree.com (宝宝树), the largest e-commerce platform for mother & baby community in the PRC, and built the community matrix for mother & baby scenes. Customized products were offered based on the needs and pain points of the mother & baby community such as refrigerators with the image of the Mickey Mouse customized for children and Beixiang (贝享) air-conditioner exclusively designed for children.

(VI) Logistics business: Rapid growth in e-commerce business and continuous exploration of new territories.

The social logistics business is comprised of logistics for e-commerce business, logistics for home furniture business and contract logistics services of other third parties. Revenue from social logistics business recorded an increase of 19% in 2016.

1. With the support of high-quality and highly-efficient services and good reputation, Gooday e-commerce logistics business recorded a year-on-year increase of more than 65%. On the Tmall platform, which is one of its strategic partners, Gooday Logistics was mainly engaged in the delivery of large-format household appliances under multiple brands. In 2016, the number of order delivered increased by more than 80% as compared to the last year, and ontime delivery rate reached 98%.

2. Actively seeking to expand its e-commerce customer base for logistics of goods besides household appliances: Currently, Gooday is serving various sectors on the Alibaba platform, including fitness equipment, bikes and furniture. In addition, Goodaymart Logistics also assisted customers in constructing goods collections warehouses, provided full-process system support and premium delivery and installation services to explore other new driving forces for growth. Gooday also developed and launched end-to-end logistics services for third party customers such as Tmall. These new logistics services included full-channel logistics services to Tmall merchants such as one-stop delivery and installation services and replacement services.

3. Upgrading its own building capacity of logistics business.

① Gooday Logistics continued to intensify its efforts in enhancing its capabilities of truck-loading,

warehousing, distribution, delivery, installation and information platform. Its warehouse network covers 100 cities and districts across the country with a storage area of approximately 3 million square meters and with approximately 90,000 motor vehicles available for deployment. Gooday Logistics is capable of providing one-stop solution for supply chain management for large-format items with its nationwide coverage.

② Gooday Logistics strived to promote information technology upgrade and realized real-time synchronisation of order information along the full-process logistics hubs by constructing a centralized database for data sharing. System upgrade improved the response time for placing an order and enhanced the efficiency of management. During the peak season on and around the 11.11 Shopping Carnival, speed of order placement and capability for order processing were substantially enhanced, with speed of order placement reaching “millisecond” level and time for order analysis was shortened from 1 minute to 10 seconds, which significantly improved order throughput during the 11.11 Shopping Carnival.

③ Gooday established the Gooday furnishing service platform to serve online sales of furniture and entered into investment agreements with strategic partners such as CAINIAO and Yihua Group with an aim to expand rapidly in the large furniture sectors. As at the end of 2016, Gooday’s furniture delivery and installation services covered more than 2,800 districts and counties across the country. It currently provides nationwide warehousing, delivery and “last mile” installation services to more than 100 customers.

II. Principle operating conditions during the reporting period

Please refer to the information contained in this section headed “ I. Discussion and Analysis on Operations”.

(I) Analysis of principal business

Table of movement analysis on the related items in income statement and cash flow statement

Unit and Currency: RMB

	Current period	Corresponding period of last year	Change (%)
Operating revenue	119,065,825,201.51	89,797,165,994.89	32.59
Operating cost	82,126,882,211.95	64,717,124,609.39	26.90
Sales expense	21,254,103,195.32	13,108,350,234.27	62.14
Administration expenses	8,382,442,112.27	6,553,796,904.32	27.90
Financial expenses	720,894,816.45	-513,893,437.86	240.28
Net cash flows generating from operating activities	8,054,704,601.30	5,604,166,955.11	43.73
Net cash flows generating from investing activities	-39,596,428,957.97	-10,273,403,690.47	-285.43
Net cash flows generating from financing activities	29,825,049,021.92	-1,895,610,696.23	1,673.37
Research and development expense	3,281,009,716	2,461,440,962	33.30

Taxes and surcharge	687,765,274.77	397,322,076.47	73.10
Loss of impairment on assets	490,548,371.52	306,317,968.55	60.14
Interests of changes on fair value	94,648,076.07	-90,223,059.50	204.90
Non-operating income	1,423,040,258.36	618,462,711.21	130.09
Non-operating income expense	357,394,654.35	95,916,162.05	272.61
Income tax expense	1,491,865,997.46	1,055,692,837.09	41.32
Other comprehensive income, net of tax	-42,509,624.71	73,297,094.11	-158.00

Analysis of the relatively significant changes in indicators is as follows:

(1) Operating revenue increased by 32.59% as compared with the beginning of the period, which was mainly due to such revenue of GEA contributed to the Company since the acquisition of GEA and the endogenous growth of the original business of the Company;

(2) Taxes and surcharge increased by 73.1% as compared with the beginning of the period, which was mainly due to the consolidation of all relevant taxes during the course of operating activities into the accounting item of taxes and surcharge this year according to the CAIKUAI No. [2016]22 Value Added Tax Accounting Treatment Regulations issued by the MOF;

(3) Loss in assets impairment increased by 60.14% compared with last year, which was mainly due to such loss of the GEA's business consolidated in the Company since the acquisition of GEA;

(4) Income of changes in fair value increased by 204.9% compared with last year, which was mainly due to the influence of change in fair value of derivative financial instruments such as forward exchange;

(5) Non-operating income increased by 130.09% compared with last year, which was mainly resulted from the disposal of non-current assets and increase of government subsidies for the period;

(6) Non-operating expenses increased by 272.61% compared with last year, which was mainly due to the expenses for the optimization and upgrading of part of assets of GEA after the acquisition of GEA;

(7) Income tax increased by 41.32% compared with last year, which was mainly due to the growth of the Company's profit and increase of deferred tax liabilities;

(8) Other comprehensive income, net of tax decreased by 253.37% compared with last year, which was mainly due to change of the accounting policy in equity investment of Bank of Qingdao held by the Company and increase of exchange differences of financial statements denominated in foreign currencies for the period.

1. Analysis on revenue and costs

Applicable Not Applicable

(1). Operating activities by industries, products and regions

Unit and Currency: RMB0'000

Principle operating activities by products

By product	Operating revenue	Operating cost	Gross profit margin (%)	Operating revenue increased/decreased yoy (%)	Operating cost increased/decreased yoy (%)	Gross profit margin change yoy (%)
Air-conditioners	1,867,642	1,264,596	32.29	14.93	8.43	Increased by 4.05 pct pt
Refrigerators	3,625,474	2,426,015	33.08	31.41	30.36	Increased by 0.54 pct pt
Kitchenware and sanitary ware	1,901,392	1,118,789	41.16	187.19	199.88	Decreased by 2.49 pct pt
Washing machines	2,347,995	1,534,620	34.64	34.40	33.76	Increased by 0.31 pct pt
Equipment components	258,476	242,510	6.18	42.17	53.81	Decreased by 7.10 pct pt
Channel integrated services business and others	1,849,941	1,609,775	12.98	-4.98	-8.22	Increased by 3.07 pct pt

Note: Revenue of the original core white goods business of the Company (excluding the impact of GEA) increased by 6.15%. Revenue from refrigerator was RMB28.5 billion with an increase of 3.32%; revenue from air-conditioner business was RMB17.4 billion, with an increase of 6.98%; revenue from kitchen products business was RMB7.6 billion, with an increase of 15.50%, and revenue from washing machine business was RMB18.6 billion, with an increase of 6.31%.

(2). Analysis of production and sales

√Applicable □ Not Applicable

Main Products (10k units / set)	Production	Sales volume	Inventory	Production increased/decreased yoy (%)	Sales volume increased/decreased yoy (%)	Inventory increased/decreased yoy (%)
Home appliance	5,335	6,585	811	17.25	19.37	70.04

(3). Analysis of cost

Unit: RMB0'000

Sub-industry							
Sub-industry	Component of cost	2016	% as of total cost(%)	2015	% as of total cost (%)	Changes in amount (%)	Remarks
Household electric appliance industry	Raw materials	5,450,795.44	85.92	4,040,052	88.84	34.92	
	Labor	406,834.63	6.41	148,587	3.27	173.80	
	Depreciation	137,048.97	2.16	54,300	1.19	152.39	
	Energy	49,489.27	0.78	39,694	0.87	24.68	
	Others	299,852.54	4.73	264,999	5.83	13.15	

(4). Major customers and major suppliers√Applicable Not Applicable

Revenue from the top five customers was RMB22,595.76 million, representing 19.0% of the total sales for the year; among the revenue from the top five customers, the revenue from related parties was RMB2,690.03 million, representing 2.3% of the total sales for the year.

The purchase amount from the top five suppliers amounted to RMB27,158.73 million, representing 24.3% of the total purchase amount for the year; among the purchase amount from the top five suppliers, the purchase amount from related parties was RMB21,023.38 million, representing 18.8% of the total purchase amount for the year.

Note: The purchase amount/sales from related parties abovementioned exclude those transaction between the Company and the joint ventures such like Wolong Electric Zhangqiu Haier Motor Co., Ltd..

2. Expenses√Applicable Not Applicable

(1) Selling expenses increased by 62.14% compared with last year, which was mainly due to such expenses of the GEA's business consolidated in the Company since the acquisition of GEA for the period;

(2) Financial expenses increased by 240.28% compared with last year, which was mainly due to the increase of average balance of borrowings and foreign currency exchange loss for the period.

3. R&D expenditure**Table of R&D expenditure**√Applicable Not Applicable

	Unit: RMB
R&D expenditure	3,185,610,734
Capitalised R&D expenditure	63,150,605
Total R&D expenditure	3,248,761,339
Total R&D expenditure as a percentage in operating revenue (%)	2.7
Number of R&D personnel	10,293
Number of R&D personel as a percentage in total employees (%)	13.8
Proportion of capitalization of R&D expenditure (%)	1.9

4. Cash flows√Applicable Not Applicable

(1) Net cash flow from operating activities increased by 43.72% from last year, which was mainly benefited from the increase of collection of sales payment and improvement of profitability;

(2) Net cash flow from investing activities decreased by 285.43% compared with last year, which was mainly due to the payment in cash for the acquisition of GEA;

(3) Net cash flow from financing activities increased by 1607.73% compared with last year, which was mainly due to the financing raised for the acquisition of GEA.

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

Applicable Not Applicable

(III) Analysis of assets and liabilities

Applicable Not Applicable

1. Assets and liabilities

Unit: RMB

	As the end of 2016	As a percentage of total assets in 2016 (%)	As the end of 2015	As a percentage of total assets in 2015 (%)	Change in percentage yoy (%)
Financial assets at fair value and its change consolidated in profit/loss for the year	80,432,384.17	0.06	22,069,897.04	0.03	264.44
Accounts receivable	12,247,244,097.66	9.33	6,046,443,252.84	7.96	102.55
Other receivables	1,180,418,052.75	0.90	544,784,127.95	0.72	116.68
Inventories	15,237,942,420.85	11.61	8,563,533,478.52	11.27	77.94
Other current assets	2,653,444,588.12	2.02	1,451,065,197.30	1.91	82.86
Available-for-sale financial assets	1,555,878,717.05	1.19	2,837,318,201.20	3.74	-45.16
Long-term equity investments	11,057,819,628.14	8.42	4,958,908,333.93	6.53	122.99
Investment properties	34,600,393.37	0.03	12,263,821.02	0.02	182.13
Fixed assets	15,539,046,885.38	11.84	8,424,171,471.44	11.09	84.46
Intangible assets	7,242,420,479.44	5.52	1,454,295,538.84	1.91	398.00
Development expenses	913,283,796.32	0.70	78,064,195.82	0.10	1,069.91
Goodwill	21,004,123,145.39	16.00	392,484,932.55	0.52	5,251.57
Deferred income tax assets	1,592,009,404.59	1.21	971,104,962.70	1.28	63.94
Other non-current assets	858,461,388.86	0.65	399,084,091.53	0.53	115.11
Short-term borrowing	18,165,531,879.15	13.84	1,873,108,241.50	2.47	869.81
Financial liabilities at fair value and its change consolidated in profit/loss for the year	2,340,213.20	0.00	7,707,414.12	0.01	-69.64
Accounts payable	20,594,203,310.08	15.69	14,662,615,841.25	19.30	40.45
Prepayments	5,734,732,855.06	4.37	3,143,416,387.59	4.14	82.44
Payables for staff's remuneration	2,404,380,458.59	1.83	1,233,660,965.57	1.62	94.90
Tax payable	1,620,463,062.11	1.23	913,622,526.14	1.20	77.37
Interests payable	30,570,328.66	0.02	15,081,416.34	0.02	102.70
Other payables	9,363,015,551.12	7.13	6,091,623,233.28	8.02	53.70
Non-current liabilities due within one year	2,966,808,509.55	2.26	72,898,028.33	0.10	3,969.81
Long-term borrowing	15,530,801,311.80	11.83	297,241,293.20	0.39	5,124.98
Debentures payable			1,107,734,516.43	1.46	-100.00
Long-term Payables	115,783,382.28	0.09	59,916,852.02	0.08	93.24
Long-term payables for staff's remuneration	1,206,510,917.33	0.92	33,209,406.02	0.04	3,533.04
Other non-current	582,785,069.86	0.44	0	0	100

liabilities					
Treasury stock	1,041,960.00	0.00	77,604,544.70	0.10	-98.66

Other explanations

(1) Financial assets measured at fair value and its change consolidated in profit/loss for the year increased by 264.44% as compared with the beginning of the period, which was mainly due to the change in fair value of derivative financial instruments such as forward exchange contract for the period;

(2) Accounts receivables increased by 102.55% as compared with the beginning of the period, which was mainly due to such receivables of GEA consolidated after its acquisition for the period;

(3) Other receivables increased by 116.68% as compared with the beginning of the period, which was mainly due to those amounts upon the acquisition of GEA for the period;

(4) Inventories increased by 77.94% as compared with the beginning of the period, which was mainly due to the increase of procurement and production in response to the increase in customer orders at the end of the year and such inventories of GEA being included upon its acquisition;

(5) Other receivables increased by 116.68% as compared with the beginning of the period, which was mainly due to those amounts upon the acquisition of GEA for the period;

(6) Other current assets increased by 82.86% as compared with the beginning of the period, which was mainly due to the increase in deductible VAT and bank financial products;

(7) Available-for-sale financial assets decreased by 45.16% as compared with the beginning of the period, which was mainly due to the change of accounting methods in equity investment of Bank of Qingdao by reclassifying the available-for-sale financial assets into long-term equity investments for the period;

(8) Long-term equity investments increased by 122.99% as compared with the beginning of the period, which was mainly due to the change of accounting methods in equity investment of Bank of Qingdao by reclassifying the available-for-sale financial assets into long-term equity investments and such investments of GEA being included upon its acquisition for the period;

(9) Investment properties increased by 182.13% as compared with the beginning of the period, which was mainly due to the change of use of part of the properties and the reclassification from fixed asset for the period;

(11) Fixed assets increased by 84.46% as compared with the beginning of the period, which was mainly due to such assets of GEA being included upon its acquisition for the period;

(12) Intangible assets increased by 398% as compared with the beginning of the period, which was mainly due to such assets of GEA being included upon its acquisition for the period;

(13) Development expenses increased by 1069.91% as compared with the beginning of the period, which was mainly due to such expenses of GEA being included upon its acquisition for the period;

(14) Goodwill increased by 5251.57% as compared with the beginning of the period, which was mainly due to the acquisition of GEA under different control for the period;

(15) Deferred income tax assets increased by 63.94% as compared with the beginning of the period, which was mainly due to such assets of GEA being included upon its acquisition for the period;

(16) Other non-current assets increased by 115.11% as compared with the beginning of the period, which was mainly due to such assets of GEA being included upon its acquisition for the period;

(17) Short-term borrowings increased by 869.81% as compared with the beginning of the period, which was mainly due to the debt financing for acquisition of GEA and new liquidity borrowing of part of the subsidiaries for the period;

(18) Financial liabilities measured at fair value and its change consolidated in profit/loss decreased by 69.64% as compared with the beginning of the period, which was mainly due to the change in fair value of forward financial instruments such as forward exchange contract for the period;

(19) Accounts payables increased by 40.45% as compared with the beginning of the period, which was mainly due to such payables of GEA being included upon its acquisition for the period;

(20) Prepayment increased by 82.44% as compared with the beginning of the period, which was mainly due to customer orders surged up at the end of the year;

(21) Payables for staff's remuneration increased by 94.9% as compared with the beginning of the period, which was mainly due to such remuneration of GEA being included upon its acquisition for the period;

(22) Tax payable increased by 77.37% as compared with the beginning of the period, which was mainly due to part of such taxes being accrued but not yet actually paid;

(23) Interests payable increased by 102.7% as compared with the beginning of the period, which was mainly due to the increase of borrowings for the period;

(24) Other payables increased by 53.7% as compared with the beginning of the period, which was mainly due to such payables of GEA being included upon its acquisition for the period;

(25) Non-current liabilities due within one year increased by 3969.81% as compared with the beginning of the period, which was mainly due to such liabilities of GEA being included upon its acquisition and bonds payable of the subsidiaries being reclassified into non-current liabilities due within one year for the year;

(26) Long-term borrowings increased by 5124.98% as compared with the beginning of the period, which was mainly due to the debt financing for acquisition of GEA for the period;

(27) Debentures payable decreased by 100% as compared with the beginning of the period, which was mainly due to such debentures of the subsidiaries being reclassified into non-current liabilities due within one year;

(28) Long-term payables increased by 93.24% as compared with the beginning of the period, which was mainly due to the equity investment from National Development Bank in one subsidiary of the Company for the period;

(29) Long-term payables for staff's remuneration increased by 3533.04% as compared with the beginning of the period, which was mainly due to such payable of GEA being included upon its acquisition for the period;

(30) Other non-current liabilities increased by 100% as compared with the beginning of the period, which was mainly due to the change in fair value of hedging instruments for the period;

(31) Treasury stock decreased by 98.66% as compared with the beginning of the period, which was mainly due to the cancellation of part of treasury stock for the period.

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

Applicable Not Applicable

3. Other explanations

Applicable Not Applicable

(IV) Analysis on industry operating information

Applicable Not Applicable

(V) Analysis on investment

1. Overall analysis on external equity investment

Applicable Not Applicable

During the reporting period, investments in external significant equities (assets) of the Company are as follows:

Summary	Index for details
<p>Acquisition of GEA: On 14 January 2016, the Company entered into the Equities and Assets Purchase Agreement with General Electric Company, according to which, the Company intended to acquire the household appliances business of General Electric Company and relevant assets in cash for a consideration of US\$5.61 billion (It's actually paid US\$5.4 billion after adjustment of the basic consideration according to the Equities and Assets Purchase Agreement).</p>	<p>More details, please refer to the Report on the Execution of Acquisition of Major Assets by Qingdao Haier Co., Ltd. published on the four major securities newspapers and the website of Shanghai Stock Exchange on 12 January 2017, and other related announcements published by the Company during the year of 2016.</p>
<p>Subscription for the Capital Increase of the Finance Company: The Company's holding subsidiary and its related party subscribed for the capital increase of Haier Group Finance Co., Ltd. (hereinafter referred to as the "Finance Company") based on their respective existing percentage of shareholding by unallocated profits; whereas, the subsidiary of the Company subscribed for capital increase of RMB294 million and the related party of the Company subscribed for capital increase of RMB406 million.</p>	<p>More details, please refer to the Announcement of Qingdao Haier Co., Ltd. on Capital Increase of Haier Group Finance Co., Ltd. and Related-party Transaction (L 2016-053) published by the Company on the four major securities newspapers and the website of Shanghai Stock Exchange on 31 August 2016.</p>

(1) Significant equity investment

Applicable Not Applicable

Please refer to the "Subscription for the capital increase of the Finance Company" under the section of "1. Overall analysis on external equity investment" as mentioned above.

(2) Significant non-equity investment√Applicable Not Applicable

Please refer to the “Acquisition of GEA” under the section of “1. Overall analysis on external equity Investment” as mentioned above.

(3) Financial assets measured at fair value√Applicable Not Applicable

Unit: RMB

Financial assets measured at fair value	Initial cost of investment	Sources of funds	Purchase / sale in 2016	Investment income in 2016	Changes in fair value in 2016
Bank of Communications (601328)	1,803,769.50	Own funds		367,808.04	-912,708.84
BAILIAN (600827)	154,770.00	Own funds			-138,251.88
Eastsoft (300183)	18,713,562.84	Own funds			-1,758,793.50
Others	2,358,797.02	Own funds	1,317,584.60		-174,694.47
Forward foreign exchange contract				-9,217,370.89	83,266,828.84
Total	23,030,899.36		1,317,584.60	-8,849,562.85	80,282,380.15

(VI) Material Assets and Equity Disposal Applicable √Not Applicable**(VII) Analysis on Major Controlling Companies**√Applicable Not Applicable

Unit: RMB0'000

Name of company	Scope of business	Total assets	Net assets	Net Profit
Haier Electronics Group Co., Ltd.	Production and sale of home appliances	3,601,906	1,828,884	280,404
Qingdao Haier Air Conditioner Co., Ltd. (青岛海尔空调器有限总公司)	Air conditioner products	421,263	392,842	75,545
Haier US APPLIANCE SOLUTIONS, INC.	Equity holding in GEA	4,594,930	1,303,292	47,455

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

(VIII) Information on the Main Structure Controlled by the Company Applicable √Not Applicable

III. Discussion and Analysis on the Future Development of the Company

(I) General Conditions and Trends of the Industry

Applicable Not Applicable

For details, please refer to “SECTION III SUMMARY OF THE COMPANY’S BUSINESS” in this report.

(II) Development Strategy of the Company

Applicable Not Applicable

After more than 30 years of development, the Company has become into a global enterprise with a dozen of world-class brands. The Company will promote its global market share and operational efficiency by promoting the “global user-oriented and multi-brand synergic cooperation” through the “global trinity layout for the solution of best experience for users”. In the face of the opportunities and challenges in the IOT era, the Company will drive the transformation from electric appliance to Internet appliance and further to website based on the orientation of “building the ecological platform for smart homes in the IOT era” in order to meet consumer’s needs for smart home. On the model of combing individual and goal, the Company continued to drive the global transformation in order to establish the global guarantee system with small and micro-organizations as basic units, leading the explosive growth globally.

(III) Operation Plan

Applicable Not Applicable

The Company will maintain the leading position in the worldwide white goods industry by ranking No.1 in various segments, such as refrigerator, washing machine and water heater while the leading edge expanded continuously by the iteration of products. The air conditioner business of Haier achieved a sustainable development by speeding up the expansion of channels and the construction of the supply chain for smart air-conditioner based on its leadership in product interaction. With regard to the kitchen electronics industry, the Company will enhance the competitiveness of the products through integration with the technical advantages of GEA and FPA, driving the establishment of network of channels and supply chains to achieve overtaking its competitors.

(I) Domestic market: Focused on the strategic objective of becoming the first in various aspects, the Company will concentrate on forging competitiveness on products, channels, logistics and services, speed up the establishment of leading position across the e-commerce channels, expand the market in the counties, towns and villages, and explore incremental channels such as home furniture. Meanwhile, promote Internet marketing and create the innovative community interaction platform combining online stores, offline stores and micro-stores on the Internet, with the aim of transforming from serving customers to serving life-long users.

(II) Overseas market: The Company will further promote the global branding strategy landing and gain market share at the high-end segment associated with other action including 1) upgrade the local layout and model transformation in respect of R&D, manufacturing and marketing and improve

operational efficiency; 2) effectively realize the synergy with GEA and FPA and promote the release of synergies; 3) Strengthen multi-brand collaboration in various regions to effectively increase overall market share through the development of clear brand positioning; 4) optimize the layout of global supply chain and reduce production costs and logistics costs.

(III) U+ SmartLife platform: With a focus on the strategy for ecological platform, the Company will continue to enrich and enhance relevant capabilities, empower small and micro-organizations and promote the adding value to the ecology of scenes and its prosperity. Concentrated on the optimization of artificial intelligence, core technological capabilities in respect of Internet appliance big data and IOT platform, the Company will enhance the user experience on the platform and promote the increase of product value; Targeting to increase model coverage of Internet appliance for the complete set of smart household appliances and increase the number of smart scenes, the Company will improve the mechanism for the management process of the full life-cycle of smart household appliance products to boost the growth of sales of smart products (Internet appliances); Meanwhile the Company will create ecology of and attract more partners to join the smart scenes, and achieve the sustainable and synergic appreciation of the ecological systems.

(IV) Interconnected factories and creative convergence customization:

1. Interconnected factories: Reorganizing Haier's smart manufacturing assets and business, the Company will turn the COSMOPlat platform into a new industry of smart manufacturing ecological services, and provide overall solutions of transformation and upgrading in respect of smart manufacturing of external enterprises.

2. The Company will promote the automation of the Company's own supply chain system, the integration of information facilities and on-site implementation, and further improve the efficiency of mass customization in its interconnected factories.

3. Creative convergence customization: The Company will continue to introduce resources of designers, third-party ecological resources, and create a win-win open platform through joint efforts. Besides, the Company will integrate mother & baby communities and home improvement groups, explore the extended demands for products through in-depth contact with the communities, and achieve customization consumption at the scenes in the process of interaction and experiencing.

(V) Logistics business: The Company will promote the building of capacity related to the process solution for logistics supply chains, achieve optimization of efficiency of customer supply chains and consumer experience, and build the end-to-end large-format logistics network with most extensive coverage and deepest penetration in China.

(IV) Potential risks

Applicable Not Applicable

1. Risk of soft demand due to a slowdown in macro economic growth. As white home appliance products fall into the category of durable consumer electronic products, the income level and expectation on future income growth will have an effect on the purchase of white goods. In the event of a slowdown

in the macro economic growth, which will decrease the purchasing power of consumers, growth of the industry will be adversely affected. In addition, uncertainties from the real estate market will have some negative effect on market demand, which will in turn have some indirect effect on demand for home appliance products.

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

3. Risk of rise in cost. Bulk raw materials such as copper, aluminum, steel plate, and oil-related plastic particles and foam materials account for a large proportion in the cost of white goods production. Given the noticeable upward trend of price of the bulk raw material in the fourth quarter of 2016, the Company will endure more cost pressure if price of raw material continues to rise in 2017. The freight cost constitutes a larger proportion of the selling expenses; and the freight cost has risen due to restrictions on “three excess” by the government in the logistics industry.

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

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

(V) Others

Applicable Not Applicable

IV. Explanation of circumstances and reasons for non-disclosure by the Company in consideration of inapplicable regulations, state secrets and commercial secretes

Applicable Not Applicable

SECTION V SIGNIFICANT EVENTS

I. Proposal for Profit Distribution of Ordinary Shares or Capital Reserve Conversion in to the Increase in Share Capital

(I) Formulation, implementation or adjustment of the cash dividend policies

Applicable Not Applicable

The Company's 2015 profit distribution plan was passed on its Annual General Meeting in May 2016: Based on the Company's total existing shares of 6,097,630,727, it is proposed that the Company will distribute cash dividends of RMB2.12 (tax inclusive) per 10 shares to all shareholders, with a total expected amount before tax of RMB1,292,697,714.12. The plan has been implemented and completed in July 2016. Details are set out in the Announcement of Qingdao Haier Co., Ltd. on the Implementation of Profit Distribution for 2015 (No. L2016-047) published by the Company on the four major securities newspapers and the website of Shanghai Stock Exchange on 20 July 2016.

The Company has always applied the sustainable profit distribution policy. During the reporting period, the Company strictly followed the requirements set out in the Articles of Association and formulated "Shareholder Return Plan for the Next Three Years (2015 -2017)". During the formulation of the profit distribution plan, the Company took full account of return for investors, the long-term interests of the Company, overall interests of all shareholders and sustainable development of the Company, and provided investors an opportunity to share the growth of value, so that investors could form the expectation of a stable return. The procedures and mechanisms for decision-making such as Articles of Association and planning system of return of shareholders were complete in compliance with laws and regulations. The process was open and transparent while the standard and ratio of dividends was clear. Responsibilities of independent directors were clear during the policy-making process, and independent directors were given the opportunities to play their roles. Minority shareholders were also given the opportunity to fully express their views and demands, and the legitimate interests of minority shareholders were adequately protected.

The dividend distribution plan of 2016 of the Company: Based on the total shares as at the date of profit distribution, it is proposed that the Company will distribute cash dividend of RMB2.48 per 10 shares (tax inclusive) with expected cash dividend of RMB1,512,155,876.30. The remaining reserved profits were carried forward to the next year. The amount of this distribution and repurchase during the reporting period totally accounts for 32.26% of the net profit attributable to parent company of the Company in 2016. All dividend of bonus scheme is paid in cash.

(II) Plans or Proposals for Profit Distribution and for Capital Reserve Conversion into Share Capital of the Company in Recent Three Years (Including the Reporting Period)

Unit and Currency: RMB

Year	Number of bonus share for per 10	Cash dividend per 10 shares	Number of shares converted per 10	Cash dividend (tax inclusive)	Net profit attributable to ordinary shareholders of	Percentage of the net profit attributable to the ordinary

	shares (share)	(RMB) (tax inclusive)	shares (share)		the Company in the consolidated financial statement during the year of distribution	shareholders of the Company in the consolidated financial statement (%)
2016	0	2.48	0	1,624,803,749.32	5,036,652,240.84	32.26
2015	0	2.12	0	1,340,094,420.82	4,300,760,542.82	31.16
2014	0	4.92	10	1,498,693,565.93	4,991,557,360.87	30.02

(III) Share Repurchased by Cash and Included in Cash Dividend

Applicable Not Applicable

Unit and Currency: RMB

	Cash dividends	Percentage (%)
2016	112,647,873.02	6.93
2015	47,396,706.70	3.54

(IV) The Company made profits and the profits for distribution to the ordinary shareholders of the Company was positive during the reporting period, but no cash profit distribution plan for ordinary shares was proposed; the Company should disclose the reasons in detail and the purpose and use plan of undistributed profits

Applicable Not Applicable

II. Performance on Undertakings

(I) The undertakings made by the controller shareholders, shareholders, related parties, acquirer as well as the Company and other relevant parties during or up to the reporting period

√Applicable □ Not Applicable

Background	Type	Covenanter	Content	Date and term	A deadline for performance	Performed in a timely and strict way
Undertaking related to significant reorganization	Eliminate the right defects in land property and etc.	Haier Group Corporation	During the period from September 2006 to May 2007, the Company issued shares to Haier Group Corporation (“Haier Group”) to purchase the controlling equity in its four subsidiaries, namely Qingdao Haier Air-Conditioner Electronics Co., Ltd. (青岛海尔空调电子有限公司), Hefei Haier Air-conditioning Co., Limited (合肥海尔空调器有限公司), Wuhan Haier Electronics Co., Ltd. (武汉海尔电器股份有限公司), Guizhou Haier Electronics Co., Ltd. (贵州海尔电器有限公司). With regard to the land and property required in the operation of Qingdao Haier Air-Conditioner Electronics Co., Ltd. (青岛海尔空调电子有限公司), Hefei Haier Air-conditioning Co., Limited (合肥海尔空调器有限公司), Wuhan Haier Electronics Co., Ltd. (武汉海尔电器股份有限公司) (the “Covenantees”), Haier Group made an undertaking (the “2006 Undertaking”). According to the content of 2006 Undertaking and current condition of each Covenantee, Haier Group will constantly assure that Covenantees will lease the land and property owned by Haier Group for free. Haier Group will make compensation in the event that the Covenantees suffer loss due to the unavailability of such land and property.	27 September 2006, long term	YES	YES
Undertaking related to refinancing	Eliminate the right defects in land property and etc.	Haier Group Corporation	Haier Group Corporation undertakes that it will assure Qingdao Haier and its subsidiaries of the constant, stable and unobstructed use of the leased property. In the event that Qingdao Haier or any of its subsidiaries suffers any economic loss due to the fact that leased property has no relevant ownership certificate, Haier Group Corporation will make	24 December 2013, long term	YES	YES

			<p>compensation to impaired party in a timely and sufficient way and take all reasonable and practicable measures to support the impaired party to recover to normal operation before the occurrence of loss. Upon the expiration of relevant leasing period, Haier Group Corporation will grant or take practicable measures to assure Qingdao Haier and its subsidiaries of priority to continue to lease the property at a price not higher than the rent in comparable market at that time. Haier Group Corporation will assure Qingdao Haier and its subsidiaries of the constant, stable, free and unobstructed use of self-built property and land of the Group. In the event that Qingdao Haier or any of its subsidiaries fails to continue to use self-built property according to its own will or in original way due to the fact that self-built property has no relevant ownership certificate, Haier Group Corporation will take all reasonable and practicable measures to eliminate obstruction and impact, or will support Qingdao Haier or its affected subsidiary to obtain alternative property as soon as possible, if Haier Group Corporation anticipates it is unable to cope with or eliminate the external obstruction and impact with its reasonable effort. For details, please refer to the Announcement of Qingdao Haier Co., Ltd. on the Formation, Current Situation of the Defective Property, the Influence on Operation of Issuer Caused by Uncertainty of Ownership, Solution for the Defect and Guarantee Measures (L 2014-005) published by the Company on the four major securities newspapers and the website of Shanghai Stock Exchange on 29 March 2014.</p>			
	Eliminate the right defects in land property and etc.	Qingdao Haier Co., Ltd.	<p>The Company undertakes that it will eliminate the property defects of the Company and main subsidiaries within five years with reasonable business effort since 24 December 2013, so as to achieve the legality and compliance of the Company and main subsidiaries in terms of land and property. For details, please refer to the Announcement of Qingdao Haier Co., Ltd. on the Formation, Current Situation of the Defective Property, the Influence on Operation of Issuer Caused by Uncertainty of Ownership, Solution for the Defect and</p>	24 December 2013, five years	YES	YES

			Guarantee Measures (L 2014-005) published by the Company on the four major securities newspapers and the website of Shanghai Stock Exchange on 29 March 2014.			
Undertaking related to the Share Option Incentive Scheme	Other	Qingdao Haier Co., Ltd.	With regard to its Share Option Incentive Scheme , the Company has undertaken not to provide loan or any other kind of financial support to incentive object in exercising option under the Share Option Incentive Scheme or purchase of restricted shares, including providing guarantee for its loan.	11 April 2014, long term	YES	YES
Other undertakings made to the medium and minority shareholders	Asset injection	Haier Group Corporation	Inject the assets of Fisher&Paykel to the Company or dispose such assets through other ways according to the requirements of the domestic supervision before June 2020. For more details, please refer to the Announcement of Qingdao Haier Co., Ltd. on the Changes of Funding Commitment (L 2015-015) published on the four major securities newspapers and the website of Shanghai Stock Exchange on 26 May 2015.	May 2015-June 2020	YES	YES
	Asset injection	Haier Group Corporation	Inject the assets of Haier Photoelectric to the Company or dispose such assets through other ways according to the requirements of the domestic supervision before June 2020. For more details, please refer to the Announcement of Qingdao Haier Co., Ltd. on the Changes of Funding Commitment of Haier Group Corporation (L 2015-063) published on the four major securities newspapers and the website of Shanghai Stock Exchange on 23 December 2015.	December 2015-June 2020	YES	YES
	Profit forecast and compensation	Haier Group Corporation	In December 2015 and January 2016, the meeting of the Board of Directors and general meeting of the shareholders considered and approved the matters in relation to the acquisition of minority equity interest of Mitsubishi Heavy Industries Haier and Carrier Refrigeration Equipment held by Haier Group. The Company signed the Profit Compensation Agreement with Haier Group to forecast the profits achieved by the aforementioned two companies in 2015 - 2018. If the profits are not reached during the commitment period, the difference part will be made up to the Company by Haier Group in cash. For more details, please refer to the Announcement of Qingdao Haier Co., Ltd. on the Acquisition of Equity in Sino-foreign Joint Venture Held by Haier Group Corporation and Related-party Transaction (L 2015-062)	December 2015-December 2018	YES	YES

			published on the four major securities newspapers and the website of Shanghai Stock Exchange on 23 December, 2015			
	Asset injection	Haier Group Corporation	In January 2011, the Company received the Letter on Further Supporting Qingdao Haier to Develop and Solve Horizontal Competition Problem and Reduce Related-party Transactions from the controlling shareholder Haier Group Corporation, whereby Haier Group undertook to make Qingdao Haier as its electronics business integration platform in order to further accelerate Qingdao Haier to constantly and soundly grow to the leading electronics enterprise of the world. Since 2011, Haier Group planned to support Qingdao Haier to solve horizontal competition problem, reduce related party transactions, enlarge and strengthen its business by various methods including assets injection and equity restructuring within five years. As of January 2016, the undertaking has been implemented, while the uncompleted undertakings have been postponed after consideration of the Annual General Meeting. The details of performance are set out in “II Performance on Undertakings” under “Section V Significant Events” in the Company’s 2015 Annual Report.	7 January 2011, five years	YES	YES
	Eliminate horizontal competition				YES	YES
	Solve related party transaction problem				YES	YES

(II) The Company’s explanation on whether the earnings estimate on assets or projects was met and its reasons in the situation that earnings in the Company’s assets or projects is estimated, the period of which includes the reporting period.

Reached Not reached Not Applicable

In December 2015 and January 2016, the meetings of the Board of Directors/ shareholders of the Company reviewed and approved related resolutions to acquire 45% equity of Mitsubishi Heavy Industries Haier (Qingdao) Air Conditioner Co., Ltd. (hereinafter referred to as “Mitsubishi Heavy Industries Haier”) and 49% equity of Qingdao Haier Carrier Refrigeration Equipment Co., Ltd. (hereinafter referred to as “Haier Carrier”) held by Haier Group. According to the Profit Compensation Agreement signed between the Company and Haier Group, the corresponding predictive profits from 2015 to 2018 of Mitsubishi Heavy Industries Haier are RMB90.66 million, RMB92.86 million, RMB100.66 million and RMB108.67 million, respectively and the corresponding predictive profits from 2015 to 2018 of Haier Carrier are RMB76.05 million, RMB76.05 million, RMB76.72 million, and RMB76.98 million respectively. If the audited net profit in any year of the target companies during the commitment period is lower than the predictive net profit, the gap will be compensated by Haier Group in cash (For more details, please refer to the Announcement of Qingdao Haier Co., Ltd. on the Acquisition of Equity in Sino-foreign Joint Venture Held by Haier Group Corporation and Related Party Transaction (L 2015-062) published on the four major securities newspapers and the website of Shanghai Stock Exchange on 23 December 2015).

According to the Special Verification Report on the Completion of the Predictive Profit [“Hexin Zhuan Zi (2017) No. 020014” and “Hexin Zhuan Zi (2017) No. 020015”] and Special Statement of Qingdao Haier Co., Ltd on the Completion of the Predictive Profit in 2016 issued by Shandong Hexin Accountants LLP, the actual net profit of Mitsubishi Heavy Industries Haier in 2016 was RMB114.57 million · cumulative net profit of RMB 212.35 million in 2015 to 2016 and actual net profit of Haier Carrier was RMB65.57 million, cumulative net profit of RMB 152.59 million in 2015 to 2016. The actual net profit of the target equity companies exceeded the predictive profit.

III. Misappropriation and repayment plan of funds during the reporting period

Applicable Not Applicable

IV. Explanation of the Company on the “non-standard audit report” issued by the CPA

Applicable Not Applicable

V. Explanation of the Company's analysis on reasons and effects of changes in accounting policies and accounting estimates or correction of significant accounting errors

(I) Explanation of the Company's analysis on reasons and effects of changes in accounting policies and accounting estimates

Applicable Not Applicable

(II) Explanation of the Company's analysis on reasons and effects of correction of significant accounting errors

Applicable Not Applicable

(III) Communication with former accounting firm

Applicable Not Applicable

(IV) Other explanations

Applicable Not Applicable

Due to change in the equity voting right in Bank of Qingdao Co., Ltd. (hereinafter referred to as "Bank of Qingdao") held by the Company, the Company convened the 31st meeting of the 8th session of the Board of Directors on 28 April 2016 and approved the Resolution on Change in Accounting Methods of Bank of Qingdao Co., Ltd. by Qingdao Haier Co., Ltd.. As the Board considered the Company has significant impact on the business decisions of Bank of Qingdao, it resolved to change the accounting method of equity of Bank of Qingdao from the available-for-sale financial assets to long-term equity investments according to relevant provisions of the Accounting Standards for Enterprises and recognize profit or loss by equity method for the purpose of reflecting the accounting of equity investment in Bank of Qingdao in a more rational and accurate manner. For details, please refer to the Announcement on Change in Accounting Method of Bank of Qingdao Co., Ltd. by Qingdao Haier Co., Ltd. (L 2016-033) disclosed by the Company on 29 April 2016.

VI. Appointment and Dismissal of Accounting Firm

Unit and Currency: RMB0'000

	Current appointment
Name of domestic accounting firm	Shandong Hexin Accountants LLP
Remuneration of domestic accounting firm	600
Audit period of domestic accounting firm (Y)	4

	Name	Remuneration
Internal control audit accounting firm	Shandong Hexin Accountants LLP	180

Information on Appointment and Dismissal of Accounting Firm

Applicable Not Applicable

Explanation of change of accounting firm during the auditing period

Applicable Not Applicable

VII. Possibility of listing suspension

(I) Reasons of listing suspension

Applicable Not Applicable

(II) Response to be taken by the Company

Applicable Not Applicable

VIII. Circumstances and reasons for listing termination

Applicable Not Applicable

IX. Matters relating to bankruptcy and restructuring

Applicable Not Applicable

X. Material litigation and arbitration matters

Material litigation and arbitration matters during the year

No material litigation and arbitration matters in the reporting year

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

Applicable Not Applicable

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

Applicable Not Applicable

XIII. The Company's equity incentive plan, employee shareholding plan or other employee incentive measures and its influence

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

Applicable Not Applicable

Summary	Index for details
Cancelation of Exercise/Unlocking of Equity under Phase IV Share Option Incentive Scheme: On 28 April 2016, the 31st	For details, please refer to the Announcement on Cancelation Arrangement

<p>meeting of the 8th session of Board of Directors of the Company reviewed and approved the Resolution on Cancellation of Exercise/Unlocking of Equity under Phase IV Share Option Incentive Scheme of Qingdao Haier Co., Ltd.. The Company intended to cancel the exercise of the stock option under Phase IV Share Option Incentive Scheme and to repurchase and cancel the restricted shares due to the lack of exercise / unlocking conditions. According to the resolution, the Company has repurchased a total of 7,473,200 restricted shares, which were canceled on 12 July 2016.</p>	<p>of Exercise/Unlocking of Equity under Phase IV Share Option Incentive Scheme of Qingdao Haier Co., Ltd. (L 2016-030) disclosed on 29 April 2016, Announcement on Cancellation of Repurchased Restricted Shares under the Share Option Incentive Scheme (L 2016-046) disclosed on 12 July 2016.</p>
<p>Employee Shareholding Plan: On 28 April 2016, the 31st meeting of 8th session of Board of Directors of the Company reviewed and approved the Shareholding Plan for Core Employees of Qingdao Haier Co., Ltd. (Draft) and Summary and relevant resolutions. The total number of employees enrolled in the First Phase of the Core Employee Shareholding Plan would be no more than 530 (the actual number of 515) and the first phase amount drawn down from the incentive fund would be up to RMB250 million (the actual amount of RMB247.9 million).</p>	<p>For details, please refer to the Shareholding Plan for Core Employees of Qingdao Haier Co., Ltd. (Draft) and Summary disclosed on 29 April 2016 and relevant announcement on the progress disclosed in 2016.</p>

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

Share Option Incentive

Applicable Not Applicable

Other explanations

Applicable Not Applicable

Employee shareholding plan

Applicable Not Applicable

Other incentives

Applicable Not Applicable

XIV. Significant Related-party Transactions

(I) Related-party transaction from routine operation

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

Applicable Not Applicable

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

Applicable Not Applicable

The Company made a forecast on the daily related-party transaction matters of the Company for the year of 2016 at the 31th meeting of the 8th session of Board Meeting held on 28 April 2016, and relevant proposals were reviewed and approved at 2015 AGM on 31 May 2016. For details, please refer to the Announcement of Qingdao Haier Co., Ltd. regarding the Anticipation on the Signing of Daily Related-party Transactions Framework Agreement and Daily Related-party Transactions for 2016 and relevant announcement on the resolutions of the Board disclosed on 29 April 2016 and its announcement passed at 2015 AGM disclosed by the Company on 1 June 2016.

For the actual implementation of the Related-party transaction of 2016, please refer to “Note12 –Related Parties and Related-party Transactions” under section XI - Financial Report set out in this report.

3. Matter not disclosed in temporary announcement

Applicable Not Applicable

(II) Related-party transactions regarding acquisition or disposal of assets/equity

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

Applicable Not Applicable

Summary	Index for details
<p>Subscription for the Capital Increase of the Finance Company: The Company’s holding subsidiary and one of its related parties subscribed for the capital increase of Haier Group Finance Co., Ltd. (hereinafter referred to as the “Finance Company”) based on their respective existing percentage of shareholding by unallocated profits; whereas, the holding subsidiary of the Company subscribed for capital increase of RMB294 million and the related party of the Company subscribed for capital increase of RMB406 million.</p>	<p>For details, please refer to the Announcement of Qingdao Haier Co., Ltd. on Capital Increase of Haier Group Finance Co., Ltd. and Related-party Transaction (L 2016-053) published by the Company on the four major securities newspapers and the website of Shanghai Stock Exchange on 31 August 2016.</p>

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

Applicable Not Applicable

3. Matter not disclosed in temporary announcement

Applicable Not Applicable

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

Applicable Not Applicable

For more details of performance agreement on acquisition of minority equity interests of Mitsubishi and Carrier (please refer to the 2015 Annual Report disclosed by the Company on 29 April 2016 for details), please refer to the relevant statements in “ The Company’s explanation on whether to achieve its earnings estimate on assets or projects and the reasons if any earnings estimate promised during the reporting period.” in this section.

(III) Significant related-party transactions of joint external investment**1. Matters disclosed in temporary announcement and without any subsequent progress or change**√Applicable Not Applicable

Summary	Index for details
<p>Subscription for the Capital Increase of the Finance Company: The Company's holding subsidiary and one of its related parties subscribed for the capital increase of Haier Group Finance Co., Ltd. (hereinafter referred to as the "Finance Company") based on their respective existing percentage of shareholding by unallocated profits; whereas, the holding subsidiary of the Company subscribed for capital increase of RMB294 million and the related party of the Company subscribed for capital increase of RMB406 million.</p>	<p>For details, please refer to the Announcement of Qingdao Haier Co., Ltd. on Capital Increase of Haier Group Finance Co., Ltd. and Related-party Transaction (L 2016-053) published by the Company on the four major securities newspapers and the website of Shanghai Stock Exchange on 31 August 2016.</p>

2. Matters disclosed in temporary announcement and with subsequent progress or change Applicable √Not Applicable**3. Matter not disclosed in temporary announcement** Applicable √Not Applicable**(IV) Amounts due to or from related parties****1. Matters disclosed in temporary announcement and without any subsequent progress or change** Applicable √Not Applicable**2. Matters disclosed in temporary announcement and with subsequent progress or change** Applicable √Not Applicable**3. Matter not disclosed in temporary announcement** Applicable √Not Applicable**(V) Others** Applicable √Not Applicable**XV. Significant Contracts and Their Execution****(I) Trusteeship, contracting and leasing****1. Trusteeship**√Applicable Not Applicable

(1)According to the 2011 Haier Group's commitment to further support the development of Qingdao Haier and resolve intra-industry competition to reduce related-party transactions, Haier Group should

strive to resolve the problems of intra-industry competition with the Company within five years. However, based on the current market and financial factors of FPA, Haier Group was unable to transfer the assets under custody to the Company before the completion of the aforementioned commitment. In order to resolve the problems of intra-industry competition between Haier Group and the Company, Haier Group intends to entrust the Company with the management and operation of assets under custody and will pay RMB1 million trust fee to the Company each year during the period of custody.

(2) According to the Haier Group's commitment in 2011 to further support the development of Qingdao Haier and resolve intra-industry competition to reduce related-party transactions, and given the fact that the Company's purchase of the color TV business from Haier Group ,Qingdao Haier Photoelectric Co., Ltd. and its subsidiaries are still in the transformation and consolidation period and its financial performance fails to reach the expectation of the Company. Therefore, Haier Group is unable to complete the transfer before the above commitment period. Haier Group has entrusted the Company with the operation and management of assets under custody and will pay RMB1 million custodian fee to the Company each year during the period of custody.

2. Contracting

Applicable Not Applicable

3. Leasing

Applicable Not Applicable

(II) Guarantee

Applicable Not Applicable

Unit and Currency: RMB

External guarantees provided by the Company (excluding guarantees for subsidiaries)													
Guarantor	Relationship between the guarantor and the listed company	Secured party	Amount of guarantee	Date of occurrence of the guarantee (date of agreement)	Starting date of guarantee	Expiration date of guarantee	Type of guarantee	Whether the guarantee has been fulfilled	Whether the guarantee is overdue	Overdue amount of the guarantee	Whether there is a counter-guarantee	Whether related party guarantee or not	Relationship
Total amount of guarantee occurred during the reporting period (excluding guarantees for subsidiaries)						0							

Total balance of guarantee at the end of the reporting period (A) (excluding guarantees for subsidiaries)	0
Guarantees provided by the Company and its subsidiaries for subsidiaries	
Total amount of guarantees for subsidiaries occurred during the reporting period	4,116,593
Total balance of guarantees for subsidiaries at the end of the reporting period (B)	2,795,003
Total amount of guarantees provided by the Company (including guarantees for subsidiaries)	
Total guarantee (A + B)	2,795,003
Ratio of total amount of guarantees to net assets of the Company (%)	
Among which:	
Amount of guarantees for shareholders, actual controllers and their related parties (C)	0
Amount of debt guarantees provided directly or indirectly for the secured party with asset-liability ratio exceeding 70% (D)	
The amount of total amount of guarantee in excess of 50% of net assets (E)	
Total amount of the above three guarantees (C + D + E)	
Explanation of possibly bearing related discharge duty for premature guarantees	None
Explanation of guarantee status	<p>1. During the reporting period, the Company acquired the assets of GEA at a total consideration of US\$5.61 billion, which was sourced from self-owned funds and loan for merger, of which, the loan for merger in the amount of US\$3.3 billion was applied for by Haier US Appliance Solutions, Inc., a wholly-owned subsidiary of the Company, to China Development Bank Co., Ltd. The loan was fully secured by the Company and Haier Group Corporation, and the amount of which was equivalent to approximately RMB22.90 billion (note). The balance guaranteed amounted to RMB16.48 billion as at the end of the reporting period. The provision of security had been reviewed and approved by the Board and the general meeting of shareholders of the Company;</p> <p>2. In May 2016, the resolution on the security provided to subsidiaries in the year 2016 was passed on the 2015 Annual General Meeting of the Company, according to which, the</p>

	Company had provided security in respect of the application for comprehensive facility made by certain subsidiaries to financial institutions. During the reporting period, the accumulated amount of guarantee offered by the Company to subsidiaries was approximately RMB18.26 billion. As at the end of the reporting period, the balance guaranteed was RMB11.47 billion.
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Note: The foreign currency quoted in the above statement is calculated at the exchange rate quoted on 30 December 2016. In US dollars, for example, on 30 December 2016, \$ 1 = RMB6.94.

(III) Entrusted others to manage cash assets**1. Entrusted wealth management**

√Applicable □ Not Applicable

Unit and Currency: RMB

Trustee	Type of entrusted wealth management product	Amount of entrusted wealth management	Commencement date of entrusted wealth management	Expiration date of entrusted wealth management	Determination of return	Actual amount of principal received	Actual gains	Through legal proceedings or not	Provision for impairment loss	Related-party or not	Involved in litigation or not
Bank of China	Guaranteed financial management of Bank of China - CNYAQKF	20,000	2016/11/11	2017/11/12	Annualized return rate 2.9%	0	0	Yes	0	No	No
Mitsubishi Tokyo UFJ Bank (China) Co., Ltd	Structured deposit	26,045	2016/4/29	2017/4/28	Annualized return rate 3.37%	0	0	Yes	0	No	No
Total	/	46,045	/	/	/	0	0	/	0	/	/
Accumulated past due unrecovered principal and income (RMB)						0					
Explanation of entrusted wealth management						None					

2. Entrusted loans

Applicable Not Applicable

3. Other investment wealth management and derivatives investment

Unit and Currency: RMB0'000

Name of party operating the derivative investment	Type of derivatives investment	Initial investment amount in derivatives investment	Commencement date	Expiration date	Opening balance of investment amount	Amount of purchase during the reporting period	Amount of disposal during the reporting period	Impairment provision (if any)	Closing balance of investment amount	Closing balance of investment amount as a percentage of the net asset	Actual profit or loss for the reporting period
Bank	Forward exchange contract	162,160	2016-1-1	2016-12-31	162,160	-	-	-	110,525		-7,614
Bank	Interest rate / exchange rate swap contract	907,055	2016-5-1	2021-6-2	907,055	-	-	-	907,055		939
Source of funds for derivative investment		Entirely internal funds of the Company									
Market prices or fair value change of invested derivatives during the reporting period, including the specific methods, assumptions and parameters adopted in the analysis of the fair values of the derivatives		Change in market price or product fair value: 1. Profit or loss of foreign exchange forward contract during the reporting period was RMB-76.14 million; 2. Profit or loss of interest rate/exchange rate during the reporting period was RMB9.39 million. Specific methods, assumptions and parameters: Quotes for swaps and forwards of foreign exchange and interest rate provided by financial institutes.									

(IV) Other Major Contracts

Applicable Not Applicable

XVI. Other Major Events

Applicable Not Applicable

During the Reporting Period, the Company disclosed the following information and all the information will be disclosed on SSE (www.sse.com.cn):

Name of Announcement	Name of Newspaper and Page	Date
Announcement of Qingdao Haier Co., Ltd. regarding the Progress of Repurchase of Shares(L 2016-001)	Securities Times page B066, Shanghai Securities News page B40, China Securities Journal page B011, Securities Daily page D4	5 January 2016

Notice of Qingdao Haier Co., Ltd. on the Resolutions Passed at the First EGM in 2016(L 2016-002)	Securities Times page B080, Shanghai Securities News page B32, China Securities Journal page B034, Securities Daily page D16	8 January 2016
Announcement of Qingdao Haier Co., Ltd. regarding the Progress of Major Assets Restructuring (L 2016-003)	Securities Times page B080, Shanghai Securities News page B32, China Securities Journal page B034, Securities Daily page D16	8 January 2016
Announcement of Qingdao Haier Co., Ltd. regarding the Progress of Major Assets Restructuring(L 2016-004)	Securities Times page B043, Shanghai Securities News page B56, China Securities Journal page B030, Securities Daily page D13	15 January 2016
Summary of Plan on the Acquisition of Major Assets by Qingdao Haier Co., Ltd	Securities Times page B003, Shanghai Securities News page 24, China Securities Journal page A19, Securities Daily page C1	16 January 2016
Announcement of Qingdao Haier Co., Ltd. on the Resolutions Passed at the 29th Meeting of the 8th Session of the Board of Directors (L 2016-005)	Securities Times page B003, Shanghai Securities News page 24, China Securities Journal page A19, Securities Daily page C1	16 January 2016
Announcement of Qingdao Haier Co., Ltd. on the Resolution of the Nineteenth Meeting of the 8th Session of the Board of Supervisors (L 2016-006)	Securities Times page B003, Shanghai Securities News page 24, China Securities Journal page A19, Securities Daily page C1	16 January 2016
Indicative Announcement of Qingdao Haier Co., Ltd. regarding the Pending Resumption of Trading of the Shares (L 2016-007)	Securities Times page B003, Shanghai Securities News page 24, China Securities Journal page A19, Securities Daily page C1	16 January 2016
Indicative Announcement of Qingdao Haier Co., Ltd. regarding the Receipt of Notice on Major Matters from Shareholders (L 2016-008)	Securities Times page B003, Shanghai Securities News page 24, China Securities Journal page A19, Securities Daily page C1	16 January 2016
Announcement of Qingdao Haier Co., Ltd. regarding the Progress of Major Assets Restructuring (L 2016-009)	Securities Times page B087, Shanghai Securities News page B48, China Securities Journal page B030, Securities Daily page D46	22 January 2016
Announcement of Qingdao Haier Co., Ltd. regarding Receipt of the Inquiry Letter from Shanghai Stock Exchange (L 2016-010)	Securities Times page B085, Shanghai Securities News page B81, China Securities Journal page B058, Securities Daily page D16	26 January 2016
Indicative Announcement of Qingdao Haier Co., Ltd. regarding the Resumption of Trading of the Shares (L 2016-011)	Securities Times page B011, Shanghai Securities News page 33, China Securities Journal page B051, Securities Daily page C2	30 January 2016
Announcement of Qingdao Haier Co., Ltd. regarding the Reply to the Inquiry Letter of Shanghai Stock Exchange (L 2016-012)	Securities Times page B011, Shanghai Securities News page 33, China Securities Journal page B051, Securities Daily page C2	30 January 2016
Major Asset Acquisition Plan (Revised) of Qingdao Haier Co., Ltd.	Securities Times page B011, Shanghai Securities News page 33, China Securities Journal page B051, Securities Daily page C2	30 January 2016
Announcement of Qingdao Haier Co., Ltd. regarding the Progress of Repurchase of Shares(L 2016-013)	Securities Times page B097, Shanghai Securities News page 52, China Securities Journal page B038, Securities Daily page D40	2 February 2016
Announcement of Qingdao Haier Co., Ltd. regarding Results of Repurchase of Shares and Change in Shareholding (L 2016-014)	Securities Times page B076, Shanghai Securities News page B65, China Securities Journal page B032, Securities Daily page D23	26 February 2016
Announcement of Qingdao Haier Co., Ltd. regarding the Passing of the Anti-monopoly Examination of United States by Relevant Transaction of Major Asset Acquisition (L 2016-015)	Securities Times page B062, Shanghai Securities News page 72, China Securities Journal page B011, Securities Daily page C1	12 March 2016
Summary of the Report (Draft) of Qingdao Haier Co., Ltd. on the Acquisition of Major Assets	Securities Times page B011/012, Shanghai Securities News page 45/46, China Securities Journal page A25, Securities Daily page D5/6	15 March 2016

Announcement of Qingdao Haier Co., Ltd. on the Resolutions Passed at the 30th Meeting of the 8th Session of the Board of Directors (L 2016-016)	Securities Times page B011/012, Shanghai Securities News page 45/46, China Securities Journal page A25, Securities Daily page D5/6	15 March 2016
Announcement of Qingdao Haier Co., Ltd. on the Resolution of the 20th Meeting of the 8th Session of the Board of Supervisors (L 2016-017)	Securities Times page B011/012, Shanghai Securities News page 45/46, China Securities Journal page A25, Securities Daily page D5/6	15 March 2016
Notice of Qingdao Haier Co., Ltd. of the Second EGM in 2016 (L 2016-018)	Securities Times page B011/012, Shanghai Securities News page 45/46, China Securities Journal page A25, Securities Daily page D5/6	15 March 2016
Announcement of Qingdao Haier Co., Ltd. regarding the Provision of Security for the Oversea Subsidiary (L 2016-019)	Securities Times page B011/012, Shanghai Securities News page 45/46, China Securities Journal page A25, Securities Daily page D5/6	15 March 2016
Announcement of Qingdao Haier Co., Ltd. regarding the Provision of Security for a Subsidiary (L 2016-020)	Securities Times page B011/012, Shanghai Securities News page 45/46, China Securities Journal page A25, Securities Daily page D5/6	15 March 2016
Announcement of Qingdao Haier Co., Ltd. regarding Suspension of the Subject Company's Auditor's Report and Pro Forma Consolidated Financial Report in accordance with the PRC Accounting Standards (L 2016-021)	Securities Times page B011/012, Shanghai Securities News page 45/46, China Securities Journal page A25, Securities Daily page D5/6	15 March 2016
Indicative Announcement of the Holding Subsidiary Haier Electronics Group Co., Ltd. of Qingdao Haier Co., Ltd. regarding the Release of Annual Result of 2015 (L 2016-022)	Securities Times page B035, Shanghai Securities News page 68, China Securities Journal page B020, Securities Daily page D15	22 March 2016
Notice of Qingdao Haier Co., Ltd. on the Resolutions Passed at the Second EGM in 2016 (L 2016-023)	Securities Times page B100, Shanghai Securities News page 52, China Securities Journal page B041, Securities Daily page D47	1 April 2016
Announcement of Qingdao Haier Co., Ltd. on the Resolutions Passed at the 31st Meeting of the 8th Session of the Board of Directors (L 2016-024)	Securities Times page B301/302/303, Shanghai Securities News page 301/302/303, China Securities Journal page B124, Securities Daily page F27/28	29 April 2016
Announcement of Qingdao Haier Co., Ltd. on the Resolution of the 21st Meeting of the 8th Session of the Board of Supervisors (L 2016-025)	Securities Times page B301/302/303, Shanghai Securities News page 301/302/303, China Securities Journal page B124, Securities Daily page F27/28	29 April 2016
Announcement of Qingdao Haier Co., Ltd. regarding the Renewal of Engagement of Accounting Firm (L 2016-026)	Securities Times page B301/302/303, Shanghai Securities News page 301/302/303, China Securities Journal page B124, Securities Daily page F27/28	29 April 2016
Announcement of Qingdao Haier Co., Ltd. regarding the Signing of Daily Related-party Transactions Framework Agreement and Daily Related-party Transaction for 2016 (L 2016-027)	Securities Times page B301/302/303, Shanghai Securities News page 301/302/303, China Securities Journal page B124, Securities Daily page F27/28	29 April 2016
Announcement of Qingdao Haier Co., Ltd. regarding the Expected Provision of Security for a Subsidiary in 2016 (L 2016-028)	Securities Times page B301/302/303, Shanghai Securities News page 301/302/303, China Securities Journal page B124, Securities Daily page F27/28	29 April 2016
Announcement of Qingdao Haier Co., Ltd. regarding the Change of Session of Board of Directors (L 2016-029)	Securities Times page B301/302/303, Shanghai Securities News page 301/302/303, China Securities Journal page B124, Securities Daily page F27/28	29 April 2016

Announcement of Qingdao Haier Co., Ltd. regarding the Arrangement related to Cancellation of Exercise/Unlocking of Equity under Phase IV Share Option Incentive Scheme (L 2016-030)	Securities Times page B301/302/303, Shanghai Securities News page 301/302/303, China Securities Journal page B124, Securities Daily page F27/28	29 April 2016
Announcement of Qingdao Haier Co., Ltd. regarding the Modification on the Articles of the Company (L 2016-031)	Securities Times page B301/302/303, Shanghai Securities News page 301/302/303, China Securities Journal page B124, Securities Daily page F27/28	29 April 2016
Notice on 2015 AGM of Qingdao Haier Co., Ltd. (L 2016-032)	Securities Times page B301/302/303, Shanghai Securities News page 301/302/303, China Securities Journal page B124, Securities Daily page F27/28	29 April 2016
Announcement of Qingdao Haier Co., Ltd. regarding the Change of Accounting Method of Bank of Qingdao Co., Ltd.(L 2016-033)	Securities Times page B301/302/303, Shanghai Securities News page 301/302/303, China Securities Journal page B124, Securities Daily page F27/28	29 April 2016
Announcement of Qingdao Haier Co., Ltd. regarding the Change of Session of Board of Supervisors (L 2016-034)	Securities Times page B301/302/303, Shanghai Securities News page 301/302/303,China Securities Journal page B124,Securities Daily page F27/28	29 April 2016
Announcement of Qingdao Haier Co., Ltd. on the Notice to the Creditor regarding Repurchase and Cancellation of the Restricted Shares under the Share Option Incentive Scheme (L 2016-035)	Securities Times page B301/302/303, Shanghai Securities News page 301/302/303, China Securities Journal page B124, Securities Daily page F27/28	29 April 2016
Announcement of Qingdao Haier Co., Ltd. regarding the Passing of the Anti-monopoly Examination of Mexico by Relevant Transaction of Major Asset Acquisition (L 2016-036)	Securities Times page B054, Shanghai Securities News page 44, China Securities Journal page B011, Securities Daily page B3	25 May 2016
Announcement of Qingdao Haier Co., Ltd. regarding the Rectification of the Passing of the Anti-monopoly Examination of Mexico (L 2016-037)	Securities Times page B039, Shanghai Securities News page 60, China Securities Journal page B010, Securities Daily page D21	26 May 2016
Announcement of Qingdao Haier Co., Ltd. regarding the Resolutions of 2015 AGM (L 2016-038)	Securities Times page B087, Shanghai Securities News page 45, China Securities Journal page A14, Securities Daily page D42	1 June 2016
Announcement of Qingdao Haier Co., Ltd. on the Resolutions Passed at the 1st Meeting of the 9th Session of the Board of Directors (L 2016-039)	Securities Times page B087, Shanghai Securities News page 45,China Securities Journal page A14,Securities Daily page D42	1 June 2016
Announcement of Qingdao Haier Co., Ltd. on the Resolution of the 1st Meeting of the Ninth Session of the Board of Supervisors (L 2016-040)	Securities Times page B087, Shanghai Securities News page 45, China Securities Journal page A14, Securities Daily page D42	1 June 2016
Announcement of Qingdao Haier Co., Ltd. regarding the Progress of Major Asset Acquisition during the Implementation Stage (L 2016-041)	Securities Times page B087, Shanghai Securities News page 45, China Securities Journal page A14, Securities Daily page D42	1 June 2016
Announcement of Qingdao Haier Co., Ltd. regarding the Resolutions of the First Participants Meeting of the First Phase of Shareholding Plan for Core Employees (L 2016-042)	Securities Times page B071, Shanghai Securities News page 45, China Securities Journal page A14, Securities Daily page D3	3 June 2016
Announcement of Qingdao Haier Co., Ltd. regarding the Progress of Delivery of Major Asset Acquisition (L 2016-043)	Securities Times page B027, Shanghai Securities News page 60, China Securities Journal page B079, Securities Daily page D25	8 June 2016

Announcement of Qingdao Haier Co., Ltd. regarding the Progress of Delivery of Major Asset Acquisition and Release of Pro Forma Financial Report (L 2016-044)	Securities Times page B062, Shanghai Securities News page 68, China Securities Journal page B030, Securities Daily page D30	1 July 2016
Announcement of Qingdao Haier Co., Ltd. regarding the Progress of the First Phase of Shareholding Plan for Core Employees (L 2016-045)	Securities Times page B062, Shanghai Securities News page 68, China Securities Journal page B030, Securities Daily page D30	1 July 2016
Announcement of Qingdao Haier Co., Ltd. regarding the Cancellation of the Repurchased Restricted Shares under the Share Option Incentive Scheme (L 2016-046)	Securities Times page B016, Shanghai Securities News page 37, China Securities Journal page B029, Securities Daily page D20	12 July 2016
Announcement of Qingdao Haier Co., Ltd. regarding the Implementation of Profit Distribution for 2015 (L 2016-047)	Securities Times page B092, Shanghai Securities News page 52, China Securities Journal page B022, Securities Daily page D41	20 July 2016
Announcement of Qingdao Haier Co., Ltd. regarding the Progress of Delivery of Major Asset Acquisition (L 2016-048)	Securities Times page B070, Shanghai Securities News page 64, China Securities Journal page B028, Securities Daily page C42	30 July 2016
Announcement of Qingdao Haier Co., Ltd. regarding the Progress of the First Phase of Shareholding Plan for Core Employees (L 2016-049)	Securities Times page B070, Shanghai Securities News page 64, China Securities Journal page B028, Securities Daily page C42	30 July 2016
Announcement of Qingdao Haier Co., Ltd. (L 2016-050)	Securities Times page B104, Shanghai Securities News page 116, China Securities Journal page B062, Securities Daily page D12	16 August 2016
Summary of 2016 Half-year Report of Qingdao Haier Co., Ltd.	Securities Times page B123, Shanghai Securities News page 84, China Securities Journal page B054, Securities Daily page D59	31 August 2016
Announcement of Qingdao Haier Co., Ltd. on the Resolutions Passed at the 2nd Meeting of the 9th Session of the Board of Directors (L 2016-051)	Securities Times page B123, Shanghai Securities News page 84, China Securities Journal page B054, Securities Daily page D59	31 August 2016
Announcement of Qingdao Haier Co., Ltd. on the Resolution of the 20th Meeting of the 9th Session of the Board of Supervisors (L 2016-052)	Securities Times page B123, Shanghai Securities News page 84, China Securities Journal page B054, Securities Daily page D59	31 August 2016
Announcement of Qingdao Haier Co., Ltd. regarding the Subscription for Capital Increase of Haier Group Finance Co., Ltd. and Related-party Transaction (L 2016-053)	Securities Times page B123, Shanghai Securities News page 84, China Securities Journal page B054, Securities Daily page D59	31 August 2016
Announcement of Qingdao Haier Co., Ltd. regarding the Progress of Delivery of Major Asset Acquisition (L 2016-054)	Securities Times page B123, Shanghai Securities News page 84, China Securities Journal page B054, Securities Daily page D59	31 August 2016
Announcement of Qingdao Haier Co., Ltd. regarding the Progress of the First Phase of Shareholding Plan for Core Employees (L 2016-055)	Securities Times page B123, Shanghai Securities News page 84, China Securities Journal page B054, Securities Daily page D59	31 August 2016
Announcement of Qingdao Haier Co., Ltd. Regarding the Participation in the Online Collective Reception Day Activity Held for Investors of The Company in Qingdao for 2016 (L 2016-056)	Securities Times page B085, Shanghai Securities News page 57, China Securities Journal page B017, Securities Daily page D6	19 September 2016
Announcement of Qingdao Haier Co., Ltd. regarding the Explanation of Media Coverage (L 2016-057)	Securities Times page B017, Shanghai Securities News page 92, China Securities Journal page A36, Securities Daily page D15	21 September 2016

Announcement of Qingdao Haier Co., Ltd. regarding the Progress of Delivery of Major Asset Acquisition (L 2016-058)	Securities Times page B039, Shanghai Securities News page 113, China Securities Journal page B024, Securities Daily page D61	10 October 2016
Announcement of Qingdao Haier Co., Ltd. regarding the Progress of the First Phase of Shareholding Plan for Core Employees (L 2016-059)	Securities Times page B039, Shanghai Securities News page 113, China Securities Journal page B024, Securities Daily page D61	10 October 2016
Third Quarterly Report 2016 of Qingdao Haier Co., Ltd.	Securities Times page B195, Shanghai Securities News page 48, China Securities Journal page B070, Securities Daily page C59	29 October 2016
Announcement of Qingdao Haier Co., Ltd. regarding the Progress of Delivery of Major Asset Acquisition (L 2016-060)	Securities Times page B195, Shanghai Securities News page 48, China Securities Journal page B070, Securities Daily page C59	29 October 2016
Announcement of Qingdao Haier Co., Ltd. regarding the Progress of the First Phase of Shareholding Plan for Core Employees (L 2016-061)	Securities Times page B195, Shanghai Securities News page 48, China Securities Journal page B070, Securities Daily page C60	29 October 2016
Announcement of Qingdao Haier Co., Ltd. regarding the Completion of Share Subscription of the First Phase of Shareholding Plan for Core Employees (L 2016-062)	Securities Times page B038, Shanghai Securities News page 76, China Securities Journal page B018, Securities Daily page D12	30 November 2016
Announcement of Qingdao Haier Co., Ltd. regarding the Progress of Delivery of Major Asset Acquisition (L 2016-063)	Securities Times page B066, Shanghai Securities News page 77, China Securities Journal page B027, Securities Daily page D27	1 December 2016

XVII. Proactive Performance of Social Responsibilities

(I) Information on initiatives taken to help people out of poverty

Applicable Not Applicable

1. Targeted measures in poverty alleviation plan

In accordance with the national plan for targeted measures in poverty alleviation and the requirements set out in relevant documents, the Company places great emphasis on poverty alleviation, and carries out initiatives of targeted measures in poverty alleviation within the scope as authorized by the general meetings on related matters (such as donation). Over the years, the Company has been devoted to education undertakings and making significant contributions, with a view to targeting the weakest area of education and to blocking the transmission of poverty between generations through focused efforts in raising the basic cultural quality in poverty and the skill levels of labor force from poor families. As at the end of 2016, the Company and the Haier Group Corporation (its actual controller) and its subsidiaries (referred to as the “Haier Group”) has built more than 200 hope schools, covering 26 provinces, municipalities directly under the central government and autonomous regions in China. These initiatives have effectively enhanced the basic educational capabilities in poverty-stricken areas and improved the quality of education.

2. Summary of targeted measures in poverty alleviation during the year

In 2016, the Company’s expenditures on targeted measures in poverty alleviation was approximately RMB9.65 million, which was mainly utilized in the education improvement, physical and

mental health development of adolescents and children. At the same time, as part of its initiatives in response to the government and the performance of its social responsibilities, Haier Group has also made investments in many aspects, such as poverty alleviation through agricultural development, poverty alleviation through improvement of the health of farmers. For more information on poverty alleviation, please refer to the “Corporate Social Responsibility Report of Haier Co., Ltd. for 2016” disclosed on date of this report.

3. Table of statistics of initiatives of targeted measures in poverty alleviation of the Company in 2016

Unit and Currency: RMB0'000

Indicators	Amount and the status
I. General information	
Funds	965
II. Breakdown of the use of funds	
1. Overcoming poverty through education	
1.1 Amount of investment for the purpose of improving the resources of education in poverty-stricken areas	950
2. Basic guarantees	
2.1 Amount of investment for the purpose of helping the disabled living in poverty	15

4. Subsequent targeted measures in poverty alleviation plans

In 2017, the Company will make concerted efforts with Haier Group and continue to implement the proposition of the documents issued by the central government in respect of poverty alleviation, dedicate to improve the education in poverty-stricken areas and other initiatives, and will perform our social responsibilities in a proactive manner.

(II) Performance of social responsibilities

Applicable Not Applicable

Details are set out in the Social Responsibility Report of Qingdao Haier Co., Ltd. for 2016 disclosed on the date of this report.

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

Applicable Not Applicable

(IV) Other explanations

Applicable Not Applicable

XVIII. Convertible corporation bonds**(I) Information on the issuance of convertible bonds**

Applicable Not Applicable

(II) Information on holders and guarantors of convertible bonds during the reporting period

Applicable Not Applicable

(III) Information on the change in convertible bonds during the reporting period

Applicable Not Applicable

Information on the accumulated number of convertible bonds being converted into shares during the reporting period

Applicable Not Applicable

(IV) Information on the past adjustment of prices for conversion into shares

Applicable Not Applicable

(V) Information on the indebtedness, changes in creditability of the Company and the cash arrangement for repayment of debts in the coming years

Applicable Not Applicable

(VI) Explanation on other information regarding convertible bonds

Applicable Not Applicable

SECTION VI CHANGES IN SHARES AND INFORMATION ABOUT SHAREHOLDERS

I. CHANGES IN SHARES

(I) Table of Changes in Ordinary Shares

1. Table of Changes in Ordinary Shares

Unit: share

	Prior to the change		Increase and decrease of the change (+, -)					Balance	
	Number	%	New shares issued	Bonus shares	Shares converted from reserve	Others	Subtotal	Number	%
I. Shares with selling restrictions	613,687,188	10.022				-7,473,200	-7,473,200	606,213,988	9.942
1. Shares held by the state									
2. Shares held by the state-owned legal entities									
3. Other shares held by other domestic investors	7,701,200	0.126				-7,473,200	-7,473,200	228,000	0.004
Including: shares held by domestic non-state -owned legal entities									
shares held by domestic individuals	7,701,200	0.126				-7,473,200	-7,473,200	228,000	0.004
4. Shares held by foreign investors	605,985,988	9.897						605,985,988	9.938
Including: shares held by foreign legal entities	605,985,988	9.897						605,985,988	9.938
shares held by foreign individuals									
II. Tradable shares without selling restrictions	5,509,467,080	89.978				-18,050,341	-18,050,341	5,491,416,739	90.058
1. RMB ordinary shares	5,509,467,080	89.978				-18,050,341	-18,050,341	5,491,416,739	90.058
2. Domestic listed foreign shares									
3. Overseas listed foreign shares									
4. Others									
III. Total shares	6,123,154,268	100.000				-25,523,541	-25,523,541	6,097,630,727	100.00

2. Statement on the changes in ordinary shares

Applicable Not Applicable

(1) On 24 August 2015, the Company convened and held the first Extraordinary General Meeting of Shareholders in 2015, on which the Plan of Qingdao Haier Co., Ltd on the Repurchase of Shares by Centralized Bidding was reviewed and approved. According to the plan, the Company intended to repurchase the shares of the Company with its own funds through the trading system of the Shanghai Stock Exchange by the means of centralized bidding. As at the expiry of the term of repurchase of six months, the Company had repurchased a total of 18,050,341 shares, which had been cancelled on 26 February 2016. After the completion of the cancellation, the share capital of the Company changed from 6,123,154,268 shares to 6,105,103,927 shares. For more details, please refer to the Announcement of Qingdao Haier Co., Ltd. regarding Results of Repurchase of Shares and Change in Shareholding (L 2016-014) disclosed by the Company on 26 February 2016.

(2) On 28 April 2016, the 31st meeting of 8th session of Board of Directors of the Company reviewed and approved the Resolution on Cancellation of Exercise/Unlocking of Equity under Phase IV Share Option Incentive Scheme of Qingdao Haier Co., Ltd. The Company intended to cancel the exercise of the stock option under Phase IV Share Option Incentive Scheme and to repurchase and cancel the restricted shares due to the lack of exercise/unlocking conditions. According to the resolution, the Company has repurchased a total of 7,473,200 restricted shares, which were cancelled on 12 July 2016. After the cancellation, the share capital of the Company has been changed from 6,105,103,927 to 6,097,630,727. For more details, please refer to the Announcement of Qingdao Haier Co., Ltd. on Cancellation of Repurchased Restricted Shares under the Share Option Incentive Scheme (L 2016-046) disclosed by the Company on 12 July 2016.

3. Effect of changes in ordinary shares on the financial indicators such as earnings per share and net assets per share (if any) over the last year and the last reporting period

Applicable Not Applicable

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

Applicable Not Applicable

(II) Changes in shares with selling restrictions

Applicable Not Applicable

Unit: share

Name of shareholder	Number of shares with selling restrictions at the beginning of 2016	Number of shares released from selling restrictions in 2016	Number of new shares with selling restrictions in 2016	Number of shares with selling restrictions at the end of 2016	Reasons for selling restrictions	Date of release from selling restrictions
Individual shareholders (target for the first grant and retained part of the fourth share option incentive of the Company)	7,321,200	0	0	0	Share Option Incentive Shares subject to restrictions	20 June 2016
	152,000	0	0	0		26 June 2016
	228,000	0	0	228,000		26 February 2017
Total	7,701,200	0	0	228,000	/	/

Note: During the reporting period, since the annual results of the Company in 2015 did not fulfill the conditions for unlocking, the Board reviewed and approved relevant resolution on cancellation of unlocking of part of the restricted shares involved in Phase IV Share Option Incentive Scheme of the Company. According to the resolution, some restricted shares held by the scheme participants of Phase IV Share Option Incentive Scheme at the beginning of the period should be repurchased and cancelled. The repurchase and cancellation of such shares had been completed on 12 July 2016, and the total number of shares being cancelled was 7,473,200. For details, please refer to the Announcement of Qingdao Haier Co., Ltd. on Cancellation of Repurchased Restricted Shares under the Share Option Incentive Scheme (L 2016-046) disclosed by the Company on 12 July 2016.

II. ISSUANCE AND LISTING OF SECURITIES

(I) Issuance of securities during the reporting period

Applicable Not Applicable

Unit: 0'000 shares Currency: RMB

Type of shares and its derivative securities	Date of issue	Price (or interest s rate)	Number of Issuance	Date of listing	Number of shares under listing approval	Date of termination
Ordinary shares						
RMB ordinary shares-grant of restricted shares under the Share Option Incentive Scheme	7 July 2014	7.73	244.04	20 June 2015	488.08	
			366.06	20 June 2016	/	
Non-public Issuance of RMB ordinary shares	17 July 2014	10.83	30,299.30	17 July 2017	/	
RMB ordinary shares-exercise of share option and grant of	25 November 2014	10.11	477.92	2 December 2014	477.92	
	25 November 2014	10.36	1,122.60		1,122.60	

restricted shares under the Share Option Incentive Scheme	8 April 2015	10.06	19.00	5 August 2015	/	
	28 July 2015	8.07	3,090.40	5 August 2015	3,090.40	

Details of issuance of securities as of the reporting period (the last three years) (please specify separately for bonds with different interest rates within the duration):

Applicable Not Applicable

(1) In April 2014, the Company introduced Phase IV Share Option Incentive Scheme. The Scheme involves 54,560,000 options, of which, 49,110,000 options (including 42,879,000 share options and 6,231,000 restricted shares) were granted under the first grant and 5,450,000 options (including 4,761,000 share options and 689,000 restricted shares) were reserved shares. After no objection filing with the CSRC and the approval of the Scheme at a general meeting of the shareholders of the Company, the Board determined the date of the First Grant was 20 June 2014 and 48,780,000 options (including 42,679,000 share options at the exercise price of RMB16.63 per share; and 6,101,000 restricted shares at the grant price of RMB7.73 per share) were granted to scheme participants (adjusted after one participant left the Company) under the first grant. The registration of transfer of the abovementioned restricted shares was completed on 7 July 2014. For details, please refer to the Announcement of Completion of Registration of Restricted Shares Granted under the Phase IV Share Option Incentive Scheme of Qingdao Haier Co., Ltd. (L 2014-038) published by the Company on the four major securities newspapers and the website of Shanghai Stock Exchange (www.sse.com.cn) on 8 July 2014.

(2) In September 2013, the Company induced a proposal on the introduction of the strategic investor through non-public issuance of no more than 305 million A ordinary shares to KKR (Luxembourg) with proceeds of not more than RMB3.447 billion. After the approval received from the general meeting of the shareholders of the Company, Ministry of Commerce and CSRC, the Board of the Company conducted relevant share transfer procedures in July 2014 and determined 302,992,994 shares to be issued at the issue price of RMB10.83 per share. The listing of the relevant share will be effective on 17 July 2017. For details, please refer to Announcement on Results of Non-public Issuance of Shares and Change in Share Capital of Qingdao Haier Co., Ltd. (L 2014-041) published by the Company on the four major securities newspapers and the website of Shanghai Stock Exchange (www.sse.com.cn) on 22 July 2014.

(3) In November 2014, the conditions for the third exercise period of Phase II Share Option Incentive Scheme, the second exercise period of Phase III Share Option Incentive Scheme of the Company have been fulfilled. On 25 November 2014, the Company directionally issued additional 4,779,200, and 11,226,000 ordinary shares to determined and qualified participants of Phase II and Phase III Share Option Incentive Scheme at prices of RMB10.11 and RMB10.36 per share respectively. The aggregate 16,005,200 shares above mentioned were listed on 2 December 2014. For details, please refer to Announcement on the Exercise Arrangement for the Third Exercise period of Phase II Share Option Incentive Scheme by the Board of Qingdao Haier Co., Ltd. (L 2014-064), Announcement on the Exercise Arrangement for the Second Exercise period of Phase III Share Option Incentive Scheme by

the Board of Qingdao Haier Co., Ltd. (L 2014-065) and the Announcement on the Exercise Result for the share Option Incentive Scheme and the Listing of Additional shares of Qingdao Haier Co., Ltd. (L 2014-067) published by the Company on the four major securities newspapers and the website of Shanghai Stock Exchange (www.sse.com.cn) on 12 November 2014 and 27 November 2014, respectively.

(4) In February 2015, according to the Company's reserved equity under the Phase IV Share Option Incentive Scheme, an aggregate of 650,000 share options were granted with the exercise price of RMB20.44 per share while 190,000 restricted shares were granted with the granting price of RMB10.06 per share. The Board of Directors determined that the Grant date was 26 February 2015. Registration and transfer issues of the restricted shares have been completed on 8 April 2015. For details, please refer to the Announcement of Qingdao Haier Co., Ltd. on the Completion of Registration of Reserved Restricted Shares Granted under the Phase IV Share Option Incentive Scheme (L 2015-011) published by the Company in the four major securities newspapers and the Shanghai Stock Exchange website (www.sse.com.cn) on 9 April 2015.

(5) In July 2015, the conditions of the first exercise/unlocking of equity initially granted under Phase IV Share Option Incentive Scheme were fulfilled. The Company directionally issued additional 30,904,000 ordinary shares to determined and qualified participants of the first exercise of equity granted under Phase IV Share Option Scheme at a price of RMB8.07 per share. The above shares were listed on 5 August 2015. For details, please refer to the Announcement of Qingdao Haier Co., Ltd. on the Share Option Incentive Exercise Result and New Shares Listing under the Share Option Incentive Scheme (L 2015-031) published in the four major securities newspapers and the Shanghai Stock Exchange website (www.sse.com.cn) on 30 July 2015.

(II) Changes in total shares and shareholder structure as well as assets and liabilities structure of the Company

Applicable Not Applicable

(1) On 26 February 2016, the shares repurchased by the Company by centralized bidding were cancelled, which resulted in the change of the total number of shares of the Company from 6,123,154,268 to 6,105,103,927;

(2) On 12 July 2016, some of the restricted shares under Phase IV Share Option Incentive Scheme were cancelled, which resulted in the change of the total number of shares of the Company from 6,105,103,927 to 6,097,630,727.

In summary, during the reporting period, the capital of the Company changed from 6,123,154,268 shares at the beginning of the period to 6,097,630,727 shares at the end of the period.

(III) Information on existing shares held by the staff

Applicable Not Applicable

III. Information on shareholder and actual controllers

(I) Total number of shareholders

Total number of ordinary shareholders up to the end of the reporting period	194,139
Total number of ordinary shareholders as at the end of the last month prior to the disclosure day of the annual report	167,512

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

Unit: share

Shareholdings of top ten shareholders							
Name of shareholder (full name)	Change during the reporting period	Number of shares held at the end of the period	Percent age (%)	Number of shares held with selling restrictions	Status of shares pledged or frozen		Nature of shareholder
					Status	Number	
Haier Electric Appliances International Co., Ltd.		1,258,684,824	20.64		Nil		Domestic non-state-owned legal entity
Haier Group Corporation		1,072,610,764	17.59		Nil		Domestic non-state-owned legal entity
KKR HOME INVESTMENT S.A R.L.		605,985,988	9.94	605,985,988	Nil		Foreign legal entity
Hong Kong Securities Clearing Co., Ltd.		429,607,463	7.05		Unknown		Unknown
China Securities Finance Corporation Limited		168,043,255	2.76		Unknown		Unknown
Qingdao Haier Venture & Investment Information Co., Ltd.(青岛海尔创业投资咨询有限公司)		160,597,760	2.63		Nil		Domestic non-state-owned legal entity
GIC PRIVATE LIMITED		73,350,622	1.20		Unknown		Unknown
Central Huijin Asset Management Ltd.		69,539,900	1.14		Unknown		Unknown
National social security fund, Portfolio 103		48,027,875	0.79		Unknown		Unknown
National social security fund, Portfolio 104		44,893,530	0.74		Unknown		Unknown
Shareholdings of top ten shareholders without selling restrictions							
Name of shareholder	Number of tradable shares without selling restrictions	Class and number of shares					
		Class	Number				
Haier Electric Appliances International Co., Ltd.	1,258,684,824	RMB ordinary	1,258,684,824				
Haier Group Corporation	1,072,610,764	RMB ordinary	1,072,610,764				
Hong Kong Securities Clearing Co., Ltd.	429,607,463	RMB ordinary	429,607,463				
China Securities Finance Corporation Limited	168,043,255	RMB ordinary	168,043,255				
Qingdao Haier Venture & Investment Information Co., Ltd.(青岛海尔创业投资咨询有限公司)	160,597,760	RMB ordinary	160,597,760				
GIC PRIVATE LIMITED	73,350,622	RMB ordinary	73,350,622				
Central Huijin Asset Management Ltd.	69,539,900	RMB ordinary	69,539,900				

National social security fund, Portfolio 103	48,027,875	RMB ordinary	48,027,875
National social security fund, Portfolio 104	44,893,530	RMB ordinary	44,893,530
Platinum Investment Company Limited	42,649,285	RMB ordinary	42,649,285
Related-parties or parties acting in concert among the aforesaid shareholders	(1) Haier Electric Appliances International Co., Ltd. is a holding subsidiary of Haier Group Corporation. Haier Group Corporation holds 51.20% of its equity. Qingdao Haier Venture & Investment Information Co., Ltd.(青岛海尔创业投资咨询有限公司) is a party acting in concert with Haier Group Corporation; (2) The Company is not aware of the existence of any connections of other shareholders.		
Explanation of preferential shareholders with restoration of voting rights and their shareholdings	N/A		

Number of shares held by top ten shareholders with selling restrictions and the selling restrictions
 Applicable Not Applicable

Unit: share

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

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

Applicable Not Applicable

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

IV. Controlling shareholder and the ultimate controller

(I) Status of controlling shareholder

1 Legal person

Applicable Not Applicable

Name	Haier Electric Appliances International Co., Ltd
The person in charge of the Company or legal representative	Zhang Ruimin (张瑞敏)
Establishment date	1988-06-30
Principal business	Manufacturing of freezer, electromagnetic stove, house electrical fan, hairdryer, freezing machine, gas fire, air cleaner, dishwasher, electric heater, electric cooker, water dispenser, vacuum cleaner, kitchen ventilator, gas stove and oven focal; the export of the products produced by the Company, the import and export of technology and equipment for the Company's own use and the import business of raw materials for production.

2 Natural person

Applicable Not Applicable

3 Explanation on the absence of controlling shareholders of the Company

Applicable Not Applicable

4 Index and dates in respect of the changes in controlling shareholders during the reporting period

Applicable Not Applicable

5 Framework of the ownership and controlling relationship between the Company and its controlling shareholder

Applicable Not Applicable



(II) Status of the ultimate controller

1 Legal person

Applicable Not Applicable

Name	Haier Group Corporation
The person in charge of the Company or legal representative	Zhang Ruimin (张瑞敏)
Establishment date	1980-03-24

Principal business	Manufacturing of home appliances, digital products, communication equipment, electronic computers and accessories, ordinary machineries, kitchen utensils and industrial use robots; domestic commercial wholesale distribution and retail sale (excluding those operated exclusively by the State, which are dangerous and limited by the State); the import and export business (please refer to Foreign Trade Enterprise Validation Certificate for details).
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2 Natural person

Applicable Not Applicable

3 Explanation on the absence of ultimate controller of the Company

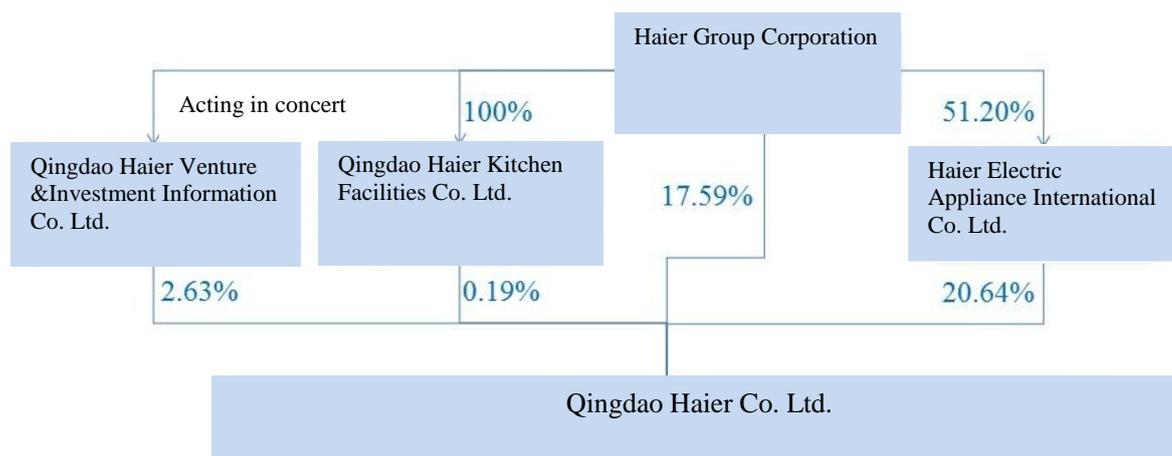
Applicable Not Applicable

4 Index and dates in respect of the changes in ultimate controller during the reporting period

Applicable Not Applicable

5 Framework of ownership and controlling relationship between the Company and the ultimate controllers

Applicable Not Applicable



6. The ultimate controller controls the Company by way of Trust or other assets management

Applicable Not Applicable

(III) Introduction of controlling shareholders and ultimate controllers

Applicable Not Applicable

Haier Group Company is registered as a joint-stock enterprise. According to the statement issued by the State-owned Assets Management Office of Qingdao on 1 June 2002, it is believed that the enterprise nature of Haier Group Company is a collective owned enterprise.

V. Other legal shareholders with a shareholding percentage over 10%

Applicable Not Applicable

Unit and Currency: RMB

Name of Legal Shareholder	The person in charge of the Company or legal Representative	Establishment Date	Code of Organization	Registered Capital	Principal operational business or management activities

KKR Home Investment S. à r.l.	William J. Janetschek and etc.	3 September 2013	/	USD18,000	Investment and investment management business
Explanation	KKR Home Investment S.à.r.l., is a project company which was incorporated in Luxemburg to specifically make investment in the Company in accordance with International Practice, a wholly-owned subsidiary of KKR China Growth Fund L.P.				

VI. Explanation of reduction of share restrictions

Applicable Not Applicable

SECTION VII THE RELEVANT INFORMATION OF PREFERRED SHARES

Applicable Not Applicable

SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

I. Changes of Shareholding and Remuneration

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

√Applicable □Not applicable

Unit: share

Name	Title (note)	Gender	Age	Appointment date	Expiration date of appointment	Shareholdings at the beginning of the year	Shareholdings at the end of the year	Increase/decrease in shares for the year	Reason for increase/decrease	Total remuneration received from the Company during the reporting period (RMB0'000) (before tax)	Whether receive remuneration from the Company's related party
Liang Haishan	Chairman & CEO	male	51	2016-05-31	2019-05-30	12,779,840	10,079,840	-2,700,000	Repurchase and cancellation of restricted shares	180	NO
Tan Lixia	Vice president	female	47	2016-05-31	2019-05-30	6,203,360	4,613,360	-1,590,000		No receipt of remuneration from the Company	YES
Wang Xiaonan	Director	female	54	2016-05-31	2019-05-30	473,600	296,000	-177,600		No receipt of remuneration from the Company	YES
Peng Jianfeng	Director	male	56	2016-05-31	2019-05-30					20	NO
Wu Changqi	Director	male	62	2016-05-31	2019-05-30					20	NO
Zhou Hongbo	Director	male	55	2016-05-31	2019-05-30					20	NO
Liu Haifeng David	Director	male	47	2016-05-31	2019-05-30					0	NO
Wu Cheng	Independent director	male	77	2016-05-31	2019-05-30					20	NO

Dai Deming	Independent director	male	55	2016-05-31	2019-05-30					20	NO
Shi Tiantao	Independent director	male	55	2016-05-31	2019-05-30					20	NO
Timothy Yung Cheng Chen	Independent director	male	61	2016-05-31	2019-05-30					12.5	NO
Wang Peihua	Chairman of the supervisory committee	male	60	2016-05-31	2019-05-30					No receipt of remuneration from the Company	YES
Ming Guoqing	Supervisor	male	57	2016-05-31	2019-05-30						YES
Wang Yuqing	Supervisor	female	42	2016-05-31	2019-05-30					13.8	NO
Gong Wei	Chief financial officer, vice president	male	44	2016-05-31	2019-05-30	1,568,000	1,400,000	-168,000	Repurchase and cancellation of restricted shares	60	NO
Ming Guozhen	Secretary to the board of directors, vice president	female	53	2016-05-31	2019-05-30	1,006,000	874,000	-132,000		55	NO
Total	/	/	/	/	/	22,030,800	17,263,200	-4,767,600	/	441.3	/

Name	Major work experience
Liang Haishan	<p>Male, born in 1966, is a senior engineer. He had served as director of enterprise management office of Qingdao Refrigerator General Factory, head of the quality department of Qingdao Haier Refrigerator Co., Ltd., director of personnel department of certification center of Haier Group Corporation, general manager and secretary of the party committee of Qingdao Haier Air Conditioner Gen Corp., Ltd, head and secretary of the party committee of Haier logistics department, senior vice president of Haier Group, executive vice president of Haier Group. He is chairman and CEO of 9th session of the Board of Qingdao Haier Co., Ltd.; he was rewarded National May 1st Labor Medal, Outstanding Leadership Award of the National Light Industry Enterprise Information (全国轻工业企业信息化优秀领导奖), Top 10 Leaders in China Strategic Emerging Industries in recent year; Prize of Technology Advancement for China Household Appliances, First Prize Award of Science and Technology Progress of China National Light Industry Council.</p>
Tan Lixia	<p>Female, born in 1970, had served as assistant to director and general manager of Haier Air Conditioning Electronics Import and Export Company (海尔空调电子进出口公司), the head of integrated department, deputy director, director of department of overseas market development of Haier Group, and head of department of financial management of Haier Group; currently serves as the executive vice president and chief financial officer of Haier Group, the vice chairman of the 9th session of the Board of Qingdao Haier Co., Ltd.. In recent years, she was successively awarded Model Worker of Shandong Province, Outstanding Entrepreneur of the State, "March 8 Red-Banner Holders of the State ", PRC CFO of the Year, China Top Ten Women in Economic Area, China Top Ten Brand Female (中国十大品牌女性) and so on.</p>
Wang Xiaonan	<p>(Term expired along with her retirement))Female, born in 1963, has served as the director of human resources of Orica China region (澳瑞凯中国区), director of human resources of Orica North Asia region(北亚区), director of the 8th session of the Board of Qingdao Haier Co., Ltd..</p> <p>She has abundant theoretical knowledge and practical experiences in human resources management and human capital strategic management such as corporate restructuring, acquisition, M&A. She has been awarded the “Annual Character Awards for the First Humanism China of the China Human Resource Development Association (中国人力资源开发研究会首届人本中国奖年度人物奖)”, “HR Team Innovation Award” (“人力资源团队创新奖”)and “Ten Best Practices Awards for China HR Management (中国人力资源管理十大最佳实践奖)”, “Best Organizational Reform of the Year (年度最佳组织变革奖)” and “Best HR Team of the Year (年度最佳HR团队奖)” for the near three years.</p>

Peng Jianfeng	Male, born in 1961, professor and tutor of doctorate students of School of Labor and Human Resources of Remin University of China, president of China Stone Management Consulting Group, vice chairman of China Human Resource Development Association, vice director of Management Consulting Committee of China Enterprise Confederation, director of the 9th session of the Board of Qingdao Haier Co., Ltd.. He once was the deputy dean of School of Labor and Human Resources of Remin University of China.
Wu Changqi	Male, born in 1955, professor and tutor of doctorate students of department of Strategic Management of Guanghua School of Management of Peking University. He graduated from Shandong University in 1982 with a bachelor degree in economics. He graduated from Katholieke Universiteit Leuven in Belgium in 1990, with a MBA degree and a doctorate degree in applied economics successively. He was an assistant professor and associate professor of Department of Economics of School of Business and Management of Hong Kong University of Science and Technology, professor and director of Department of Strategic Management of Guanghua School of Management of Peking University, deputy dean of Guanghua School of Management, Peking University, Director of EMBA degree programme center and so on. He is currently the president of the National Hi-Tech Industrial Development Zone Strategy Research Institute of Peking University(国家高新技术产业开发区发展战略研究院) and president of Guanghua Leadership Institute (in collaboration with CISCO), director of the 9th session of the Board of Qingdao Haier Co., Ltd..
Zhou Hongbo	Male, born in 1962, chairman of UbiLink, member of the board of directors of Beijing Hanbang Technology Co., Ltd., member of SandHillAngels in America; he was once the general manager of Beiqi iFoton Co., Ltd. (北汽福田车联网公司), chief software specialist of Tsinghua Tongfang, senior engineer / manager of research and development of IBM / BEA and other companies in the United States, postdoctoral researcher of Oak Ridge National Laboratory of America etc.; distinguished expert of Beijing, Guiyang and other municipal government; part-time professor of Beijing Jiaotong University, University of Electronic Science and Technology of China and other colleges; He was the pioneer engaged in IOT system development in Tsinghua Tongfang after his return from abroad in 2003, and has published three treatises at home and abroad, and he is one of the nine global IOT experts interviewed by the internationally renowned magazine "Economist". He is currently a director of the 9th session of the Board of Qingdao Haier Co., Ltd..
Liu Haifeng David	Liu Haifeng David, male, born in 1970, currently is the president of Dehong Capital (德弘资本) and was the KKR global partner, co-head of KKR Asian Private Equity Investment (KKR 亚洲私募股权投资) and president of Greater China Region, and member of KKR's Asian Private Equity Investment Committee, Asia Portfolio Management Committee and China Growth Fund Investment Committee. He once served as the managing director of Morgan Stanley and co-head of the Direct Investment Department of Morgan Stanley Asia. In years of direct investment career, he achieved an excellent long-term

	<p>investment performance, he was responsible for and led a number of successful and pioneering direct investment projects in the Greater China region, such as: China Mengniu Dairy, Ping An Insurance, Qingdao Haier, Belle International, Far East Horizon, Nanfu Battery, China Modern Dairy, United Envirotech Ltd., China Cord Blood Corporation, Yongle Household Appliances, Hengan International, Shanshui Cement, Rundong Auto, Sunner Development, 58 Home, Tarena Technology and Guangdong Feed(粤海饲料). He graduated from Columbia University, and achieved the highest honor of science degree in Department of Electronic Engineering; he is a member of Tau Beta Pi (National Engineering Honor Society of America) (全美工程荣誉学会), and he has won the Edwin Howard Armstrong Award as the most outstanding electronic engineering student of Columbia University.</p>
Wu Cheng	<p>Male, born in 1940, expert in informationization and automation, academician of Chinese Academy of Engineering. He graduated from Tsinghua University in 1962 and got a postgraduate degree of Tsinghua University in 1966. He is a professor and doctoral supervisor of department of Automation of Tsinghua University, head of National CIMS Engineering Research Center, independent director of Kingdee (International) Software Group Co., Ltd., and independent director of the 9th session of the Board of Qingdao Haier Co., Ltd..</p>
Dai Deming	<p>Male, born in 1962. He is a professor and doctoral supervisor of the accounting department of School of Business at Remin University of China. He also concurrently holds other positions such as a vice-chairman of Accounting Society of China, and a vice-chairman of Beijing Society of Auditing, Independent director of the 9th session of the Board of Directors of Haier. He served as an independent director for CSR Corporation Limited and other companies.</p>
Shi Tiantao	<p>Male, born in 1962. He currently serves as a professor and doctoral supervisor of the School of Law at Tsinghua University as well as director of Finance & Law Research Center under the School of Law at Tsinghua University. He also serves on the 9th Session of the Board of Directors of Qingdao Haier as an independent director. Meanwhile, he concurrently holds other positions such as a vice president of the Chinese Research Association of Securities Law, an arbitrator of CIETAC, a specially-designated supervisor of the Supreme People's Court and a member of the Case Guidance Committee. He was a deputy dean of the School of Law at Tsinghua University.</p>
Timothy Yung Cheng Chen	<p>(Term expired along with his retirement) Male, born in 1956, holds an American citizenship. He obtained a MBA degree of University of Chicago, and a master's degree in Computer Science and Mathematics of The Ohio State University. He once served as the president of Motorola Inc. and Microsoft (China) Co., Ltd. in China and executive vice president of the headquarters, and he served in the AT & T Bell Laboratory of the United States for nine years.</p>

Wang Peihua	Male, born in 1957, senior political analyst, he has served as the deputy secretary of Party Committee of Haier Group Air-Conditioner Head Office (海尔集团空调本部), Washing Machine Head Office (洗衣机本部), and Haier Group Freezer & Heater Head Office (海尔集团冷柜电热本部), chairman of the labor union of Haier Group Technology and Equipment Head Office, deputy secretary of Discipline Inspection Committee etc.. He is the head of the Organizational Department of Haier Group, the president of the 9th session of the Board of Supervisors of Qingdao Haier Co., Ltd..
Ming Guoqing	Male, born in 1960, senior political analyst, has served as deputy secretary of Discipline Inspection Committee of Qingdao Refrigerator General Factory, party branch secretary and assistant manager of Qingdao Haier Transportation Company (青岛海尔运输公司), head of the comprehensive department of Qingdao Haier Co., Ltd., deputy secretary of party committee and secretary of discipline inspection committee of Haier Refrigerator Products Head Office (海尔冰箱产品本部), chairman of the labor union. He is the chairman of the labor union of Haier Group, and the supervisor of the 9th session of the board of supervisors of Qingdao Haier Co., Ltd..
Wang Yuqing	Female, born in 1975, has served as the worker supervisor of the Board of Supervisors of Qingdao Haier Co., Ltd. and the office secretary of Qingdao Haier Co., Ltd.. She is a supervisor of the 9th session of the board of supervisors of Qingdao Haier Co., Ltd., and head of the general manager office of Qingdao Haier Co., Ltd..
Gong Wei	Male, born in 1973, has served as the financial manager of Qingdao Haier Co., Ltd., senior financial manager and senior financial analyst of Haier Group, chief financial officer of Haier Washing Machine Head Office (海尔洗衣机本部), chief financial officer of Haier Air-Conditioner Head Office (海尔空调本部), chief financial officer of White Goods Group, he is the vice president and chief financial officer of Qingdao Haier Co., Ltd.. He was granted the honorary titles such as Outstanding Youth in Post of Qingdao City, Outstanding Accounting Workers of Shandong Province, National Outstanding Accounting Workers and so on, and won the awards of Top Ten CFO in China as appraised by "New Money" Magazine (《新理财杂志》) in 2011.
Ming Guozhen	Female, born in 1964, master in Economy, senior economist, was the lecturer of the investment department of China Institute of Finance, deputy head of the Teaching and Research section of Investment Economy Department, a member of treasury department of Everbright International Investment Consultancy Company, deputy director and director of general manager office, general manager of business management department and

general manager of personnel department, assistant to the general manager of the Company, executive vice president of Everbright International Investment Consultancy Company; she was the office director of analysts professional committee of the Securities Association of China, vice director of Qualification Management Department of the Association, vice director of Practice Standards Committee (执业标准委员会) of the Association. She is currently the vice general manager and secretary to the Board of Directors of Qingdao Haier Co., Ltd..

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

√Applicable □Not applicable

Unit: share

Name	Position	Number of share options held at the beginning of the year	Number of share options newly granted during the reporting period	Shares exercisable during the reporting period	Shares exercised by the share option during the reporting period	Exercising price of share options (RMB)	Number of share options held at the end of the period	Market price at the end of the reporting period (RMB)
Liang Haishan	Chairman and CEO	2,700,000	0	0	0	8.07	0	9.88
Tan Lixia	Vice president	1,590,000	0	0	0	8.07	0	9.88
Gong Wei	Chief financial officer, vice president	252,000	0	0	0	8.07	0	9.88
Ming Guozhen	Secretary to the board of directors, vice president	340,000	0	0	0	8.07	0	9.88
Total	/	4,882,000	0	0	0	/	0	/

Note: During the reporting period, due to 2015 performance did not fulfill the exercise conditions, the related resolution was reviewed and approved by the Company at the 31st meeting of the eighth session of the Board held on 28 April 2016 to cease the exercise of certain share options involved in the Company's fourth phase of share option incentive scheme. According to the resolution, part of the outstanding share options held by the scheme participants at the beginning of the year under the Company's fourth phase of share option incentive scheme shall be cancelled; of which, those held by the abovementioned Directors, Supervisors

and Senior Management at the beginning of the period shall be entirely forfeited. Please refer to the Announcement of Qingdao Haier Co., Ltd. on the Resolution of the 31st Meeting of the Eighth Session of the Board (L 2016-024) disclosed by the Company on 29 April 2016 for details.

Unit: share

Name	Position	Number of restricted shares held at the beginning of the year	Number of restricted shares newly granted during the reporting period	Granting price of restricted shares (RMB)	Unlocked shares	Locked shares	Number of restricted shares held at the end of the period	Market price at the end of the reporting period (RMB)
Liang Haishan	Chairman and CEO	2,700,000	0	3.62	0	0	0	9.88
Tan Lixia	Vice president	1,590,000	0	3.62	0	0	0	9.88
Gong Wei	Chief financial officer, vice president	168,000	0	3.62	0	0	0	9.88
Ming Guozhen	Secretary to the board of directors, vice president	132,000	0	3.62	0	0	0	9.88
Total	/	4,590,000	0	/	0	0	0	/

Note: During the reporting period, due to 2015 performance of the Company did not fulfill the unlocking conditions, the related resolution was reviewed and approved by the Company at the 31st meeting of the eighth session of the Board held on 28 April 2016 to cease the unlocking of certain restricted shares involved in the Company's fourth phase of share option incentive scheme. According to the resolution, part of the restricted shares held by the scheme participants remaining in lock-up under the Company's fourth phase of share option incentive scheme shall be repurchased and canceled. The repurchase and cancellation of such shares were completed on 12 July 2016, whereby a total of 7,473,200 shares were canceled, including all the restricted shares held by the abovementioned Directors, Supervisors and Senior Management remaining in lock-up at the beginning of the year. Please refer to the Announcement of Qingdao Haier Co., Ltd. on the Resolution of the

31st Meeting of the Eighth Session of the Board (L 2016-024) and the Announcement of Qingdao Haier Co., Ltd. on cancellation of the restricted shares repurchased under the share option incentive scheme (L 2016-046) disclosed by the Company on 29 April 2016 and 12 July 2016, respectively, for details.

II. Positions Held by Current and Retired Directors, Supervisors and Senior Management during the Reporting Period

(I) Positions held in shareholders' entities

√Applicable □Not Applicable

Name	Company	Position	Appointment date	End date of appointment
Liang Haishan	Haier Electric Appliances International Co., Ltd.	Director	November 1997	
Tan Lixia	Haier Electric Appliances International Co., Ltd.	Director		
Tan Lixia	Qingdao Haier Venture & Investment Information Co., Ltd. (青岛海尔创业投资咨询有限公司)	Supervisor	March 2009	
Tan Lixia	Haier Group Corporation	Executive vice president, chief financial officer	February 2006	
Wang Peihua	Haier Group Corporation	Head of Organizational Department		
Ming Guoqing	Haier Group Corporation	Chairman of the Labor Union		
Positions in shareholders entities	Nil			

(II) Positions held in other entities

√Applicable □Not Applicable

Name	Company	Positions	Appointment date	End date of appointment
Liang Haishan	Haier Group Electric Appliance Industry Co., Ltd.	Director		
Liang Haishan	Qingdao Haier Multi-media Co., Ltd. (青岛海尔多媒体有限公司)	Director		
Liang Haishan	Fisher & Paykel Appliances Holdings Limited	Director		
Ming Guozhen	Qingdao Overseas Chinese Industrial Holding Co., Ltd.	Director	July 2008	

Tan Lixia	Haier Group Finance Co., Ltd.	Supervisor		
Tan Lixia	Qingdao Haier Investment and Development Co., Ltd.	Supervisor		
Tan Lixia	Haier Group Electric Appliance Industry Co., Ltd.	Director		
Tan Lixia	Fisher & Paykel Appliances Holdings Limited	Director		
Wu Cheng	Tsinghua University	Professor		
Wu Cheng	Kingdee International Software Group Company Limited	Independent Non-executive director		
Wu Changqi	Peking University	Professor		
Wu Changqi	Huaxia Bank Co., Ltd. (华夏银行股份有限公司)	Supervisor	12 May 2015	11 May 2018
Wu Changqi	Beijing Electronic Zone Investment and Development Co., Ltd.	Independent director	28 December 2012	27 December 2018
Wu Changqi	Tianjin Keyvia Electric Co., Ltd.	Independent director	1 December 2011	30 November 2017
Peng Jianfeng	Remin University of China	Professor		
Peng Jianfeng	Beijing China Stone Management Consulting Group	President		
Peng Jianfeng	Chinese Universe Publishing and Media Co., Ltd.	Independent director	5 December 2010	4 December 2016
Zhou Hongbo	Beijing Hanbang Technology Co., Ltd. (北京汉邦高科数字技术股份有限公司)	Independent director	November 2014	November 2017
Shi Tiantao	Tsinghua University	Professor	2000	
Shi Tiantao	Beijing Hanbang Technology Co., Ltd. (北京汉邦高科数字技术股份有限公司)	Independent director		
Shi Tiantao	Jiajiayue Group Holding Co., Ltd. (家家悦集团股份有限公司)	Independent director		
Shi Tiantao	Kunlun Trust Co., Ltd. (昆仑信托有限责任公司)	Independent director		
Shi Tiantao	Rongtong Fund Management Co., Ltd. (融通基金管理有限责任公司)	Independent director		
Liu Haifeng David	Far East Horizon Co., Ltd. (远东宏信有限公司)	Non-executive director	October 2009	
Liu Haifeng David	China International Capital Corporation Limited(中国国际金融股份有限公司)	Non-executive director	February 2015	
Liu Haifeng David	United Envirotech Co., Ltd. (联合环境技术有限公司)	Non-executive director	October 2011	
Liu Haifeng David	China Rundong Auto Group limited(中国润东汽车集团有限公司)	Non-executive director	January 2014	
Dai Deming	Beijing Capital Development Co., Ltd. (北京首都开发股	Independent director	September 2015	

	份有限公司)			
Dai Deming	China Zheshang Bank Co., Ltd. (浙商银行股份有限公司)	Independent Non-executive director	March 2015	
Dai Deming	BOC Aviation Limited (中银航空租赁有限公司)	Independent Non-executive director	May 2016	
Dai Deming	China Securities Co., Ltd. (中信建投证券股份有限公司)	Independent Non-executive director	August 2016	
Positions in other entities	Nil			

III. Remuneration of Directors, Supervisors and Senior Management

√Applicable □Not Applicable

Decision-making procedures of the remuneration of directors, supervisors and senior management	The procedures for decision-making of remuneration of directors, supervisors and senior management of the Company are establishing platform, clearing standards, communication and consultation, and making objective decision. The Remuneration Committee of the Company formulate remuneration standards, adjust principles and assess the principles of realizing, then propose them to the board of directors for approval, thus form a system platform, then to determine the actual remuneration of that year according to the two-dimensional lattice examination results of the bet against cycle and the two-dimensional lattice annual examination results.
Determination basis of the remuneration of directors, supervisors and senior management	The management personnel salary system of the Company in 2016 is linked to the strategic income statement, of which the tool is the two-dimensional lattice model (二维点阵模型). The two-dimensional lattice (二维点阵) could reflect the strategic undertaking vertically and leading small companies, and the market competitiveness horizontally. The highest allowance of outside directors of the 8th and the 9th session of the board of directors of the Company is RMB200,000 (before tax) in total per year, including the fixed allowances of RMB150,000 per year, the highest performance allowance is RMB50,000 per year, and the exact amount of performance allowance will be determined based on the comprehensive consideration of the contribution of directors to the Board decision making, the effectiveness of the proposals and recommendations to the board of directors, the participation of the meetings of the Board, attendance rate of all Board meetings and other factors. The travelling expense for attending the meetings of the board of directors and shareholders and other expenses necessary for performing their duties pursuant to the Articles of Association shall be fully reimbursed.
Remuneration payables of directors, supervisors and senior management	Paid as required.
Total actual remuneration of all the directors, supervisors and senior management at the end of the reporting period	RMB4.413 million

IV. Changes in Directors, Supervisors and Senior Management of the Company√Applicable Not Applicable

Name	Position	Changes	Reasons
Wang Xiaonan	Director	Resigned	Expiry of terms of appointment, change of directors
Timothy Yung Cheng Chen (陈永正)	Independent director	Resigned	Expiry of terms of appointment, change of directors

V. Punishment by the Securities Supervisory Institute in last three yearsApplicable Not Applicable

VI. Staff of the Company and Principal Subsidiaries**(I) Staff information**

Number of staff of the Company	2,505
Number of staff of principle subsidiaries	72,065
Total number of staff	74,570
Number of employees whose retirement expenses are borne by the Company and the principle subsidiaries	0
Breakdown by function	
Function	Number
Production	48,466
Sales	13,195
R&D	10,465
Financial	998
Administrative	1,446
Total	74,570
Breakdown by education	
Education	Number
Bachelor and above	15,218
College	17,535
Technical secondary school and others	41,817
Total	74,570

(II) Remuneration policies

Applicable Not Applicable

The Company conducted the system of individual paid separately and entirety paid in advanced, which originates from the strategic balance sheet of Haier including the evaluation of the creation of user resources, operation ability of autonomous management entity, budget implementation and continuous optimization. The incentive system leads to win-win sharing through everybody creating values to the users who will pay for the values.

(III) Personnel training

Applicable Not Applicable

Please also refer to relevant content set out in " Social Responsibility Report in 2016 of Qingdao Haier Co., Ltd." published on the same date as this report.

(IV) Labor Outsourcing

Applicable Not Applicable

VII. Other

Applicable Not Applicable

SECTION IX CORPORATE GOVERNANCE

I. EXPLANATION OF CORPORATE GOVERNANCE

√Applicable Not Applicable

During the reporting period, the Company strictly complied with the requirements under the Company Law, the Securities Law, Code on Corporate Governance for Listing Company and the requirements of the relevant laws and regulations, to improve its corporate governance structure, regulate its operation, improve its information disclosure system, strengthen the communication with investors and elevate the standard of the Company's corporate governance. In respect of corporate governance structure, the general meeting, the Board and the management standardized its operation to practically guarantee the legal interests of the Company and its shareholders; all Directors duly discharged their duties in a diligent way; each committee of the Board of the Company performed their work according to their respective detailed working rules to ensure that the Board operate in a more effective and scientific way; independent Directors fulfilled their duties independently and issued independent opinion on major matters in order to effectively protect the interests of the Company as a whole and the lawful rights and interests of medium and small investors. In respect of information disclosure, the Company strictly executed the registration and management system for insiders, achieved the management of inside information on significant events and eliminating the act of using the Company's inside information for stocks trading by insider. Meanwhile, the Company reinforced the accountability of people who are responsible for annual report disclosure and enhanced the quality and transparency of information disclosure in annual reports. The Company has placed a lot of emphasis on information disclosure and disclosed relevant information on a true, accurate, complete and timely basis strictly in accordance with the requirements of laws and regulations to ensure all shareholders have equal access to such information. In respect of the management of investor relation, in accordance with guideline of the Management System for Investor Relation, the Company integrated business and financial resources by the office of board secretary and realized positive and all-around access to investors in a multi-layer and diversified format through introduction reference, result announcement conference and online forum. Meanwhile, the Company replied investors on a timely basis by ways of interview, e-mail, phone, fax and the website (<http://sns.sseinfo.com>) and enhanced interaction with investors, so as to respect and protect the interests of various investors, with the aim of achieving harmonious and mutual success with the Company, staff and investors. The corporate governance structure of the Company is sound and there is no difference between the corporate governance structure and the requirement of relevant documents from CSRC.

(1) Shareholders and general meeting of shareholders:

The Company could ensure that all shareholders, especially the minority shareholders enjoy equal treatment and are able to fully exercise their rights; during the reporting period, the Company convened and held three shareholders' general meetings in compliance with the requirements of the Articles of Association and Rules Governing Shareholders' General Meeting of the Company. Attendance of

Shareholders at the meeting is relatively high, which ensured that the shareholders fully exercised voting rights; the Company also engaged lawyers who possess the qualification to engage in securities business to attend and witness the shareholders' general meeting; the resolutions were considered and approved in accordance with legal procedures, which could guarantee the power and rights of minority shareholders.

(2) Relationship between controlling shareholders and the Company:

The controlling shareholders acted normatively and did not interfere with the Company's management decisions and operations, directly or indirectly. The Company and the controlling shareholders are independent of each other in terms of their staff, assets, finance, organization and business. Their respective board of directors, the supervisory committee and internal administrative departments are all independent of each other. The specific requirements for regulating Related-party transactions and fund flow are set out in the Articles of Association, Fair Decision-Making System for Related-party Transactions and the Administrative System for Regulation of Fund Flow between the Company and Related Parties, Risk Control System for Related-party Transaction with Haier Group Finance Co., Ltd., and Proposal for Emergency Response System for Risk of Deposits with Haier Group Finance Co., Ltd., which guaranteed the interests of investors. The daily related-party transactions are subject to the consideration and approval at the annual general meeting and set specialized execution procedure. The basis of pricing and reasonability of operation agreement shall be supervised and reviewed by special departments, so as to regulate the execution of related-party transactions and protect the interests of minority shareholders and non-related shareholders. During the reporting period, further enhanced self-procurement capability and scope of the self-procurement companies Qingdao Haidarui Procurement Service Co., Ltd.(青岛海达瑞采购服务有限公司) and Qingdao Haidayuan Procurement Service Co., Ltd.(青岛海达源采购服务有限公司) and strengthened the procurement capability of the Company, which further reduced related-party transactions. The revenue of the above two companies amounted to RMB12.0 billion and RMB23.9 billion respectively in 2016, with procurement efforts continued to increase.

(3) Directors and the Board:

During the reporting period, the Board of the Company operated in accordance with rules and continued to perform their duties under the Articles of Association and relevant laws and regulations better and practically implement relevant decisions at the shareholders' general meeting. The number and composition of the members of the Board complied with relevant laws and regulations; the Directors attended the board meeting and shareholders' general meeting with diligent and responsible attitude and protected the interests of the Company. In accordance with the requirements in the Code of Corporate Governance for The Company, the Company has 7 external Directors, of which three are independent Directors, representing approximately three quarters of the total number of the Directors (9 in total) of the Company. Each of the independent Directors of the Company respectively acted as member of the nomination committee, remuneration and appraisal committee and audit committee of the Board and practically carried out their duties.

During the reporting period, all Directors and independent Directors performed their duties earnestly strictly in compliance with the Articles of Association, the Rules of Procedure for the Board of Directors, the System for Independent Directors and relevant requirements under laws and regulations and each committees of the Board operated normatively according to its own work rules. During the reporting period, the Board of the Company considered and approved the following matters: employee incentive scheme, acquisition of GEA and periodical reports, so as to encourage the Company to further consolidate its resources to better implement the networking and globalize development strategy.

(4) Supervisors and the Supervisory Committee:

During the reporting period, the Supervisory Committee operated in accordance with rules and continued to practically perform their duties under the Articles of Association and relevant laws and regulations. The number and composition of the members of the Supervisory Committee complied with requirements under laws and regulations. During the reporting period, the Supervisors of the Company performed their duties earnestly and adhered to the principle of being responsible to the Company and all shareholders to supervise legality and compliance on finance matters of the Company and performance of duty by the Company's Directors, managers of the Company and other senior management strictly in accordance with requirements under the Articles of Association, the Rules of Procedure for the Supervisory Committee and relevant laws and regulations.

(5) Performance evaluation and incentive and disciplinary mechanism:

In accordance with the Articles of Association, the Board shall appoint or remove the general manager and the secretary of the Board; the Board shall appoint or remove the deputy general manager and other senior management (including the chief financial officer) of the Company based on the nomination by the general manager and determine their remunerations and rewards and penalties. The human resource department of the Company shall make routine appraisal and evaluation on the performance of Directors, supervisors and senior management and Remuneration and Appraisal Committee shall make inspection and evaluation on their performance to determine their remunerations at the end of the year.

During the reporting period, the Company adopted employee incentive scheme which further perfected the incentive and disciplinary mechanism and mechanism of the shareholders shares benefits and risks with the management of the Company, so as to enhance the competitiveness and promote the sustainable and sound development of the Company.

(6) Stakeholders:

The Company was able to fully respect and protect the lawful rights and interests of banks, other creditors, employees, consumers and other stakeholders. Meanwhile, the Company actively took part in public welfare undertaking in such place where it operates, placed a lot of emphasis on environment protection, performed its social duties earnestly and worked together with these stakeholders actively with good communication to promote the sustainable and sound development of the Company. For details, please refer to relevant information in 2016 Social Responsibility Report of Qingdao Haier Co.,

Ltd. published on the same date of this report.

(7) Information disclosure and transparency:

During the reporting period, the Company positively disclosed the relevant information in a true, accurate and complete manner which was strictly in accordance with relevant laws and regulations including the Articles of Association, Administrative Measure for Information Disclosure and requirements in the Information Disclosure Management System of the Company, Work Rules and Procedures Regarding the Annual Report and the Management System for Investor Relation, proactively communicated with regulatory authorities and investors and designated newspapers including Shanghai Securities News, China Securities Journal, Securities Times and Securities Daily for information disclosure to ensure that all shareholders access to such information equally. The Company authorized the secretary to the Board to take charge of information disclosure, reception of visits by shareholders and handling of shareholder's enquiries. Meanwhile, the Company broadened communication channels for investors to get relevant information of the Company through telephone conference calls after periodical reporting and occasionally holding on-site and online forums; the Company could disclose the particulars about the substantial shareholders or ultimate controller and changes in shareholding of the Company on a timely basis in accordance with relevant requirements. With respect to the significant Related-party transactions, the Company performed necessary approval procedures and disclosed relevant information strictly in compliance with the Articles of Association and Fair Decision-Making System for Related-party Transactions to protect the interests of investors. During the reporting period, the Company further perfected the confidentiality procedure for information disclosure strictly in compliance with the Registration System of Insiders, the Responsibility System for Major Errors in Information Disclosure in Annual Reports and the Management System of External Information Users to ensure the fairness and equity of information disclosure.

(8) Implementation of corporate governance campaign in 2015:

During the reporting period, the Company continued to carry out works relating to “solution of business competition and reduction of related-party transactions”. In 2016, trading volume of related-party transactions regarding procurement amounted to RMB26.8 billion, which accounted for 24.0% of the similar transactions, representing a decrease of 7.2 pct pt as compared to the same period of the previous year. Trading volume of related-party transactions regarding sales amounted to RMB4.37 billion, which accounted for 3.7% of the similar transactions, representing a decrease of 3.5 pct pt compared with last year. The optimization of the related-party transactions has been effective. The Company will continue to increase investment in independent purchase and promote the continuous optimization of related-party transactions.

Leveraging on the further implementation of governance campaign and enhancing the establishment of fundamental systems, the Company further improved the corporate governance structure and improved the corporate governance. The Company carried out various activities to strengthen the consciousness of learning and further strengthened the consciousness on regulating governance in the Company among Directors, Supervisors and senior management of the Company with

organizational training to improve the ability to regulate governance and continuously improve and perfect corporate governance of the Company, thus to protect the minority equity interests and to guarantee and promote the healthy, stable and sustainable development of the Company.

Whether there is a significant difference between the corporate governance and requirements of relevant provisions of the CSRC; if so, the reasons should be explained

Applicable Not Applicable

II. Introduction to the General Meeting of shareholders

Meeting	Date	Index for details of websites designated for publishing resolutions	Date of disclosure
2016 First Extraordinary General Meeting	7 January 2016	For details, please refer to the Announcement on Resolutions Passed at the 2016 First Extraordinary General Meeting of Qingdao Haier Co., Ltd. (L2016-002) published by the Company on the website of Shanghai Stock Exchange (www.sse.com.cn) and the four major securities newspapers	8 January 2016
2016 Second Extraordinary General Meeting	31 March 2016	For details, please refer to the Announcement on Resolutions Passed at the 2016 Second Extraordinary General Meeting of Qingdao Haier Co., Ltd. (L2016-023) published by the Company on the website of Shanghai Stock Exchange (www.sse.com.cn) and the four major securities newspapers	1 April 2016
2015 Annual General Meeting	31 May 2016	For details, please refer to the Announcement on Resolutions Passed at the 2015 Annual General Meeting of Qingdao Haier Co., Ltd. (L2016-038) published by the Company on the website of Shanghai Stock Exchange (www.sse.com.cn) and the four major securities newspapers	1 June 2016

Explanation of Shareholders' general meetings

Applicable Not Applicable

(1) The 2016 First Extraordinary General Meeting of the Company (the "2016 First EGM") was held by way of on-site voting and network voting by poll at Room A108, Haier University, Haier Information Park, No.1 Haier Road, Qingdao, the PRC in the afternoon on 7 January 2016. The Company's share capital in aggregate amounted to 6,123,154,268 shares. 85 shareholders and proxies attended the meeting, holding a total of 3,491,888,771 shares, representing 57.03% of the total number of shares of the Company with voting rights. The Directors, Supervisors and senior management of the Company as well as the lawyers engaged by the Company also attended the meeting. The 2016 First EGM was convened by the Board of the Company. Director Ms. Wang Xiaonan, presided over the 2016 First EGM. The Company had 11 Directors, of whom 1 Director attended the 2016 First EGM (Director Liang Haishan, Tan Lixia, Wu Changqi, Zhou Hongbo, Peng Jianfeng, Liu Haifeng David, Wu Cheng, Shi Tiantao, Timothy Yung Cheng Chen, Dai Deming was unable to attend the 2016 First EGM due to personal engagement); the Company had 3 Supervisors, all of whom attended the 2016 First EGM. The secretary to the Board of the Company attended the 2016 First EGM and other members of senior management of the Company were invited to attend the 2016 First EGM.

(2) The 2016 Second Extraordinary General Meeting of the Company (the “2016 Second EGM”) was held by way of on-site voting and network voting by poll at Room A108, Haier University, Haier Information Park, No.1 Haier Road, Qingdao, the PRC in the afternoon on 31 March 2016. The Company’s share capital in aggregate amounted to 6,105,103,927 shares. Attendance of shareholders and proxies at the 2016 Second EGM is as follows: there were 204 shareholders of the Company in attendance either in person or by proxy at the 2016 Second EGM, holding a total of 3,693,930,104 shares, representing 60.50% of the total number of shares of the Company with voting rights. The Directors, Supervisors and senior management of the Company as well as the lawyers engaged by the Company also attended the 2016 Second EGM. The 2016 Second EGM was convened by the Board of the Company. Director Mr. Liang Haishan, presided over the 2016 Second EGM. The Company had 11 Directors, of whom 5 Directors attended the 2016 Second EGM (Director Wu Changqi, Zhou Hongbo, Peng Jianfeng, Liu Haifeng David, Wu Cheng, Timothy Yung Cheng Chen was unable to attend the 2016 Second EGM due to personal engagement); the Company had 3 Supervisors, all of whom attended the 2016 Second EGM. The secretary to the Board of the Company attended the 2016 Second EGM and other members of senior management of the Company were invited to attend the 2016 Second EGM.

(3) The 2015 Annual General Meeting of the Company (the “2015 AGM”) was held by way of on-site voting and network voting by poll at Room A108, Haier University, Haier Information Park, No.1 Haier Road, Qingdao, the PRC in the afternoon on 31 May 2016. The Company’s share capital in aggregate amounted to 6,105,103,927 shares. There were 58 shareholders of the Company in attendance either in person or by proxy at the 2015 AGM, holding a total of 3,438,804,686 shares, representing 56.33% of the total number of shares of the Company with voting rights. The Directors, Supervisors and senior management of the Company as well as the lawyers engaged by the Company also attended the 2015 AGM. The 2015 AGM was convened by the Board of the Company. Mr. Liang Haishan, Chairman of the Board, presided over the 2015 AGM. The Company had 11 Directors, of whom 3 Directors attended the 2015 AGM (Director Wang Xiaonan, Wu Changqi, Peng Jianfeng, Zhou Hongbo, Liu Haifeng David, Wu Cheng, Dai Deming, Timothy Yung Cheng Chen was unable to attend the 2015 AGM due to personal engagement); the Company had 3 Supervisors, all of whom attended the 2015 AGM. The secretary to the Board of the Company attended the 2015 AGM and other members of senior management of the Company were invited to attend the 2015 AGM as non-voting participants.

III. Performance of Duties by Directors

(I) Attendance of board meetings and general meetings by directors

Name of Director	Whether an Independent Director or not	Attendance of Board meetings						Attendance of general meetings
		Required attendances of Board meetings	Attendance in person	Attendance by telecommunication	Attendance by proxy	Absence	Absence from two consecutive meetings in person or not	Attendances at general meetings

Liang Haishan	NO	6	6	2	0	0	NO	2
Tan Lixia	NO	6	6	3	0	0	NO	2
Wang Xiaonan	NO	3	3	1	0	0	NO	2
Peng Jianfeng	NO	6	5	5	1	0	NO	0
Wu Changqi	NO	6	6	4	0	0	NO	0
Zhou Hongbo	NO	6	6	6	0	0	NO	0
Liu Haifeng David	NO	6	6	6	0	0	NO	0
Dai Deming	YES	6	6	4	0	0	NO	1
WU Cheng	YES	6	6	6	0	0	NO	0
Shi Tiantao	YES	6	6	5	0	0	NO	2
Timothy Yung Cheng Chen	YES	3	2	2	1	0	NO	0

Statement for failure to attend the Board meetings for two consecutive times

Applicable Not Applicable

Number of Board meetings held in the year	6
Of which: Number of on-site meetings	0
Number of meetings held by telecommunication	2
Number of meetings held both on site and by telecommunication	4

(II) Independent Directors' objection to the relevant matters of the Company

Applicable Not Applicable

(III) Other

Applicable Not Applicable

IV. Major Opinions and Suggestions of the Special Committees of the Board in Performing Their Duties during the Reporting Period, Details Should Be Disclosed If Any Disagreements

Applicable Not Applicable

(1) Audit Committee: during the reporting period, the Company convened 5 meetings of the Audit Committee to consider the annual report audit-related work for three times, namely, pre-audit, mid-audit and post audit and made relevant arrangement. The Audit Committee believed that the 2015 financial and accounting statement issued by the Company was in compliance with the requirements of

the Accounting Standards for Business Enterprises, and gave a true and fair view of the Company's assets and liabilities as of 31 December 2015 and operating results and cash flow for the year 2015. There was no significant unresolved disagreement between accounting and auditing. There was no material risk affecting the Company's operation. The Company operated prudently and would be able to continue as a going concern. Other meetings considered the annual budget of Related-party transactions, internal control self-assessment reports, profit distribution plan, engagement of accounting firm, change of accounting methods to Bank of Qingdao, subscription of increase of capital of Finance Company, acquisition of GEA and the first quarterly report, the semi-annual report and the third quarterly report of 2016. The Audit Committee agreed the above resolutions and submitted the same to the Board for consideration.

(2) Remuneration and Appraisal Committee: during the reporting period, the Company convened 1 meeting of the Remuneration and Appraisal Committee to consider the cancellation of exercise/unlocking of part interest of the fourth share incentive scheme, implementation of employee incentive scheme and the annual remuneration package of Directors, supervisors and senior management. The Remuneration and Appraisal Committee agreed the above resolutions and submitted the same to the Board for consideration.

(3) Nomination Committee: during the reporting period, the Company convened 1 meeting of the Nomination Committee to summarize the annual performance of duties by Directors, supervisors and senior management. The Nomination Committee agreed the above resolutions.

(4) Strategy Committee: during the reporting period, the Company convened 3 meetings of the Strategy Committee to consider the plan for acquisition of GEA and subscription of accretion of Finance Company. The Strategy Committee agreed the above resolutions and submitted the same to the Board for consideration.

V. Supervisory Committee's Explanation on Risks about the Company

Applicable Not Applicable

VI. Statements of the Company on Inability to Maintain the Independence or the Ability of Independent Operations between the Company and the Controlling Shareholders with respect to Business, Personnel, Assets, Organization and Finance

Applicable Not Applicable

Corresponding solutions, working progress and subsequent working plans of the Company in case of horizontal competition

Applicable Not Applicable

In recent years, the Company made constant efforts in solving the horizontal competition, and reduced the number of related-party transactions. As of the end of the reporting period, the Company effectively solved the horizontal competition, and reduced the number of related-party transactions by

acquiring the Group's upstream and downstream assets and setting up an independent platform for independent procurement and sales. In 2016, the trading amount of related-party transactions regarding procurement amounted to RMB26.8 billion, which accounted for 24.0% of similar transactions, representing a year-on-year decrease of 7.2 pct pt; the trading amount of related-party transactions regarding sales amounted to RMB4.37 billion, which accounted for 3.7% of similar transactions, representing a year-on-year decrease of 3.5 pct pt .

VII. Establishment and Implementation of Appraisal and Incentive Mechanism for Senior Management during the Reporting Period

Applicable Not Applicable

In 2016, the Company adopted an overall compensation system connecting sales force with their orders and remuneration and linked with the strategic income statement for the compensation system of the management. This system was based on the strategic income statement and used Vertical and Horizontal Two-dimensional Lattice Model, in which the vertical dimension reflected the strategy support and emerging leading small companies, while the horizontal dimension reflected the competitiveness of market. The competitiveness of compensation was determined by such elements as "support for strategy", "competitiveness of market target" and "emerging leading small companies". The senior management receives annual appraisal, which was the key factor to performance bonus and development. On one hand, the Company's overall compensation system of connecting sales force with their orders and remuneration diversified the way of salary distribution of the management, and made the compensation mechanism for management more flexible on the other hand, which drove the innovation of management. Meanwhile, the Company's salary incentive system was further improved, the incentive and restriction mechanism was strengthened and a mechanism that shares interests and risks with shareholders and management was formulated by implementing incentive tools such as Share Option Incentive Scheme.

VIII. Whether to Disclose the Self-assessment Report on Internal Control

Applicable Not Applicable

For details, please refer to the 2016 Internal Control Assessment Report of Qingdao Haier Co., Ltd disclosed on the same date of this report.

Explanations on Material Defects Found in Internal Control during the Reporting Period

Applicable Not Applicable

IX. Relevant Explanations on the Audit Report of Internal Control

Applicable Not Applicable

The Company's auditor Shandong Hexin Accountants LLP (山东和信会计师事务所(特殊普通合伙)) has audited the efficiency of internal control relating to the financial report of the Company, and

has issued its standard unqualified auditor's report for the Company's internal control (Hexin Shen Zi (2017) No.000099).

For further details of the Audit Report of Internal Control of Qingdao Haier Co., Ltd., please refer to relevant announcements published on the website of the Shanghai Stock Exchange (www.sse.com.cn) on 29 April 2017.

Whether to disclose the audit report on internal control: Yes

X.Other

Applicable Not Applicable

SECTION X RELEVANT INFORMATION ON CORPORATE BONDS

Applicable Not Applicable

SECTION XI FINANCIAL REPORT

I. Auditors' Report

Applicable Not Applicable

Auditors' Report

Hexin Shen Zi (2017) No. 000096

To the shareholders of Qingdao Haier Co., Ltd.:

The Company have audited the accompanying financial statements of Qingdao Haier Co., Ltd. (hereinafter referred to as "Haier Company"), which comprise the consolidated and parent company balance sheets as at 31 December 2016, and the consolidated and parent company income statements for the year of 2016, the consolidated and parent company cash flow statements, the consolidated and parent company statements of changes in shareholders' equity and the notes to the financial statements.

I. Management's Responsibility for the Financial Statements

Management of Haier Company is responsible for the preparation and fair presentation of these financial statements. This responsibility includes:

- (1) preparing these financial statements in accordance with the requirements of Accounting Standards for Business Enterprises, and presenting fairly;
- (2) designing, implementing and maintaining the internal control necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

II. Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. The Company conducted our audit in accordance with China Standards on Auditing. Those standards require the Company to comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

The Company believes that the audit evidence it has obtained is sufficient and appropriate to provide a basis for our audit opinion.

III. Opinion

In our opinion, the accompanying financial statements of Haier Company present fairly, in all material respects, the consolidated and parent company financial position of Haier Company as at 31 December 2016, and consolidated and parent company operating results and consolidated and parent company cash flows for the year of 2016 in accordance with the requirements of Accounting Standards for Business Enterprises.

Shandong Hexin Accountants LLP
Jinan, the PRC

China Certified Public Accountant: Zhao Bo
China Certified Public Accountant: Han Xiaojie

28 April 2017

II. Financial Statements

Consolidated Balance Sheet

31 December 2016

Prepared by: Qingdao Haier Co., Ltd.

Unit and Currency: RMB

Items	Notes	Closing balance	Opening balance
Current Assets:			
Monetary Capital	VII.1	23,504,634,124.25	24,756,574,148.64
Clearing settlement funds			
Placements with banks			
Financial assets measured at fair value and changes of which included in current profit and loss	VII.2	80,432,384.17	22,069,897.04
Derivative financial assets			
Bills receivables	VII.3	13,796,561,238.05	12,673,651,612.86
Accounts receivables	VII.4	12,247,244,097.66	6,046,443,252.84
Prepayments	VII.5	578,543,441.40	526,722,364.61
Premiums receivable			
Reinsurance accounts receivables			
Reinsurance contract reserves receivable			
Interests receivables	VII.6	135,319,774.41	183,731,216.46
Dividends receivables		101,648,913.10	85,826,158.26
Other receivables	VII.7	1,180,418,052.75	544,784,127.95
Financial assets purchased under resale agreements			
Inventories	VII.8	15,237,942,420.85	8,563,533,478.52
Assets classified as held for sale			
Non-current assets due within one year			
Other current assets	VII.9	2,653,444,588.12	1,451,065,197.30
Total current assets		69,516,189,034.76	54,854,401,454.48
Non-current assets:			
Loans and advances granted			
Available-for-sale financial assets	VII.10	1,555,878,717.05	2,837,318,201.20
Held-to-maturity investments			
Long-term receivables			

Long-term equity investments	VII.11	11,057,819,628.14	4,958,908,333.93
Investment properties	VII.12	34,600,393.37	12,263,821.02
Fixed assets	VII.13	15,539,046,885.38	8,424,171,471.44
Construction in progress	VII.14	1,769,875,050.35	1,391,471,823.07
Construction materials			
Disposals of fixed assets	VII.15	55,808,808.81	74,096,355.04
Biological assets for production			
Fuel assets			
Intangible assets	VII.16	7,242,420,479.44	1,454,295,538.84
Development expenses	VII.17	913,283,796.32	78,064,195.82
Goodwill	VII.18	21,004,123,145.39	392,484,932.55
Long-term deferred expenditures	VII.19	115,773,592.78	113,053,145.87
Deferred income tax assets	VII.20	1,592,009,404.59	971,104,962.70
Other non-current assets	VII.21	858,461,388.86	399,084,091.53
Total non-current assets		61,739,101,290.48	21,106,316,873.01
Total assets		131,255,290,325.24	75,960,718,327.49
Current liabilities:			
Short-term borrowings	VII.22	18,165,531,879.15	1,873,108,241.50
Borrowings from central bank			
Absorbing deposit and deposit in inter-bank market			
Placements from banks			
Financial liabilities measured at fair value and changes of which included in current profit and loss	VII.23	2,340,213.20	7,707,414.12
Derivative financial liabilities			
Bills payable	VII.24	12,404,889,760.05	11,596,885,346.06
Accounts payables	VII.25	20,594,203,310.08	14,662,615,841.25
Advances from customers	VII.26	5,734,732,855.06	3,143,416,387.59
Disposal of repurchased financial assets			
Handling charges and commissions payable			
Payables for staff's remuneration	VII.27	2,404,380,458.59	1,233,660,965.57
Taxes payable	VII.28	1,620,463,062.11	913,622,526.14
Interests payable	VII.29	30,570,328.66	15,081,416.34
Dividends payable	VII.30	148,690,489.01	133,382,009.73

Other payables	VII.31	9,363,015,551.12	6,091,623,233.28
Reinsurance accounts payable			
Deposits for insurance contracts			
Consumer deposits for trading in securities			
Amounts due to issuer for securities underwriting			
Liabilities classified as held for sale			
Non-current liabilities due within one year	VII.32	2,966,808,509.55	72,898,028.33
Other current liabilities		17,228,645.29	
Total current liabilities		73,452,855,061.87	39,744,001,409.91
Non-current liabilities:			
Long-term borrowings	VII.33	15,530,801,311.80	297,241,293.20
Debentures payable	VII.34		1,107,734,516.43
Including: preference shares			
Perpetual bonds			
Long-term payable	VII.35	115,783,382.28	59,916,852.02
Long-term payables for staff's remuneration	VII.36	1,206,510,917.33	33,209,406.02
Special payable			
Estimated liabilities	VII.37	2,310,119,430.60	1,899,543,637.19
Deferred income	VII.38	342,825,593.35	264,120,554.33
Deferred income tax liabilities	VII.20	133,243,146.68	113,330,102.11
Other non-current liabilities	VII.39	582,785,069.86	
Total non-current liabilities		20,222,068,851.90	3,775,096,361.30
Total liabilities		93,674,923,913.77	43,519,097,771.21
Owners' equity			
Share capital	VII.40	6,097,630,727.00	6,123,154,268.00
Other equity instruments			
Including: preference shares			
Perpetual bonds			
Capital reserve	VII.41	83,383,194.51	83,383,194.51
Less: Treasury stock	VII.42	1,041,960.00	77,604,544.70
Other comprehensive income	VII.43	566,238,911.96	633,183,460.03
Special reserve			

Surplus reserve	VII.44	2,074,118,571.01	2,026,585,301.23
General risk provisions			
Undistributed profits	VII.45	17,544,395,965.35	13,944,632,981.28
Total equity attributable to owners of the Company		26,364,725,409.83	22,733,334,660.35
Minority interests		11,215,641,001.64	9,708,285,895.93
Total owners' equity		37,580,366,411.47	32,441,620,556.28
Total liabilities and owners' equities		131,255,290,325.24	75,960,718,327.49

Legal representative:
Liang Haishan

Chief Financial Officer:
Gong Wei

Person in charge of accounting
department: Ying Ke

Balance Sheet of the Company

31 December 2016

Prepared by: Qingdao Haier Co., Ltd.

Unit and Currency: RMB

Items	Notes	Closing balance	Opening balance
Current Assets:			
Monetary Capital		3,888,623,400.28	562,827,007.96
Financial assets measured at fair value and changes of which included in current profit and loss			
Derivative financial assets			
Notes receivables			199,998,373.14
Accounts receivables	XVIII.1	265,438,220.39	208,603,253.46
Prepayments		10,000,000.00	12,540,384.04
Interests receivables		85,452,583.16	
Dividends receivables		329,713,897.32	230,081,082.42
Other receivables	XVIII.2	322,953,279.90	61,344,421.55
Inventories		69,799,065.47	57,403,412.46
Assets classified as held for sale			
Non-current assets due within one year			
Other current assets		94,935,174.83	
Total current assets		5,066,915,621.35	1,332,797,935.03
Non-current assets:			
Available-for-sale financial assets		5,478,235.84	522,942,584.08

Held-to-maturity investments			
Long-term receivables		8,600,000,000.00	
Long-term equity investments	XVIII.3	22,342,078,877.07	14,141,733,112.49
Investment properties			
Fixed assets		116,840,195.32	127,222,054.64
Construction in progress		22,611,979.50	17,551,808.87
Construction materials			
Disposals of fixed assets			
Biological assets for production			
Fuel assets			
Intangible assets		8,578,922.84	7,679,047.68
Development expenses			
Goodwill			
Long-term deferred expenditures			
Deferred income tax assets		62,346,256.82	9,952,751.78
Other non-current assets			
Total non-current assets		31,157,934,467.39	14,827,081,359.54
Total assets		36,224,850,088.74	16,159,879,294.57
Current liabilities:			
Short-term borrowings			
Financial liabilities measured at fair value and changes of which included in current profit and loss			
Derivative financial liabilities			
Bills payable			
Accounts payables		1,142,008,704.07	792,433,118.67
Payments received in advance		1,844,082,827.50	1,599,348.89
Payables for staff's remuneration		39,919,748.55	35,094,333.55
Taxes payable		57,218,867.86	29,967,928.75
Interests payable		117,705,327.18	
Dividends payable			
Other payables		21,170,550,089.69	2,597,200,912.54
Liabilities classified as held for sale			
Non-current liabilities due within one year			

Other current liabilities		4,841,867.91	
Total current liabilities		24,376,327,432.76	3,456,295,642.40
Non-current liabilities:			
Long-term borrowings			
Debentures payable			
Including: preference shares			
Perpetual bonds			
Long-term payable		20,000,000.00	20,000,000.00
Long-term payables for staff's remuneration			
Special payables			
Estimated liabilities			
Deferred income		17,700,000.00	17,700,000.00
Deferred income tax liabilities		15,569,301.11	3,325,062.74
Other non-current liabilities			
Total non-current liabilities		53,269,301.11	41,025,062.74
Total liabilities		24,429,596,733.87	3,497,320,705.14
Owners' equity :			
Share capital		6,097,630,727.00	6,123,154,268.00
Other equity instruments			
Including: preference shares			
Perpetual bonds			
Capital reserve		2,061,597,739.78	2,229,511,649.19
Less: Treasury stock		1,041,960.00	77,604,544.70
Other comprehensive income		-10,881,603.15	18,842,022.25
Special reserve			
Surplus reserve		1,389,846,284.51	1,332,647,187.44
Undistributed profits		2,258,102,166.73	3,036,008,007.25
Total owners' equity		11,795,253,354.87	12,662,558,589.43
Total liabilities and owners' equities		36,224,850,088.74	16,159,879,294.57

Legal representative:
Liang Haishan

Chief Financial Officer:
Gong Wei

Person in charge of accounting
department: Ying Ke

Consolidated Income Statement

January-December 2016

Unit and Currency: RMB

Items	Notes	2016	20152015
I . Total operating revenue		119,065,825,201.51	89,797,165,994.89
Including: operating revenue	VII.46	119,065,825,201.51	89,797,165,994.89
Interest income			
Insurance premiums earned			
Fee and commission income			
II . Total cost of operations		113,662,635,982.28	84,569,018,355.14
Including: operating cost	VII.46	82,126,882,211.95	64,717,124,609.39
Interest expenses			
Fee and commission expenses			
Insurance withdrawal payment			
Net payment from indemnity			
Net provisions for insurance contract			
Insurance policy dividend paid			
Reinsurance cost			
Taxes and surcharge	VII.47	687,765,274.77	397,322,076.47
Selling expenses	VII.48	21,254,103,195.32	13,108,350,234.27
Administrative expenses	VII.49	8,382,442,112.27	6,553,796,904.32
Financial expenses	VII.50	720,894,816.45	-513,893,437.86
Loss in assets impairment	VII.51	490,548,371.52	306,317,968.55
Add: income from change in fair value (losses are represented by “-”)	VII.52	94,648,076.07	-90,223,059.50
Investment income (losses are represented by “-”)	VII.53	1,619,717,433.78	1,320,302,216.61
Including: investment income of associates and joint ventures			
Exchange gain (losses are represented by “-”)			
III. Operating profit (losses are represented by “-”)		7,117,554,729.08	6,458,226,796.86
Add: non-operating income	VII.54	1,423,040,258.36	618,462,711.21
Including: gain from disposal of non-current assets			
Less: non-operating expenses	VII.55	357,394,654.35	95,916,162.05
Including: Loss from disposal of non-current assets			
IV. Total profit (total losses are represented by “-”)		8,183,200,333.09	6,980,773,346.02
Less: income tax expense	VII.56	1,491,865,997.46	1,055,692,837.09

V. Net profit (net losses are represented by “-”)		6,691,334,335.63	5,925,080,508.93
Net profit attributable to owners of the Company		5,036,652,240.84	4,303,751,562.92
Profit or loss attributable to minority shareholders		1,654,682,094.79	1,621,328,946.01
VI. Other comprehensive income, net of tax	VII.57	-42,509,624.71	73,297,094.11
Other comprehensive income attributable to owners of the Company, net of tax		-66,944,548.07	55,715,670.67
(I) Other comprehensive income that will not be reclassified subsequently to profit or loss		-22,891,322.68	-6,265,217.22
1. Changes in net liabilities or net assets arising from re-measurement of defined benefit plans		-22,891,322.68	-6,265,217.22
2. Share of other comprehensive income of investees that cannot be reclassified to profit or loss under equity method			
(II) Other comprehensive income to be reclassified subsequently to profit or loss		-44,053,225.39	61,980,887.89
1. Share of other comprehensive income of investees that will be reclassified subsequently to profit or loss under equity method		-16,103,941.93	39,584,241.91
2. Gain or loss from change in fair value of available-for-sale financial assets		-449,464,796.67	33,989,723.80
3. Gain or loss arising from reclassification from held-to-maturity investments to available-for-sale financial assets			
4. Effective portion of gain or loss arising from cash flow hedging instruments		9,966,493.62	
5. Exchange differences on translation of financial statements denominated in foreign currencies		411,549,019.59	-11,593,077.82
6. Other			
Other comprehensive income attributable to minority shareholders, net of tax		24,434,923.36	17,581,423.44
VII. Total comprehensive income		6,648,824,710.92	5,998,377,603.04
Total comprehensive income attributable to the shareholders of parent company		4,969,707,692.77	4,359,467,233.59
Total comprehensive income attributable to the minority shareholders		1,679,117,018.15	1,638,910,369.45
VIII. Earnings per share:			
(I) Basic earnings per share (RMB/share)	XIX.1	0.826	0.706
(II) Diluted earnings per share (RMB/share)	XIX.1	0.823	0.706

Legal representative:

Haishan

Chief Financial Officer:

Gong Wei

Person in charge of accounting Liang

department: Ying Ke

Income Statement of the Company

January-December 2016

Unit and Currency: RMB

Items	Notes	2016	2015
I . Operating revenue	XVIII.4	3,251,045,387.75	2,573,182,435.31
Less: Operation cost	XVIII.4	2,285,513,749.93	1,926,771,620.58
Taxes and surcharge		19,258,535.31	12,977,177.74
Selling expenses		248,141,771.37	145,447,543.14
Administrative expenses		706,718,455.37	363,775,327.41
Financial expenses		34,902,973.23	-84,722,654.35
Loss in assets impairment		20,652,209.72	-4,996,712.21
Add: income from change in fair value (losses are represented by “-”)			
Investment income (losses are represented by “-”)	XVIII.5	493,291,535.21	1,695,629,598.98
Including: investment income of associates and joint ventures			
II . Operating profit (losses are represented by “-”)		429,149,228.03	1,909,559,731.98
Add: non-operating income		146,328,003.65	66,879,624.47
Including: gain from disposal of non-current assets			
Less: non-operating expenses		1,306,239.11	3,549,905.23
Including: loss from disposal of non-current assets			
III. Total Profit (losses are represented by “-”)		574,170,992.57	1,972,889,451.22
Less: income tax expense		2,180,021.90	27,703,030.06
IV. Net Profit (net losses are represented by “-”)		571,990,970.67	1,945,186,421.16
V. Other comprehensive income, net of tax		-29,723,625.40	11,610,213.22
(I) Other comprehensive income will not be reclassified subsequently to profit or loss			
1. Changes in net liabilities or net assets arising from re-measurement of defined benefit plans			
2. Share of other comprehensive income of investees that cannot be reclassified to profit or loss under equity method			
(II) Other comprehensive income to be reclassified subsequently to profit or loss		-29,723,625.40	11,610,213.22
1. Share of other comprehensive income of investees that will be reclassified subsequently to profit or loss under equity method		-14,448,296.09	
2. Gain or loss from change in fair value of available-for-sale financial assets		-15,275,329.31	11,610,213.22

3. Gain or loss arising from reclassification from held-to-maturity investments to available-for-sale financial assets			
4. Effective portion of gain or loss arising from cash flow hedging instruments			
5. Exchange differences on translation of financial statements denominated in foreign currencies			
6. Other			
VI. Total comprehensive income		542,267,345.27	1,956,796,634.38
VII. Earnings per share:			
(I) Basic earnings per share (RMB/ share)			
(II) Diluted earnings per share (RMB/share)			

Legal representative:
Liang Haishan

Chief Financial Officer:
Gong Wei

Person in charge of accounting
department: Ying Ke

Consolidated Cash Flow Statement

January-December 2016

Unit and Currency: RMB

Items	Notes	2016	2015
I . Cash flows from operating activities:			
Cash received from the sale of goods and rendering of services		136,536,552,386.49	110,815,198,284.50
Net increase in consumer and interbank deposits			
Net increase in borrowing from PBOC			
Net cash increase in borrowing from other financial institutes			
Cash received from premiums under original insurance contract			
Net cash received from reinsurance business			
Net increase in deposits of policy holders and investment			
Net increase from the disposal of financial assets measured at fair value and changes of which included in current profit and loss			
Cash paid for interest, bank charges and commissions			
Net increase in cash borrowed			
Net increase in cash received from repurchase operation			
Refunds of taxes		798,964,560.74	612,217,878.12
Cash received from other related operating activities	VII.58	1,233,766,579.83	989,615,459.00
Sub-total of cash inflows from operating activities		138,569,283,527.06	112,417,031,621.62
Cash paid on purchase of goods and services		101,311,805,015.65	81,047,587,875.07
Net increase in loans and advances			
Net increase in deposits in PBOC and interbank			
Cash paid for compensation payments under original insurance contract			
Cash paid for interest, bank charges and commissions			
Cash paid for insurance policy dividend			
Cash paid to and on behalf of employees		12,131,059,897.68	7,865,065,041.25
Cash paid for all types of taxes		6,348,102,725.69	7,304,571,444.21
Cash paid to other operation related activities	VII.59	10,723,611,286.74	10,595,640,305.98
Sub-total of cash outflows from operating activities		130,514,578,925.76	106,812,864,666.51
Net cash flows from operating activities	VII.63	8,054,704,601.30	5,604,166,955.11
II . Cash flows from investing activities:			
Cash received from disposal of investments		682,200,570.32	1,053,008,693.06
Cash received from return on investments		130,529,291.68	108,134,781.31
Net cash received from the disposal of fixed assets, intangible assets and other long term assets		260,932,344.56	11,208,475.16

Net cash received from disposal of subsidiaries and other operating entities		41,133,607.21	498,099,921.65
Cash received from other investment related activities	VII.60	10,042,470.81	10,972,523.38
Sub-total of cash inflows from investing activities		1,124,838,284.58	1,681,424,394.56
Cash paid on purchase of fixed assets, intangible assets and other long term assets		2,597,989,424.73	2,491,741,022.92
Cash paid for investments		1,448,790,904.93	3,709,219,060.70
Net increase in secured loans			
Net cash paid on acquisition of subsidiaries and other operating entities		36,647,350,833.82	5,672,266,259.21
Cash paid on other investment related activities	VII.61	27,136,079.07	81,601,742.20
Sub-total of cash outflows from investing activities		40,721,267,242.55	11,954,828,085.03
Net cash flows from investing activities		-39,596,428,957.97	-10,273,403,690.47
III. Cash flows from financing activities:			
Cash received from investment		94,182,889.43	342,479,145.89
Including: cash received by subsidiaries from minority shareholders' investment			
Cash received from borrowings		43,446,247,876.57	6,603,489,224.90
Cash received from issuing bonds			
Cash received from other financing related activities			17,063,242.50
Sub-total of cash inflows from financing activities		43,540,430,766.00	6,963,031,613.29
Cash paid on repayment of borrowings		11,685,054,603.51	6,939,990,302.96
Cash paid on distribution of dividends, profits, or interest expenses		1,807,044,796.22	1,764,209,204.58
Including: dividend, profit paid to minority shareholders by subsidiaries			
Cash paid on other financing activities	VII.62	223,282,344.35	154,442,801.98
Sub-total of cash outflows from financing activities		13,715,381,744.08	8,858,642,309.52
Net cash flows from financing activities		29,825,049,021.92	-1,895,610,696.23
IV. Effect of fluctuations in exchange rates on cash and cash equivalents		209,724,192.09	153,899,669.32
V. Net increase in cash and cash equivalents		-1,506,951,142.66	-6,410,947,762.27
Add: balance of cash and cash equivalents at the beginning of the period	VII.64	24,724,585,700.76	31,135,533,463.03
VI. Balance of cash and cash equivalents at the end of the period	VII.64	23,217,634,558.10	24,724,585,700.76

Legal representative:
Liang Haishan

Chief Financial Officer:
Gong Wei

Person in charge of accounting
department: Ying Ke

Cash Flow Statement of the Company

January-December 2016

Unit and Currency: RMB

Items	Notes	2016	2015
I . Cash flows from operating activities:			
Cash received from the sale of goods and rendering of services		4,807,305,663.14	2,217,575,422.31
Refunds of taxes		40,093,606.18	42,146,929.16
Cash received from other related operating activities		83,279,056.52	74,003,814.39
Sub-total of cash inflows from operating activities		4,930,678,325.84	2,333,726,165.86
Cash paid on purchase of goods and services		1,435,151,669.31	909,137,414.20
Cash paid to and on behalf of employees		584,720,717.20	272,442,543.99
Cash paid for all types of taxes		140,362,961.29	161,291,640.06
Cash paid to other operation related activities		391,453,674.63	215,727,364.29
Sub-total of cash outflows from operating activities		2,551,689,022.43	1,558,598,962.54
Net cash flows from operating activities		2,378,989,303.41	775,127,203.32
II . Cash flows from investing activities:			
Cash received from disposal of investments			315,000,000.00
Cash received from return on investments		250,135,174.02	1,996,893,804.09
Net cash received from the disposal of fixed assets, intangible assets and other long term assets			
Net cash received from disposal of subsidiaries and other operating entities			
Cash received from other investment related activities			2,889,970,671.77
Sub-total of cash inflows from investing activities		250,135,174.02	5,201,864,475.86
Cash paid on purchase of fixed assets, intangible assets and other long term assets		12,468,050.25	30,576,458.90
Cash paid for investments		15,893,337,507.50	6,685,765,290.81
Net cash paid on acquisition of subsidiaries and other operating entities			
Cash paid on other investment related activities		338,162,467.03	
Sub-total of cash outflows from investing activities		16,243,968,024.78	6,716,341,749.71
Net cash flows from investing activities		-15,993,832,850.76	-1,514,477,273.85
III . Cash flows from financing activities:			
Cash received from investment			251,306,680.00
Cash received from borrowings			
Cash received from issuing bonds			

Cash received from other financing related activities		18,373,218,934.98	-
Sub-total of cash inflows from financing activities		18,373,218,934.98	251,306,680.00
Cash paid on repayment of borrowings			
Cash paid on distribution of dividends, profits, or interest expenses		1,292,697,714.12	1,483,786,310.61
Cash paid on other financing activities		139,884,839.50	47,397,554.88
Sub-total of cash outflows from financing activities		1,432,582,553.62	1,531,183,865.49
Net cash flows from financing activities		16,940,636,381.36	-1,279,877,185.49
IV. Effect of fluctuations in exchange rates on cash and cash equivalents		3,558.31	7,066,067.70
V. Net increase in cash and cash equivalents		3,325,796,392.32	-2,012,161,188.32
Add: balance of cash and cash equivalents at the beginning of the period		562,827,007.96	2,574,988,196.28
VI. Balance of cash and cash equivalents at the end of the period		3,888,623,400.28	562,827,007.96

Legal representative:
Liang Haishan

Chief Financial Officer:
Gong Wei

Person in charge of accounting
department: Ying Ke

Consolidated Statement of Changes in Equity
January-December 2016

Unit and Currency: RMB

Items	Current period												
	Equity attributable to owners of the Company										Minority interests	Total owners' equity	
	Share capital	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk provisions			Undistributed profits
Preference share		Perpetual bonds	Others										
I. Closing balance for the previous year	6,123,154,268.00				83,383,194.51	77,604,544.70	633,183,460.03		2,026,085,301.23		13,905,774,481.88	9,708,285,895.93	32,402,262,056.88
Add: changes in accounting policies													
Correction of previous errors													
The consolidation of enterprises under common control								500,000.00			38,858,499.40		39,358,499.40
Others													
II. Opening balance for the current year	6,123,154,268.00				83,383,194.51	77,604,544.70	633,183,460.03		2,026,585,301.23		13,944,632,981.28	9,708,285,895.93	32,441,620,556.28
III. Increase/decrease and change of amount for the current period (decrease is represented by "-")	-25,523,541.00					-76,562,584.70	-66,944,548.07		47,533,269.78		3,599,762,984.07	1,507,355,105.71	5,138,745,855.19
(I) Total comprehensive income							-66,944,548.07				5,036,652,240.84	1,679,117,018.15	6,648,824,710.92
(II) Capital injection and reduction by owners	-25,523,541.00					-76,562,584.70			-9,665,827.29		-86,992,445.58	56,237,351.07	10,618,121.90
1. Ordinary shares invested by shareholders	-25,523,541.00					-76,562,584.70						56,237,351.07	107,276,394.77
2. Capital injected by holders of other equity instruments													
3. Amount of shares payment credited to owner's equity													
4. Others									-9,665,827.29		-86,992,445.58		-96,658,272.87
(III) Profit distribution									57,199,097.07		-1,349,896,811.19	-227,999,263.51	-1,520,696,977.63
1. Appropriation to surplus reserves									57,199,097.07		-57,199,097.07		
2. Provisions for general risks													
3. Distribution to owners (or shareholders)											-1,292,697,714.12	-227,999,263.51	-1,520,696,977.63

4.Others													
(IV) Internal transfer of owner's equity													
1. Transfer of capital reserves into capital (or share capital)													
2. Transfer of surplus reserves into capital (or share capital)													
3. Surplus reserves used for remedying loss													
4.Others													
(V) Special reserve													
1. Appropriated for 2016													
2. Utilized for 2016													
(VI) Others													
IV. Closing balance for 2016	6,097,630,727.00				83,383,194.51	1,041,960.00	566,238,911.96		2,074,118,571.01		17,544,395,965.35	11,215,641,001.64	37,580,366,411.47

Items	2015												
	Equity attributable to owners of the Company										Minority interests	Total owners' equity	
	Share capital	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk provisions			Undistributed profits
	Preference share	Perpetual bonds	Others										
I. Closing balance for the previous year	3,045,935,134.00				5,978,787,439.45	47,160,730.00	577,613,439.63		2,024,105,532.62		13,029,187,314.71	7,314,528,029.80	31,922,996,160.21
Add: changes in accounting policies													
Correction of previous errors													-
The consolidation of enterprises under common control									500,000.00		35,867,479.30		36,367,479.30
Others													
II. Opening balance for the current year	3,045,935,134.00				5,978,787,439.45	47,160,730.00	577,613,439.63		2,024,605,532.62		13,065,054,794.01	7,314,528,029.80	31,959,363,639.51
III. Increase/decrease and change of amount for 2016 (decrease is represented by "-")	3,077,219,134.00				-5,895,404,244.94	30,443,814.70	55,570,020.40		1,979,768.61		879,578,187.27	2,393,757,866.13	482,256,916.77
(I) Total comprehensive income							55,715,670.67				4,303,751,562.92	1,638,910,369.45	5,998,377,603.04
(II) Capital injection and reduction by owners	31,094,000.00				-2,849,424,761.21	30,443,814.70			-192,538,873.51		-1,732,849,861.60	979,763,087.99	-3,794,400,223.03

1. Ordinary shares invested by shareholders	31,094,000.00				220,212,680.00	30,443,814.70						995,974,570.73	1,216,837,436.03
2. Capital injected by holders of other equity instruments													
3. Amount of shares payment credited to owner's equity					2,490,000.00								2,490,000.00
4. Others					-3,072,127,441.21					-192,538,873.51	-1,732,849,861.60	-16,211,482.74	-5,013,727,659.06
(III) Profit distribution										194,518,642.12	-1,691,323,514.05	-224,915,591.31	-1,721,720,463.24
1. Appropriation to surplus reserves										194,518,642.12	-194,518,642.12		
2. Provisions for general risks													
3. Distribution to owners (or shareholders)											-1,496,804,871.93	-224,915,591.31	-1,721,720,463.24
4. Others													
(IV) Internal transfer of owner's equity	3,046,125,134.00				-3,046,125,134.00								
1. Transfer of capital reserves into capital (or share capital)	3,046,125,134.00				-3,046,125,134.00								
2. Transfer of surplus reserves into capital (or share capital)													
3. Surplus reserves used for remedying loss													
4. Others													
(V) Special reserve													
1. Appropriated for 2016													
2. Utilized for 2016													
(VI) Others					145,650.27					-145,650.27			
IV. Closing balance for 2016	6,123,154,268.00				83,383,194.51	77,604,544.70	633,183,460.03			2,026,585,301.23	13,944,632,981.28	9,708,285,895.93	32,441,620,556.28

Legal representative:
Liang Haishan

Chief Financial Officer:
Gong Wei

Person in charge of accounting
department: Ying Ke

Statement of Changes in Equity of the Company

January-December 2016

Unit and Currency: RMB

Items	Current period										
	Share capital	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total owners' equity
		Preference share	Perpetual bonds	Others							
I. Closing balance for the previous year	6,123,154,268.00				2,229,511,649.19	77,604,544.70	18,842,022.25		1,332,647,187.44	3,036,008,007.25	12,662,558,589.43
Add: changes in accounting policies											
Correction of previous errors											
Others											
II. Opening balance for the current year	6,123,154,268.00				2,229,511,649.19	77,604,544.70	18,842,022.25		1,332,647,187.44	3,036,008,007.25	12,662,558,589.43
III. Increase/decrease and change of amount for 2016 (decrease is represented by "-")	-25,523,541.00				-167,913,909.41	-76,562,584.70	-29,723,625.40		57,199,097.07	-777,905,840.52	-867,305,234.56
(I) Total Comprehensive income							-29,723,625.40			571,990,970.67	542,267,345.27
(II) Capital injection and reduction by owners	-25,523,541.00				-167,913,909.41	-76,562,584.70					-116,874,865.71
1. Ordinary shares invested by shareholders	-25,523,541.00				-163,646,699.20	-189,170,240.20					
2. Capital injected by holders of other equity instruments											
3. Amount of shares payment credited to owner's equity											
4. Others					-4,267,210.21	112,607,655.50					-116,874,865.71
(III) Profit distribution									57,199,097.07	-1,349,896,811.19	-1,292,697,714.12
1. Appropriation to surplus reserves									57,199,097.07	-57,199,097.07	
2. Distribution to owners (or shareholders)										-1,292,697,714.12	-1,292,697,714.12
3. Others											
(IV) Internal transfer of owner's equity											
1. Transfer of capital reserves into capital (or share capital)											
2. Transfer of surplus reserves into capital (or share capital)											
3. Surplus reserves used for remedying loss											

4.Others											
(V) Special reserve											
1. Appropriated for 2016											
2. Utilized for 2016											
(VI) Others											
IV. Closing balance for 2016	6,097,630,727.00				2,061,597,739.78	1,041,960.00	-10,881,603.15		1,389,846,284.51	2,258,102,166.73	11,795,253,354.87

Items	Previous period										
	Share capital	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total owners' equity
		Preference share	Perpetual bonds	Others							
I. Closing balance for the previous year	3,045,935,134.00				5,045,611,870.14	47,160,730.00	7,231,809.03		1,131,458,371.35	2,722,113,534.38	11,905,189,988.90
Add: changes in accounting policies											
Correction of previous errors											
Others					5,071.02				6,670,173.97	60,031,565.76	66,706,810.75
II. Opening balance for the current year	3,045,935,134.00				5,045,616,941.16	47,160,730.00	7,231,809.03		1,138,128,545.32	2,782,145,100.14	11,971,896,799.65
III. Increase/decrease and change of amount for 2016 (decrease is represented by "-")	3,077,219,134.00				-2,816,105,291.97	30,443,814.70	11,610,213.22		194,518,642.12	253,862,907.11	690,661,789.78
(I) Total comprehensive income	-						11,610,213.22			1,945,186,421.16	1,956,796,634.38
(II) Capital injection and reduction by owners	31,094,000.00				230,019,842.03	30,443,814.70					230,670,027.33
1. Ordinary shares invested by shareholders	31,094,000.00				220,212,680.00	-16,952,892.00					268,259,572.00
2. Capital injected by holders of other equity instruments											
3. Amount of shares payment credited to owner's equity					2,490,000.00						2,490,000.00
4.Others					7,317,162.03	47,396,706.70					-40,079,544.67
(III) Profit distribution									194,518,642.12	-1,691,323,514.05	-1,496,804,871.93
1. Appropriation to surplus reserves									194,518,642.12	-194,518,642.12	
2. Distribution to owners (or shareholders)										-1,496,804,871.93	-1,496,804,871.93
3.Others											
(IV) Internal transfer of owner's equity	3,046,125,134.00				-3,046,125,134.00						
1. Transfer of capital reserves into capital (or share capital)	3,046,125,134.00				-3,046,125,134.00						
2. Transfer of surplus reserves into capital (or share capital)											
3. Surplus reserves used for remedying loss											

4.Others											
(V) Special reserve											
1. Appropriated for 2016											
2. Utilized for 2016											
(VI) Others											
IV. Closing balance for 2016	6,123,154,268.00				2,229,511,649.19	77,604,544.70	18,842,022.25		1,332,647,187.44	3,036,008,007.25	12,662,558,589.43

Legal representative:
Liang Haishan

Chief Financial Officer:
Gong Wei

Person in charge of accounting
department: Ying Ke

III. General Information of the Company

1. Overview of the Company

Applicable Not Applicable

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

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

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

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

These financial statements have been approved for publication by the Board of the Company on 28 April 2017. Under the Company’s constitution, these financial statements shall be submitted for consideration at general meetings.

2. Scope of consolidated financial statements

Applicable Not Applicable

For details of changes in the scope of consolidated financial statements for 2016, please refer to “VI. Changes in Consolidation Scope” and “VII. Interest in Other Entities” of this note.

IV. Basis of Preparation of the Financial Statements

1. Basis of Preparation

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

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

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

Tips of specific accounting policies and accounting estimation:

Applicable Not Applicable

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

1. Statement of compliance with enterprise accounting standards

The financial statements prepared by the Company meet the requirements of the enterprise accounting standards, which accurately and completely reflected information relating to the financial condition as of 31 December 2016, operation result and cash flow of the Company in 2016.

2. Accounting period

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

3. Operating cycle

Applicable Not Applicable

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

4. Recording currency

Renminbi is the recording currency of the Company.

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

Applicable Not Applicable

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

(1) Enterprise combinations under common control

An enterprise combination under common control is an enterprise combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the

combination, and that control is not transitory. For enterprise combination under common control, the party that obtains the control over the other parties on the combination date is the acquirer, and other parties involving in the enterprise combination are the transferors. The combination date is the date on which the acquiring party effectively obtains the control over the party being acquired.

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

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

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

its initial investment cost; where the capital reserve is insufficient, the retained earnings will be used to offset such expenses.

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

(2) Enterprise combinations involving entities not under common control

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

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

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

In enterprise combination involving entities not under common control that is realized in phases through multiple exchange transactions, in the Company individual financial statements, the sum of

the book value of the equity investment of the transferor held before the date of acquisition and the cost of new investment on the date of acquisition are recognized as the initial investment cost of such investment.

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

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

6. Preparation method of consolidated financial statements

Applicable Not Applicable

(1) Scope of consolidated financial statements

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

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

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

(3) Offset matters in the consolidated financial statements

The consolidated financial statements shall be prepared on the basis of the balance sheets of the Company and subsidiaries, which offset the internal transactions incurred between the Company and subsidiaries and among subsidiaries. The owner's equity of the subsidiaries not attributable to the Company shall be presented as "minority equity" under the owners' equity item in the consolidated balance sheet.

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

(4) Accounting treatment of subsidiaries acquired from combination

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

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

Applicable Not Applicable

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

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

(1) recognize the assets held solely by the Company, and recognize assets held jointly by the Company in appropriation to the share of the Company; (2) recognize the obligations assumed solely by the Company, and recognize obligations assumed jointly by the Company in appropriation to the share of the Company; (3) recognize revenue from disposal of joint operations in appropriation to the share of the Company; (4) recognize revenue from disposal of joint operations in appropriation to the share of the Company; (5) recognize fees solely occurred by the Company and recognize fees from joint operations in appropriation to the share of the Company.

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

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

8. Recognition standard for cash and cash equivalents

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

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

9. Foreign currency businesses and translation of foreign currency statements

Applicable Not Applicable

(1) Foreign currency transactions

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

Monetary items denominated in foreign currencies are translated into functional currencies at the rates of exchange ruling at the balance sheet date. All foreign exchange difference are credited into the current profit or loss, except ① those arising from the funds denominated in foreign currency specially borrowed for the establishment of the qualifying assets are treated based on the principal of capitalization of borrowing costs; ② those arising from the other changes in the balance other than amortized cost of available-for-sale monetary items denominated in foreign currency are recognized in the other comprehensive income.

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

(2) Translation of foreign currency financial statements

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

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

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

When disposing overseas operations, the translation difference related to the overseas operation shall be transferred together or as the percentage of disposing the overseas operation to profit or loss for 2016 of disposal.

10. Financial instruments

Applicable Not Applicable

(1) Classification, recognition and measurement of financial instruments

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

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

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

Financial assets at fair value with its change consolidated in profit/loss include financial assets held for trading and financial assets designated as at fair value with its change consolidated in profit/loss. All financial assets at fair value with its change consolidated in profit/loss of the Company are financial assets held for trading. Financial assets may be classified as financial assets held for trading if one of the following conditions is met: ① the financial asset is acquired principally for the purpose of sale or repurchase in the near term; ② the financial asset is part of a portfolio of identified financial instruments that are managed together and for which there is an objective evidence of recent pattern of short-term profit-taking; or ③ the financial asset is a derivative, excluding the derivatives designated as effective hedging instruments, the derivatives classified as financial guarantee contract, and the derivatives linked to an equity instrument investment, which has no quoted price in an active market nor a reliably measured fair value, and required to be settled through delivery of that equity instrument. A financial asset may be designated as at fair value with its change consolidated in profit/loss upon initial recognition only when one of the following conditions is satisfied: ① such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise result from measuring assets or recognizing the gains or losses on them on different bases; ② the financial asset forms part of a group of financial assets or a group of financial assets and financial liabilities, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the

grouping is reported to key management personnel on that basis; or ③ pursuant to Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments, the financial asset is designated as combination instrument of financial assets measured at fair value through current profit or loss and related to embedded derivatives. A financial asset at fair value with its change consolidated in profit/loss, except for those falling under cash flow hedging, is subsequently measured at fair value. Any gains or losses arising from changes in the fair value are recognized in profit or loss of changes in the fair value. Interests or cash dividends received during the period in which such assets are held, are recognized as investment income; on disposal, the differences between the consideration received and initial recognized amount are recognized as investment income and the gain or loss from changes in fair value shall be adjusted accordingly.

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

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

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets, including bills receivable, accounts receivable, other receivables and long-term receivables are classified as loans and receivables by the Company. Loans and receivables are subsequently measured at amortized cost using the effective interest method. Gain or loss on derecognition, impairment or amortization is recognized with its change consolidated in profit/loss for 2016.

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

liability) linked to such equity instrument and required to be settled through delivery of that equity instrument are measured at cost.

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

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

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

(2) Recognition and measurement of transfers of financial asset

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

When the Company does not either assign or maintain substantially all the risk and rewards of ownership of the financial asset and does not give up the control on such financial asset, to the extent of its continuous involvement in the financial asset, the Company recognizes it as a related financial asset and recognizes the relevant liability accordingly. The extent of the continuous involvement is the extent to which the Company exposes to changes in the value of such financial assets.

On derecognition of a financial asset, the difference between the following amounts is recognized in profit or loss in 2016: the carrying amount and the sum of the consideration received and any accumulated changes in fair value that had been recognized originally and directly in capital reserve. If a part of the financial assets qualifies for derecognition, the carrying amount of the financial asset is allocated between the part that continues to be recognized and the part that qualifies for derecognition, based on the fair values of the respective parts. The difference between the following amounts is recognized in profit or loss in 2016

when the carrying amount of the part that qualifies for derecognition and the sum of the consideration received and any accumulated changes in fair value that had been recognized originally and directly in capital reserve.

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

(3) Classification, recognition and measurement of financial liabilities

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

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

Financial liabilities may be classified as financial liabilities held for trading if one of the following conditions is met: ① The financial liability is acquired principally for the purpose of sale or repurchase in the near term; ② The financial liability is part of a portfolio of identified financial instruments that are managed together and for which there is an objective evidence of recent pattern of short-term profit-taking; or ③ The financial liability is a derivative, excluding the derivatives designated as effective hedging instruments, the derivatives classified as financial guarantee contract, and the derivatives linked to an equity instrument investment, which has no quoted price in an active market nor a reliably measured fair value, and required to be settled through delivery of that equity instrument.

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

Financial liabilities at fair value with its change consolidated in profit/loss are subsequently measured at fair value. The gain or loss arising from changes in fair value and dividend and interest incomes arising from such financial liabilities are recognized in profit or loss in 2016.

Other financial liabilities: The derivative financial liabilities linked to and to be settled through delivery of the equity instruments that are not quoted in an active market and the fair value of which cannot be reliably measured, such equity instruments are subsequently measured at cost. Other financial liabilities apart from the

financial guarantee contracts are subsequently measured at amortized cost using the effective interest rate method and the gains or losses arising from de-recognition or amortization are recognized in profit or loss in 2016.

Financial guarantee contracts: Contracts in which the guarantor and the creditor agrees that the guarantor will settle debts or assume liabilities in accordance with terms therein if the debtor fails to make payment. Financial guarantee contracts other than those designated as financial liabilities at fair value with its change consolidated in profit/loss or loan commitments that are not designated at fair value with its change consolidated in profit/loss and granted at a rate below market rates are initially recognized at fair value less directly attributable transaction fees, and shall be subsequently measured at the higher of the following: the amount determined in accordance with Accounting Standard for Business Enterprises No. 13 “Contingencies” and the amount initially recognized less cumulative amortization recognized in accordance with the principles set out in Accounting Standard for Business Enterprises No. 14 “Revenue”.

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

(4) Impairment of financial assets

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

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

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

- ⑦ There are significant adverse changes in the technology, market, economy or legal environments in issuance place of the equity instrument so that the investor could not recover its investment costs;
- ⑧ There is significant or other than temporary decrease in fair value of equity instrument;
- ⑨ Other objective evidences show that the financial asset is impaired.

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

When held-to-maturity investments, loans and accounts receivables have been impaired, the book value of the financial assets shall be written down to the current value of estimated future cash flow discounted at the original effective interest rate, and the write-down amount is recorded as impairment loss and written into profit or loss of 2016. When a financial asset based on amortized cost is impaired, if there are objective evidences showing the value of this financial asset is recovered and it is objectively related to the matters happened after the impairment loss recognition, the impairment loss recognized shall be reversed. However, the reversal shall not result in a carrying amount of the financial asset that exceeds the amortized cost if the impairment had not been recognized at the date when the impairment is reversed.

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

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

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

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

11. Receivables

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

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

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

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

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

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

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

12. Inventories

Applicable Not Applicable

(1) Classification of inventories:

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

(2) Measurement of inventories transferred out

At delivery, inventories are accounted using the weighted average method for the Company and most of its subsidiaries, and using the first in first out method for the remaining subsidiaries.

(3) Provision for inventory impairment

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

The net realizable value of inventories (including finished products, merchandize and materials for sale) that can be sold directly is determined using the estimated saleable price of such inventory deducted by the cost of sales and relevant taxation. The net realizable value of materials in inventory that are held for production is determined using the estimated saleable price of the finished product deducted by the cost to completion, estimated cost of sales and relevant taxation. The net realizable value of inventory held for

performance of sales contract or labor service contract is determined based on the contractual price; in case the amount of inventory held by the enterprise exceeds the contractual amount, the net realizable value of the excess portion of inventory is calculated using the normal saleable price. Provision for impairment of inventories is made for individual inventory.

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

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

(4) Inventory system

The Company adopts perpetual inventory system.

(5) Amortization of low-value consumables and packaging

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

13. Long-term equity investments

Applicable Not Applicable

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

(1) Recognition of initial cost of investment

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

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

(2) Subsequent measurement and profit or loss recognition

① Cost method

Where the investor has a control over the investee, long-term equity investments are measured using cost

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

② Equity method

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

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

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

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

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

① Change of measurement at fair value to accounting under equity method: where the equity investment held have no control, joint control or significant impact on the investee and that are accounted

according to the financial instrument recognition and measurement criteria can carry out common control or place significant impact due to addition of investment which resulted in the increase of shareholding, the investee shall plus the fair value of the equity investment originally held determined in accordance with the Standards for Recognition and Measurement of Financial Instruments and the fair value of the consideration payable for new investment as the initial investment cost accounted under equity method when changing the equity method.

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

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

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

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

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

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

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

5) major transactions with the investee.

(5) Impairment test and provision of impairment

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

The recoverable amount is the higher of net fair value of long-term equity investments on disposal and the present value of estimated future cash flows.

(6) Disposal of long-term equity investments

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

14. Investment properties

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

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

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

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

15. Fixed assets

(1). Recognition criteria of fixed assets

Applicable Not Applicable

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

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

(2). Classification and Depreciation method of fixed assets

The fixed assets of the Company can be divided into: buildings and constructions, production equipment, transportation equipment and office equipment, etc. The straight-line method over useful

lives is used to measure depreciation. The useful lives and the expected net residual value of fixed assets are determined according to the nature and usage of various fixed assets. At the end of each year, the useful lives, expected net residual value and depreciation method of fixed assets are reviewed, and adjusted if there is variance with original policies; The Company has made provisions for all of the fixed assets except for the fixed assets with full provision and used continuously.

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

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

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

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

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

Measurement of fixed assets held under finance lease: fixed assets held under finance lease are initially recognized at the lower of fair value of the leased assets at the inception of lease and the present value of minimum lease payments.

Subsequent measurement of fixed assets held under finance lease is accounted for using the depreciation and impairment policies of owned fixed assets.

16. Construction in progress

Applicable Not Applicable

(1) Types of construction in progress

Construction in progress for the Company is self-constructed.

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

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

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

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

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

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

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

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

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

17. Borrowing costs

Applicable Not Applicable

(1) Recognition principles for borrowing cost capitalization

The Company's borrowing costs that are directly attributable to the acquisition or production of a qualifying asset are capitalized into the cost of relevant assets. Other borrowing costs are recognized as expenses in profit and loss for 2016 when incurred. Qualifying assets include fixed assets, investment properties and inventories that necessarily take a substantial period of time for acquisition, construction or production to get ready for their intended use or sale.

(2) Computation of capitalized amount of borrowing costs

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

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

Computation of capitalized amount of borrowing costs: ① Specific borrowings will be recorded based

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

18. Calculation of intangible assets

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

(1) Measurement of intangible assets

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

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

(2) Criterion of determining indefinite useful life

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

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

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

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

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

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

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

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

Basis for distinguishing research stage and development stage of an internal research and development project: research stage is the activities carried out for the planned investigation and search for obtaining new technology and knowledge, which has the characteristics of planning and exploration; before commercial production or other uses, the application of achievements and other knowledge obtained from the research stage in a plan or design to produce new or substantially improved materials, equipment and products is regarded as development stage, which has the characteristics of pinpointing and is very likely to form results.

All the expenditures on research and development which cannot be distinguished between research stage and development stage are recognized in the current profit or loss when incurred.

19. Impairment of long-term assets

Applicable Not Applicable

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

Goodwill is tested for impairment at least at each year end. In terms of impairment test of the goodwill, the carrying amount of the goodwill, arising from enterprise combination, shall be allocated to the related asset groups on reasonable basis since the acquisition date, or to the related asset group portfolios if it is difficult to be allocated to the related asset groups. When the carrying amount of the goodwill is allocated to

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

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

20. Long-term prepayments

Applicable Not Applicable

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

21. Remuneration of employees

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

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

Post-employment benefits mainly includes the basic pension insurance, supplementary pension, etc., In accordance with the risks and obligations undertaken by the Company, the post-employment benefits is classified as defined contribution plans and defined benefit pension plans. Defined contribution plans: the Company shall recognize the sinking fund paid to individual entity on balance sheet date as a liability in exchange of services from the employee in accounting period, and credited into current profits or losses or related assets costs in accordance with the benefit objects. Defined benefit plans: the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out by independent actuary at the interim and the annual balance sheet date. Staffs' benefit costs incurred by the

defined benefit plan of the Group are categorized as follows: (1) service cost, include current period service cost, past-service cost and settlement gain or loss. Current period service cost means the increase of the present value of defined benefit obligation resulted from 2016 service offered by employee. Past-service cost means the increase or decrease of the present value of defined benefit obligation resulted from the revision of the defined benefit plans related to the prior period service offered by employee; (2) interest costs of defined benefit plans; (3) changes related to the remeasurement of defined benefit plans liabilities. Unless other accounting standards require or permit to charge the employee benefits into assets cost, the Company charges (1) and (2) above into current profit or loss, and recognized (3) above as other comprehensive income without transferring to profit or loss in subsequent accounting periods.

Termination benefits: the indemnity proposal provided by the Company for employees for the purpose of terminating labor relation with the employees before the expiry of the labor contract or encouraging employees to accept downsizing voluntarily, when the following conditions are met, recognize and at the same time credited into the current profit or loss the accrued liabilities arising from the indemnity as a result of terminating labor relation with the employees: the Company has made a formal plan for termination of employment relationship or has made an offer for voluntary redundancy which will be implemented immediately; and the Company could not unilaterally withdraw from the termination plan or the redundancy offer. Early retirement benefits will adopt same principles as the termination benefit. The Company will credit the salaries and social benefits intend to pay for these early retirees during the periods from the date of early retirement to the normal retirement date to profit or loss of 2016 when recognition conditions for accrued liabilities are met.

22. Estimated liabilities

Applicable Not Applicable

(1) Criterion for determining of estimated liability

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

(2) Measurement of estimated liability

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

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

23. Share-based payments

Applicable Not Applicable

For equity-settled share-based payment transaction in return for services from employees, it shall be measured at the fair value of equity instruments granted to the employees. For the payment of such fair value

that may only be exercised if services are fulfilled during the vesting period or the specified performance is achieved, the fair value shall, based on the best estimate of the number of exercisable instruments during the vesting period, be recognized in relevant costs or expenses in straight-line method with the increase in the capital reserve accordingly.

The cash-settled share-based payment shall be measured at the fair value of liability assumed by the Company, which is calculated and determined based on the shares or other equity instruments. For the cash-settled share-based payment that may be exercised immediately after the grant, the fair value of the liability assumed by the Company shall, on the date of the grant, be recognized in relevant costs or expenses and the liabilities shall be increased accordingly. For cash-settled share-based payment that may be exercised if services are fulfilled during the vesting period or the specified performance is achieved, on each balance sheet date within the vesting period, the services acquired in 2016 shall, based on the best estimate of exercise, be recognized in relevant costs or expenses at the fair value of the liability assumed by the Company, and the liabilities shall be adjusted correspondingly.

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

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

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

24. Revenue

Applicable Not Applicable

(1) Sale of goods

Revenue from the sale of goods shall be recognized at the amount received or receivable from buyers based on contractual or agreed prices, when all of the following conditions are satisfied: ① the significant risks and rewards of ownership of the goods have been passed to the buyer; ② the Company

retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; ③ the amount of revenue can be measured reliably; ④ it is probable that the associated economic benefits will flow to the enterprise; ⑤ the associated costs incurred or to be incurred can be measured reliably.

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

(2) Provision of labor services

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

(3) Assignment of asset use rights

Revenue from usage fee arising from assignment of intangible assets (such as trademark rights, patent rights, franchise rights, software and copyright, etc.) and the use right of other assets will be recognized in accordance with the time and method for charge as required under relevant contract or agreement and at the same time satisfy the conditions that the economic benefit in connection with transaction could flow into the Company and the amount of revenue could be reliably measured.

(4) Construction contracts revenue

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

25. Government grants

(1) Types of government grants

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

(2) Accounting treatment of government grants

Asset-related government grants shall be recognized as deferred income in profit or loss for 2016 on an even basis over the useful life of the asset ; government grants measured at nominal amount shall be recorded directly in profit and loss for 2016. Revenue-related government grants shall be treated as follows: ① those used to compensate relevant expenses or losses to be incurred by the enterprise in subsequent periods are recognized as deferred income and recorded in profit or loss for 2016 when such expenses are recognized; ② those used to compensate relevant expenses or losses that have been incurred by the enterprise are recorded directly in profit or loss for 2016.

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

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

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

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

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

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

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

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

(5) Recognition of government grants

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

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

26. Deferred income tax assets / deferred income tax liabilities

Applicable Not Applicable

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

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

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

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

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

27. Lease

(1) Accounting treatment of operating lease

Applicable Not Applicable

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

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

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

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

(2) Accounting treatment of Finance lease

Applicable Not Applicable

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

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

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

28. Other significant accounting policies and accounting estimations

Applicable Not Applicable

(1) Share repurchases

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

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

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

(2) Asset securitization business

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

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

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

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

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

(3) Hedge accounting

① Hedges are classified as:

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

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

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

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

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

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

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

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

③ Method of Hedge accounting:

1) Fair value hedges

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

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

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

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

2) Cash flow hedges

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

Amounts taken to capital reserve (other capital reserve) are transferred to the current profit or loss when the hedged transaction affects the current profit or loss, such as when hedged financial income or

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

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

3) Hedge of net investment in foreign operation

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

(4) Explanations on significant accounting estimates

Judgments, estimates and assumptions shall be made to book value of the financial statements items, which could not be measured accurately, due to the inherent uncertainties of operating activities, while applying accounting policy. Such judgments, estimates and assumptions were based on the management's historical experience and made after considered other various factors. These judgments, estimates and assumptions will influence the amount of revenues, expenses, assets and liabilities presented in financial reports and the disclosure of contingent liabilities on the balance sheet date. However, the actual results caused by the uncertainties of these estimations may be different from the current estimates of the management, and thus cause a material adjustment to the carrying amounts of assets and liabilities affected in the future. The judgments, estimates and assumptions mentioned above shall be reviewed on a going concern basis. If the revisions to accounting estimates only affected 2016, relevant adjustment due to the effect shall be recognized in 2016; if the revision affects both the current and future period, the effect shall be recognized in the current and future period.

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

① Estimated liability

Provision for product quality guarantee, estimated onerous contracts, and other estimates shall be recognized in accordance with the terms of contract, current knowledge and historical experience. If the contingent event has formed a practical obligation which probably results in outflow of economic

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

② Provision for bad debts

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

③ Provision of impairment of inventories

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

④ Fair value of financial instruments

For financial instruments where there is no active market, the Company will determine the fair value through a variety of valuation methods. Such valuation methods include discounted cash flow analysis. In the valuation, the Company shall estimate the future cash flow, credit risk, market volatility and correlation, and select the appropriate discount rate. Such related assumptions are uncertain, and their changes may affect the fair value of financial instruments.

⑤ Impairment of available-for-sale financial assets

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

⑥ Provision for long-term assets impairment

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

⑦ Depreciation and amortization

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

⑧ Deferred income tax assets

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

⑨ Income tax

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

⑩ Returned profits from sales

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

VI. Taxation

1. Main tax types and tax rates

Details of main tax types and tax rates

Applicable Not Applicable

Tax type	Basis of taxation	Tax rate
Value-added tax	Taxable revenue of goods sales and taxable labor services revenue	5%, 6%, 11%, 17%
Business tax	Business tax amount payable	3%, 5%
Urban maintenance and construction tax	Turnover tax amount payable	7%
EIT	Income tax amount payable	Statutory tax rate or preferential rates as follows
(Local) education surcharges	Turnover tax amount payable	1%, 2%, 3%

Disclosure of tax entities with different EIT rates

Applicable Not Applicable

2. Preferential tax

Applicable Not Applicable

Companies enjoying preferential tax and preferential tax rate:

Name of company	Tax rate	Preferential tax
Qingdao Haier Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Refrigerator Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Intelligent Electronics Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Special Refrigerator Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Dishwasher Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Special Freezer Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Intelligent Home Appliance Technology Co., Ltd	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Wuhan Haier Electronics Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Wuhan Haier Freezer Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Hefei Haier Refrigerator Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Hefei Haier Air-conditioning Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise

Zhengzhou Haier Air-conditioning Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Shenyang Haier Refrigerator Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Chongqing Haier Air-conditioning Co., Ltd.	15%	entitled to the preferential taxation policies under the Western Development initiative of the PRC
Chongqing Haier Refrigeration Appliance Co., Ltd.	15%	entitled to the preferential taxation policies under the Western Development initiative of the PRC
Guizhou Haier Electronics Co., Ltd.	15%	entitled to the preferential taxation policies under the Western Development initiative of the PRC
Qingdao Haier Air-Conditioner Electronics Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Moulds Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Meier Plastic Powder Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Chongqing Haier Precision Plastic Co., Ltd.	15%	entitled to the preferential taxation policies under the Western Development initiative of the PRC
Chongqing Haier Intelligent Electronics Co., Ltd.	15%	entitled to the preferential taxation policies under the Western Development initiative of the PRC
Qingdao Haigao Design & Manufacture Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Technology Co., Ltd.	0%	entitled to two years exemption and three years half-deduction tax holiday policy
Qingdao Hairi High Technology Molding Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier (Jiaozhou) Air-Conditioner Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Beijing Haier Guangke Digital Technology Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Intelligent Technology Development Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Foshan Haier Freezer Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Wuhan Haier Energy and Power Co., Ltd.	10%	entitled to the preferential policies as a small and micro enterprise
Hefei Haier Washing Machine Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Washing Machine Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Jiaonan Haier Washing Machine Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Drum Washing Machine Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Foshan Shunde Haier Electric Appliance	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Economy and Technology Development Zone Haier Water Heater Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Wuhan Haier Water Heater Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Foshan Drum Washing Machine Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Goodaymart Logistic Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise

Shengfeng Supply Chain Co., Ltd. (盛丰供应链有限公司)	15%	entitled to the preferential taxation for enterprises in Pingtan Comprehensive Experimental Area
Chongqing Goodaymart Electronics Sales Co., Ltd.	15%	entitled to the preferential taxation policies under the Western Development initiative of the PRC
Chongqing Haier Home Appliance Sale Co., Ltd. and some branches in western region	15%	entitled to the preferential taxation policies under the Western Development initiative of the PRC
Chongqing Goodaymart Electronics Sales Co., Ltd. and some of branch companies	15%	entitled to the preferential taxation policies under the Western Development initiative of the PRC
Chongqing Haier washing machine Co., Ltd.	15%	entitled to the preferential taxation policies under the Western Development initiative of the PRC
Chongqing Haier Water Heater Co., Ltd.	15%	entitled to the preferential taxation policies under the Western Development initiative of the PRC
Chongqing Haier Drum Washing Machine Co., Ltd.	15%	entitled to the preferential taxation policies under the Western Development initiative of the PRC

3. Others

Applicable Not Applicable

VII. Explanatory Notes for Items in Consolidated Financial Statements

Unless otherwise specified, the following closing balance means the amount as at 31 December 2016; opening balance means the amount as at 31 December 2015; current period means the amount incurred from 1 January to 31 December 2016, while the previous period means the amount incurred from 1 January to 31 December 2015.

1. Monetary funds

Applicable Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Treasury cash	565,073.32	448,890.79
Bank deposit	23,191,076,580.34	24,664,175,572.12
Other monetary funds	312,992,470.59	91,949,685.73
Total	23,504,634,124.25	24,756,574,148.64
Among which: total of overseas amounts	2,075,691,395.39	1,000,735,432.46

Other explanatory:

An amount of RMB9,651,378,257.18 of the monetary fund was deposited in Haier Group Finance Co., Ltd. on 31 December 2015, the balance of which including a fixed term bank deposit of RMB579,509,744.42. The investment fund in the closing balance of other monetary fund was RMB16,529,339.20, the payment of the third party platform was RMB9,463,565.24 and the amount securing bill payable was RMB286,999,566.15.

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

Applicable Not Applicable

Items	Closing balance	Opening balance
Forward foreign exchange sale and purchase agreement	80,432,384.17	22,069,897.04
Total	80,432,384.17	22,069,897.04

3. Bills receivable

(1) Categories of bills receivable

Applicable Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Bank acceptance notes	3,410,072,113.31	2,030,726,556.43
Commercial acceptance bill	10,386,489,124.74	10,642,925,056.43
Total	13,796,561,238.05	12,673,651,612.86

(2) The pledged bills receivable of the Company at the end of the period was RMB 9,352,709,738.70.

4. Accounts receivables

(1) Accounts receivables disclosed by categories:

Items	Closing balance		Opening balance	
	Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts receivables that are individually significant and are subject to provision for bad debts on individual basis				
Accounts receivables that are subject to provision for bad debts on portfolio basis	12,585,181,476.76	337,937,379.10	6,364,677,108.26	318,233,855.42
Accounts receivables that are individually insignificant but are subject to provision for bad debts on individual basis	71,243,900.12	71,243,900.12	124,613,269.46	124,613,269.46
Total	12,656,425,376.88	409,181,279.22	6,489,290,377.72	442,847,124.88

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

the group:

Aging	Closing balance		Opening balance	
	Book balance	Provision for bad debts	Book balance	Provision for bad debts
Within 1 year	12,281,406,481.14	322,748,629.33	6,140,288,899.35	307,014,444.99
1-2 years	200,752,072.44	10,037,603.63	177,154,723.15	8,857,736.15
2-3 years	79,398,804.14	3,969,940.20	10,733,254.50	536,662.72
Over 3 years	23,624,119.04	1,181,205.94	36,500,231.26	1,825,011.56
Total	12,585,181,476.76	337,937,379.10	6,364,677,108.26	318,233,855.42

(3) The total amount of the top 5 in the accounts receivables at the end of the period was RMB4,621,224,552.02, accounting for 36.51% of the book balance of the accounts receivables, and the amount of provision for bad debts was RMB69,077,382.78.

(4) Provisions for bad debts made, collected or reversed in 2016:

Provisions for bad debts in the amount of RMB33,839,162.48 were reverted in 2016.

(5) Accounts receivable written off in 2016

The bad debts written off in 2016 were RMB21,194,587.12, and there was no significant accounts receivable written off in 2016.

5. Prepayments

(1) Aging of prepayments

Applicable Not Applicable

Unit and Currency: RMB

Aging	Closing balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	547,842,144.20	94.69	274,711,036.31	52.15
1-2 years	20,243,191.67	3.50	84,576,029.21	16.06
2-3 years	9,492,337.02	1.64	111,635,498.60	21.19
Over 3 years	965,768.51	0.17	55,799,800.49	10.60
Total	578,543,441.40	100.00	526,722,364.61	100.00

(2) The total amount of the top 5 in the prepayments at the end of the period was RMB167,188,912.11, accounting for 28.90% of the book balance of the prepayments.

6. Interest receivables

Applicable Not Applicable

Aging	Closing balance		Opening balance	
	Book balance	Proportion	Book balance	Proportion
Within 1 year	133,777,402.17	98.86%	183,731,216.46	100.00%
1-2 years	1,542,372.24	1.14%		
Total	135,319,774.41	100.00%	183,731,216.46	100.00%

7. Other receivables

(1) Other receivables disclosed by categories:

Items	Closing balance		Opening balance	
	Book balance	Provision for bad debts	Book balance	Provision for bad debts
Individual significant other receivables of which provision for bad debts is made on an individual basis				
Other receivables of which provision for bad debts is made on a group basis	1,217,243,603.74	36,825,550.99	573,456,976.78	28,672,848.83

Individual insignificant other receivables of which provision for bad debts is made on an individual basis	61,449,863.58	61,449,863.58	16,989,358.60	16,989,358.60
Total	1,278,693,467.32	98,275,414.57	590,446,335.38	45,662,207.43

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

Aging	Closing balance		Opening balance	
	Book balance	Provision for bad debts	Book balance	Provision for bad debts
Within one year	872,780,892.61	19,602,415.43	341,638,037.90	17,081,901.90
1-2 years	288,221,508.15	14,411,075.41	200,229,224.55	10,011,461.22
2-3 years	37,909,711.73	1,895,485.59	16,878,863.68	843,943.18
Over 3 years	18,331,491.25	916,574.56	14,710,850.65	735,542.53
Total	1,217,243,603.74	36,825,550.99	573,456,976.78	28,672,848.83

(3) At the end of the period, total amount of top five other receivables was RMB299,154,508.34, representing 23.40% of the book balance of other receivables, and the amount of provision for bad debts was RMB5,626,107.01.

(4) Bad-debt provisions made, collected or reversed in 2016:

Provisions for bad debts in the amount of RMB55,655,717.97 were made in 2016.

(5) The other receivables actually written off in 2016 was RMB3,042,510.83.

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

8. Inventories

(1) Details of inventories

Items	Closing balance		Opening balance	
	Book balance	Impairment Provision	Book balance	Impairment Provision
Raw materials	2,086,007,432.32	56,844,901.08	1,319,167,777.77	27,740,567.60
Work in progress	216,384,326.73		100,862,950.68	
Unsettled payments of completed projects	159,358,411.30		183,826,364.76	
Finished goods	13,317,467,752.08	484,430,600.50	7,269,742,978.69	282,326,025.78
Total	15,779,217,922.43	541,275,501.58	8,873,600,071.90	310,066,593.38

(2) Impairment provision of inventories

Items	Opening balance	Increase for 2016	Decrease for the period			Closing balance
			Reversal	Write-off	Total	

Raw materials	27,740,567.60	40,513,199.02		11,408,865.54	11,408,865.54	56,844,901.08
Finished goods	282,326,025.78	426,005,048.13		223,900,473.41	223,900,473.41	484,430,600.50
Total	310,066,593.38	466,518,247.15		235,309,338.95	235,309,338.95	541,275,501.58

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

Items	Accumulated cost occurred	Accumulatively recognized gross profit	Settled Amounts	Unsettled payments of completed projects from the construction contracts
	835,220,297.93	178,513,842.79	854,375,729.42	159,358,411.30

9. Other current assets

Applicable Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Bank Treasury deposit	490,807,882.39	250,000,000.00
Deductable VAT	1,794,827,965.32	962,096,326.52
Others	367,808,740.41	238,968,870.78
Total	2,653,444,588.12	1,451,065,197.30

10. Available-for-sale financial assets

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

Applicable Not Applicable

Unit and Currency: RMB

Items	Closing balance			Opening balance		
	Carrying Balance	Provision for impairment	Book value	Carrying balance	Provision for impairment	Book value
Available-for-sale debt instrument:						
Available-for-sale equity instrument:						
At fair value	30,354,194.80		30,354,194.80	1,453,993,243.39		1,453,993,243.39
At cost	1,528,749,522.25	3,225,000.00	1,525,524,522.25	1,386,549,957.81	3,225,000.00	1,383,324,957.81
Total	1,559,103,717.05	3,225,000.00	1,555,878,717.05	2,840,543,201.20	3,225,000.00	2,837,318,201.20

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

Categories of available-for-sale financial assets	Available-for-sale equity instrument
Cost of equity instrument	23,030,899.36
Fair value	30,354,194.80
Accumulated fair value changes credited into other comprehensive income	6,261,748.25
Allowance for impairment amounts	

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

Book value	Opening balance	Increase in 2016	Decrease in 2016	Closing balance
(1) Book value				
China Petrochemical Marketing Co., Ltd.	1,290,489,366.41	89,047,905.36		1,379,537,271.77
Others	96,060,591.40	108,114,094.96	54,962,435.88	149,212,250.48
Total	1,386,549,957.81	197,162,000.32	54,962,435.88	1,528,749,522.25
(2) Provision for impairment				
China Petrochemical Marketing Co., Ltd.				
Others	3,225,000.00			3,225,000.00
Total	3,225,000.00			3,225,000.00
(3) Book value				
China Petrochemical Marketing Co., Ltd.	1,290,489,366.41			1,379,537,271.77
Others	92,835,591.40			145,987,250.48
Total	1,383,324,957.81			1,525,524,522.25

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

Items	Provision for impairment of available-for-sale equity instrument
Provision balance at the beginning of the period	3,225,000.00
Provision made in 2016	
Decrease in 2016	
Allowance for impairment amounts at the end of the period	3,225,000.00

11. Long-term equity investments

√Applicable □Not Applicable

Investees	Opening balance	Increase/decrease in 2016				
		Investments increased	Investment income recognized under equity method	Adjustment in other comprehensive income	Other changes in equity	Declaration of cash dividends or profits
Associates:						
Haier Group Finance Co., Ltd.	3,604,772,753.58		535,129,207.12	-31,396,043.63		
Bank of Qingdao co., Ltd.		1,588,915,280.20	197,782,859.42	-39,770,490.51		-76,868,897.00
Haier Medical and Laboratory Products Co., Ltd.	283,507,786.33		19,873,541.23	3,565.91		
Wolong Electric Zhangqiu Haier Motor Co., Ltd.	119,968,184.53		2,701,741.77			
Qingdao Haier Software Investment Co., Ltd.	17,033,872.46		11,233.85			
Qingdao Haier SAIF	200,266,832.77		27,264,220.42			

Smart Home Industry Investment Center (limited partnership)						
Qingdao Haier Special Steel Plate Research and Development Co., Ltd.	95,207,113.86		7,708,491.83			
Hefei Haier Special Steel Plate Research and Development Co., Ltd.	114,000,000.00		12,896,206.56			
Mitsubishi Heavy Industries Haier (Qingdao) Air-conditioners Co., Ltd.		481,109,570.00	22,265,628.93			
Qingdao Haier Carrier Refrigeration Equipment Co., Ltd.		325,318,475.00	16,100,595.95			-39,306,692.40
Beijing Mr. Hi Network Technology Company Limited	2,606,883.28	7,500,000.00	-4,268,847.12			
Beijing Xiaobei Technology Co., Ltd.		12,000,000.00	-5,577,777.42			
Haier Tongchuang Investment Partnership (limited partnership)	160,012,400.00		-3,075,551.21			
Qingdao HSW Water Appliance Co., Ltd.	39,437,684.81		8,566,431.11		-806,454.16	
Qingdao Roca Water Appliance Co., Ltd.	13,300,791.62		-176,579.16			
China Shengfeng Microfinance limited in Jin'an District of Fuzhou City	78,598,195.59		955,317.87			
Fujian ATL-Shengfeng Logistics Co., Ltd.	12,630,535.81		405,253.40			-360,000.00
Shenzhen Storm Leader Technology Co., Ltd.	16,168,507.04		-25,860,034.80			
Qingdao Jiavayun Network Technology Co., Ltd. (青岛家哇云网络科技有限公司)		3,511,395.50	-782,016.91			
Qingdao JSH Network Technology Co., Ltd.		8,162,679.38	-1,456,285.37			
Wuhan Xiao Shuai Intelligent Technology Co. Ltd. (武汉小帅智能科技有限公司)		5,900,000.00	-5,900,000.00			
Hunan Electronic Co., Ltd. (湖南电机株式会社)	31,904,236.23		15,060,451.50	3,579,718.68		-275,400.00
HNR COMPANY (PRIVATE) LIMITED	73,342,754.13		17,219,333.42	-911,564.97		
HPZ LIMITED	96,149,801.89		7,325,922.52	-24,589,966.52		
CONTROLADORA		2,718,125,500.01	218,740,391.15	75,117,535.00		

MABE S.A.deC.V.						
MiddleEast Air conditioning Company, Limited		33,112,001.88	-3,685,095.07	1,539,963.63		
Total	4,958,908,333.93	5,183,654,901.97	1,059,224,640.99	-16,427,282.41	-806,454.16	-116,810,989.40

continued table

Investees	Increase/decrease in 2016		Closing balance	Closing balance of provision for impairment
	Others	The disposal of the investment		
Associates:				
Haier Group Finance Co., Ltd.			4,108,505,917.07	
Bank of Qingdao Co., Ltd.			1,670,058,752.11	
Haier Medical and Laboratory Products Co., Ltd.			303,384,893.47	
Wolong Electric Zhangqiu Haier Motor Co., Ltd.			122,669,926.30	
Qingdao Haier Software Investment Co., Ltd.			17,045,106.31	
Qingdao Haier SAIF Smart Home Industry Investment Center (limited partnership)			227,531,053.19	
Qingdao Haier Special Steel Plate Research and Development Co., Ltd.			102,915,605.69	
Hefei Haier Special Steel Plate Research and Development Co., Ltd.			126,896,206.56	
Mitsubishi Heavy Industries Haier (Qingdao) Air-conditioners Co., Ltd.			503,375,198.93	
Qingdao Haier Carrier Refrigeration Equipment Co., Ltd.			302,112,378.55	
Beijing Mr. Hi Network Technology Company Limited			5,838,036.16	
Beijing Xiaobei Technology Co., Ltd.			6,422,222.58	
Haier Tongchuang Investment Partnership (limited partnership)		-3,139,938.21	153,796,910.58	
Qingdao HSW Water Appliance Co., Ltd.		-16,475,112.33	30,722,549.43	
Qingdao Roca Water Appliance Co., Ltd.			13,124,212.46	
Shengfeng Microfinance limited in Jin'an District of Fuzhou City			79,553,513.46	
Fujian ATL-Shengfeng Logistics Co., Ltd.			12,675,789.21	
Shenzhen Storm Leader Technology Co., Ltd.		9,691,527.76	-	
Qingdao Jiavayun Network Technology Co., Ltd. (青岛家哇云网络科技有限公司)			2,729,378.59	
Qingdao JSH Network Technology Co. Ltd.			6,706,394.01	
Wuhan Xiao Shuai Intelligent Technology Co. Ltd. (武汉小帅智能科技有限公司)			-	
Hunan Electronic Co., Ltd. (湖南电机株式会社)			50,269,006.41	
HNR COMPANY (PRIVATE) LIMITED			89,650,522.58	
HPZ LIMITED			78,885,757.89	
CONTROLADORA MABE S.A.deC.V.			3,011,983,426.16	
MiddleEast Air conditioning Company Limited			30,966,870.44	
Total	-	-9,923,522.78	11,057,819,628.14	-

12. Investment properties

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

Items	Opening balance	Increase in 2016	Decrease in 2016	Closing balance
(1) Total original costs for the investment property	23,925,943.88	24,251,664.82		48,177,608.70
House, buildings and land	23,925,943.88	24,251,664.82		48,177,608.70
(2) Total accumulated amortization for the investment property	11,662,122.86	1,915,092.47		13,577,215.33
House, buildings and land	11,662,122.86	1,915,092.47		13,577,215.33

(3) Total accumulated provision for Impairment for the investment property				
House, buildings and land				
(4) Total book value for the investment property	12,263,821.02			34,600,393.37
House, buildings and land	12,263,821.02			34,600,393.37

(2) Depreciated and amortized amount in 2016 was RMB1,915,092.47 .

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

13. Fixed assets

Category of fixed assets	Opening balance	Increase in 2016	Decrease in 2016	Translation difference of foreign statement	Closing balance
(1) Book value					
Buildings and structures	5,956,791,211.06	1,767,045,963.13	172,257,472.50	100,758,906.32	7,652,338,608.01
Production equipment	7,407,087,313.10	7,423,039,580.74	648,219,996.97	256,214,810.61	14,438,121,707.48
Transportation equipment	284,704,751.18	19,247,371.76	33,836,013.45	1,532,775.35	271,648,884.84
Office equipment	250,739,496.69	84,758,451.91	7,706,653.99	15,192,225.98	342,983,520.59
Others	643,195,223.40	137,355,980.95	131,141,271.75	1,529,398.76	650,939,331.36
Total	14,542,517,995.43	9,431,447,348.49	993,161,408.66	375,228,117.02	23,356,032,052.28
(2) Accumulated depreciation					
Buildings and structures	1,771,889,836.12	366,368,372.06	54,737,510.19	25,317,543.55	2,108,838,241.54
Production equipment	3,811,043,658.06	1,530,540,598.66	402,696,740.46	118,167,189.95	5,057,054,706.21
Transportation equipment	107,745,006.55	60,581,766.53	30,324,595.40	944,434.85	138,946,612.53
Office equipment	143,515,182.24	27,868,329.51	5,795,209.28	2,388,739.21	167,977,041.68
Others	244,566,662.47	162,284,164.63	103,900,021.39	1,162,560.76	304,113,366.47
Total	6,078,760,345.44	2,147,643,231.39	597,454,076.72	147,980,468.32	7,776,929,968.43
(3) Net book value					
Buildings and structures	4,184,901,374.94				5,543,500,366.47
Production equipment	3,596,043,655.04				9,381,067,001.27
Transportation equipment	176,959,744.63				132,702,272.31
Office equipment	107,224,314.45				175,006,478.91
Others	398,628,560.93				346,825,964.89
Total	8,463,757,649.99				15,579,102,083.85
(4) Provision for impairment					
Buildings and structures	28,151,989.00		29,645.02	3,146,805.68	31,269,149.66

Production equipment	9,165,877.87		2,157,509.34	1,649,857.75	8,658,226.28
Transportation equipment	87,171.52		85,353.35	141.49	1,959.66
Office equipment	2,025,655.05		2,025,655.05		
Others	155,485.11		39,316.89	9,694.65	125,862.87
Total	39,586,178.55		4,337,479.65	4,806,499.57	40,055,198.47
(5) Book value					
Buildings and structures	4,156,749,385.94				5,512,231,216.81
Production equipment	3,586,877,777.17				9,372,408,774.99
Transportation equipment	176,872,573.11				132,700,312.65
Office equipment	105,198,659.40				175,006,478.91
Others	398,473,075.82				346,700,102.02
Total	8,424,171,471.44				15,539,046,885.38

(1) Total fixed asset transferred from construction-in-progress balance in 2016 amounted to RMB1,806,857,536.16.

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

(3) The pledged fixed assets were RMB17,536,991.54 at the end of the period.

(4) The rental financial fixed assets:

Items	Category of fixed assets	Closing balance
(1) Book amount	Transportation equipment	31,465,661.38
(2) Accumulated depreciation	Transportation equipment	19,844,235.63
(3) Net book value	Transportation equipment	11,621,425.75
(4) Provision for impairment	Transportation equipment	
(5) Book value	Transportation equipment	11,621,425.75

14. Construction in progress

(1) Balance of Construction in progress

Projects	Opening balance	Increase in 2016	Transfer to fixed assets	Other decrease	Translation difference of foreign statement	Closing balance	Percentage of completion	Source of fund
Chongqing Household Air Conditioner	21,786,108.58	8,655,833.80	23,598,952.92			6,842,989.46	end	Self-financing
Hefei Refrigerator	54,559,920.12	28,466,240.71	27,862,856.90			55,163,303.93	92%	Self-financing
Qingdao Special Freezer	52,918,902.29	12,385,534.42	57,014,704.08			8,289,732.63	90%	Self-financing
Jiaozhou Air-Conditioner	74,798,978.28	22,458,473.41	40,845,358.56			56,412,093.13	end	Self-financing
Zhengzhou Air-Conditioner	24,695,752.75	156,387,362.02	161,975,595.05			19,107,519.72	85%	Self-financing
Shenyang Refrigerator	99,181,143.50	4,527,824.08	6,378,675.33			97,330,292.25	end	Self-financing
Qingdao Special Refrigerator	15,506,939.22	27,216,911.38	14,091,007.65			28,632,842.95	72%	Self-financing
Qingdao Central Air-Conditioner	8,368,615.34	230,276,790.94				238,645,406.28	60%	Self-financing
Electrical Air-Conditioner	61,707,093.72	42,250,151.24	83,841,413.16			20,115,831.80	80%	Self-financing
Qingdao Electric Water Heater	29,237,418.60	16,422,006.73	16,459,206.62			29,200,218.71	77%	Self-financing
Qingdao Haier New Energy Electric Appliance	23,015,310.12	14,856,630.67	19,186,566.66			18,685,374.13	60%	Self-financing
Qingdao DrumWashing Machine	45,075,066.89	5,772,908.32	43,388,638.04			7,459,337.17	83%	Self-financing
Guiyang logistics	64,998,722.17	9,760,588.24				74,759,310.41	80%	Self-financing
Ningbo logistics	80,074,630.30	27,033,898.65	97,065,348.00			10,043,180.95	85%	Self-financing
Nangchang logistics	63,106,642.78			4,945,694.90		58,160,947.88	85%	Self-financing
Changchun logistics	52,722,323.09	48,745,234.67	69,046,634.88			32,420,922.88	82%	Self-financing
Chongqing Water Heater	52,699,992.28	13,716,740.53	37,357,039.87			29,059,692.94	83%	Self-financing
Japan projects	11,071,532.11	8,413,254.02	4,296,584.43		1,354,884.42	16,543,086.12	90%	Self-financing
Russian Project	60,550,817.60	98,681,024.18	166,993,853.83		7,762,012.05		100%	Self-financing
American Project	56,484,200.24	155,049,951.00	6,346,325.13		3,856,889.00	209,044,715.11	end	Self-financing
Others	438,911,713.09	1,241,944,130.82	931,108,775.05		6,366,926.96	756,113,995.82		Self-financing
Total	1,391,471,823.07	2,173,021,489.83	1,806,857,536.16	4,945,694.90	19,340,712.43	1,772,030,794.27		

(2) Provision for impairment of construction in progress

Name of Projects	Opening balance	Increase in 2016	Transfer to fixed assets	Other decrease	Translation difference of foreign statement	Closing balance
Others		2,213,568.88			-57,824.96	2,155,743.92

15. Disposals of fixed assets

√Applicable □Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
International Refrigerator Project	55,808,808.81	55,808,808.81
Qingdao Air Conditioning Project		17,825,030.67
Others		462,515.56
Total	55,808,808.81	74,096,355.04

16. Intangible assets

Categories	Opening balance	Increase in 2016	Decrease in 2016	Translation difference of foreign statement	Closing balance
(1) Original value					
Technical expertise	3,200,000.00	746,719,200.00		23,287,800.00	773,207,000.00
Concession		3,814,322,400.00		118,956,600.00	3,933,279,000.00
Land use rights	1,350,062,847.52	217,821,478.51	6,017,306.78	3,226,097.73	1,565,093,116.98
Management software	105,830,376.93	324,290,762.80	2,884,468.45	67,700,064.28	494,936,735.56
Trademark rights		639,084,000.00		19,931,000.00	659,015,000.00
Others	248,847,965.64	62,759,967.85	1,696,373.22	1,601,481.73	311,513,042.00
Total	1,707,941,190.09	5,804,997,809.16	10,598,148.45	234,703,043.74	7,737,043,894.54
(2) Accumulated amortization					
Technical expertise	2,960,000.00	43,798,620.00		1,358,455.00	48,117,075.00
Concession		55,625,535.00		1,734,783.75	57,360,318.75
Land use rights	115,997,155.10	27,666,408.29	5,582,175.38	430,690.54	138,512,078.55
Management software	62,017,523.27	106,878,957.56	1,056,812.11	3,271,000.95	171,110,669.67
Trademark rights					
Others	72,670,972.88	7,356,026.53	1,040,172.06	536,445.78	79,523,273.13
Total	253,645,651.25	241,325,547.38	7,679,159.55	7,331,376.02	494,623,415.10
(3) Net book value					
Technical expertise	240,000.00				725,089,925.00
Concession					3,875,918,681.25
Land use rights	1,234,065,692.42				1,426,581,038.43
Management software	43,812,853.66				323,826,065.89
Trademark rights					659,015,000.00
Others	176,176,992.76				231,989,768.87
Total	1,454,295,538.84				7,242,420,479.44
(4) Provision for impairment					
Technical expertise					
Concession					
Land use rights					

Management software					
Trademark rights					
Others					
Total					
(5) Book value					
Technical expertise	240,000.00				725,089,925.00
Concession					3,875,918,681.25
Land use rights	1,234,065,692.42				1,426,581,038.43
Management software	43,812,853.66				323,826,065.89
Trademark rights					659,015,000.00
Others	176,176,992.76				231,989,768.87
Total	1,454,295,538.84				7,242,420,479.44

At the end of the period, the intangible assets arise from internal research and development accounting for 3.94% of the original value at the end of the period.

17. Development expenses

Items	Opening balance	Increase in 2016	Decrease in 2016		Translation difference of foreign statement	Closing balance
			Charged to profit or loss in 2016	Recognized as an intangible asset		
U+ platform construction	78,064,195.82	87,515,004.18	95,721,200.00	64,770,000.00		5,088,000.00
91ABD.ERPPRO GRAM		865,068,376.86		33,823,637.89	25,923,883.09	857,168,622.06
Others		74,738,248.11	3,381,446.86	21,872,873.51	1,543,246.52	51,027,174.26
Total	78,064,195.82	1,027,321,629.15	99,102,646.86	120,466,511.40	27,467,129.61	913,283,796.32

18. Goodwill

Items	Opening balance	Increase in 2016	Decrease in 2016	Impact of fluctuation in exchange rate in 2016	Closing balance
GEA		19,461,433,564.02		1,150,204,648.82	20,611,638,212.84
Furniture after-sales service business	6,123,000.00				6,123,000.00
Shanghai Boyol New Brothers Supply Chain Management Company Limited	68,407,241.86				68,407,241.86
Shengfeng Logistics Group Co., Ltd	317,954,690.69				317,954,690.69
Total	392,484,932.55	19,461,433,564.02	-	1,150,204,648.82	21,004,123,145.39

(1) The Company additionally acquired RMB20.612 billion of goodwill of GEA. The subsidiaries of the Company paid considerations in cash of US\$5.612 billion to acquire the assets and liabilities of GEA held by GE Group, as well as partial equity of the Company. On 6 June 2016, the fair value of the

equity interest and assets was US\$2.641 billion, the difference between the cost of business combination and the share of fair value of identifiable assets acquired is recognized as goodwill.

(2) The Company calculates the recoverable amount of the asset groups by estimating the present value of future cash flows. According to the cash flows in the next five to ten years based on the financial budget approved by the management, the perpetual growth rate of cash flow in the next years is estimated to be 2% to 4%, not more than the long-term average growth rate of the asset group business. The discount rate is within the range of 9.00% to 15.00%. The management prepares the financial budget above based on the past performance and market development forecasts. Pursuant to the result of impairment test, no goodwill has been impaired by the end of 2016.

19. Long-term deferred expenditures

Applicable Not Applicable

Unit and Currency: RMB

Items	Opening balance	Increase in 2016	Amortization in 2016	Other deductions	Translation difference for foreign currency statement	Closing balance
Renovation fee	34,688,647.05	20,320,725.25	22,164,974.81	9,348,967.72		23,495,429.77
Expenditure for reconstruction of leased plant	52,106,678.65		6,396,535.10			45,710,143.55
Others	26,257,820.17	26,408,314.60	4,282,179.33	3,331,747.79	1,515,811.81	46,568,019.46
Total	113,053,145.87	46,729,039.85	32,843,689.24	12,680,715.51	1,515,811.81	115,773,592.78

20. Deferred income tax assets/liabilities

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

Items	Closing balance	Opening balance
Provision for assets impairment	206,179,413.32	125,087,878.47
Liabilities	1,588,572,631.81	703,437,008.26
Internal unrealized profit due to consolidation	306,515,615.29	176,044,215.94
Others	10,774,534.11	10,002,815.63
Total	2,112,042,194.53	1,014,571,918.30

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

Items	Closing balance	Opening balance
Changes of the fair vale	30,458,666.66	90,133,922.90

Disposal of subsidiaries and available-for-sale financial assets	111,105,965.55	33,059,596.88
Reserved foreign enterprise income tax	38,629,859.78	9,127,063.15
Depreciation and amortization of assets and the difference of the tax laws	461,236,134.20	5,077,072.26
Interest rate swap agreement	6,663,731.01	
Others	5,181,579.42	19,399,402.52
Total	653,275,936.62	156,797,057.71

(3) The deferred income tax assets and the deferred income tax liabilities offset at the end of 2016 was RMB520,032,789.94.

21. Other non-current assets

Applicable Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Prepayments for equipment and land	776,647,520.39	316,752,155.61
Others	81,813,868.47	82,331,935.92
Total	858,461,388.86	399,084,091.53

22. Short-term borrowings

Applicable Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Pledged borrowings	3,994,850,204.62	20,000,000.00
Mortgage loan	23,000,000.00	61,509,124.60
Guaranteed borrowings	6,950,000,000.00	1,000,728,210.00
Unsecured borrowings	7,197,681,674.53	790,870,906.90
Total	18,165,531,879.15	1,873,108,241.50

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

Items	Closing balance	Opening balance
Forward foreign exchange sale and purchase agreement	2,340,213.20	7,707,414.12
Total	2,340,213.20	7,707,414.12

24. Bills payable

Applicable Not Applicable

Unit and Currency: RMB

Categories	Closing balance	Opening balance
Commercially acceptance bill	1,725,416,481.48	1,425,847,863.41
Bank acceptance bill	10,679,473,278.57	10,171,037,482.65
Total	12,404,889,760.05	11,596,885,346.06

25. Accounts payables**(1). Presentation of accounts payables**

√Applicable □Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Accounts payables	20,594,203,310.08	14,662,615,841.25
Total	20,594,203,310.08	14,662,615,841.25

The book balance at the end of 2016 was mainly the unpaid expenditures on material, equipment and labor.

26. Prepayment**(1). Presentation of prepayment**

√Applicable □Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Prepayment	5,734,732,855.06	3,143,416,387.59
Total	5,734,732,855.06	3,143,416,387.59

The book balance at the end of 2016 was mainly the prepayment.

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

√Applicable □Not Applicable

Unit and Currency: RMB

Items	Opening balance	Increase in 2016	Decrease in 2016	Closing balance
I .Short-term remuneration	1,192,884,942.32	12,363,531,059.81	11,359,192,965.44	2,197,223,036.69
II . Post-employment benefits-defined contribution plan	20,368,536.39	771,365,131.72	601,372,822.35	190,360,845.76
III.Termination benefits	20,407,486.86	30,237,881.64	33,848,792.36	16,796,576.14
IV.Other welfare due within one year				
Total	1,233,660,965.57	13,165,134,073.17	11,994,414,580.15	2,404,380,458.59

(2) Presentation of short-term remuneration

√Applicable □Not Applicable

Unit and Currency: RMB

Items	Opening balance	Increase in 2016	Decrease in 2016	Closing balance
I .Salaries, bonus, allowance and benefit	707,771,527.91	8,904,013,667.42	8,529,046,879.50	1,082,738,315.83
II . Employee welfare	305,567,106.06	411,698,485.39	185,507,545.56	531,758,045.89
III. Social benefit	6,500,717.91	718,638,622.57	634,097,915.31	91,041,425.17
IV. Housing fund	6,703,084.66	226,907,350.48	225,023,113.61	8,587,321.53
V .Labor union fee and education fee	2,727,228.80	61,540,445.65	61,976,217.96	2,291,456.49
VI.Short-term compensated leave		229,794,744.61	1,096,634.72	228,698,109.89
VII. Others	163,615,276.98	1,810,937,743.69	1,722,444,658.78	252,108,361.89
Total	1,192,884,942.32	12,363,531,059.81	11,359,192,965.44	2,197,223,036.69

(3) Presentation of defined contribution plan

√Applicable □Not Applicable

Unit and Currency: RMB

Items	Opening balance	Increase in 2016	Decrease in 2016	Closing balance
1. Basic pension insurance	15,574,176.43	732,535,846.06	558,912,972.84	189,197,049.65
2. Unemployment insurance	500,978.67	27,121,292.51	26,921,432.95	700,838.23
3. Enterprise annuity payment	4,293,381.29	11,707,993.15	15,538,416.56	462,957.88
Total	20,368,536.39	771,365,131.72	601,372,822.35	190,360,845.76

(4) Presentation of termination benefits

Items	Closing balance	Opening balance
Termination compensation	16,796,576.14	20,407,486.86
Total	16,796,576.14	20,407,486.86

28. Taxes payable

√Applicable □Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
VAT	501,344,246.89	59,700,542.53
Business tax	11,554,246.76	5,888,947.72
Enterprise income tax	930,301,189.86	712,033,101.06
Individual income tax	19,205,381.15	16,635,474.87
Municipal maintenance tax	33,805,437.30	8,866,023.89
Education surcharge	12,144,570.87	3,363,149.08
The electrical and electronic products waste treatment fund	73,838,985.81	55,378,377.00
Additional taxes	38,269,003.47	51,756,909.99
Total	1,620,463,062.11	913,622,526.14

29. Interests payable

Items	Closing balance	Opening balance
Interest of long-term borrowings	15,891,113.99	1,131,479.67
Interest of short-term borrowings	14,679,214.67	6,199,909.01
Interest of corporate bond		7,750,027.66
Total	30,570,328.66	15,081,416.34

30. Dividends payable

√Applicable □Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
BRAVE LION (HK) LIMITED	122,756,874.10	115,230,923.73
Other minority shareholders	25,933,614.91	18,151,086.00
Total	148,690,489.01	133,382,009.73

31. Other payables

√Applicable □Not Applicable

Unit and Currency: RMB		
Items	Closing balance	Opening balance
Other payables	9,363,015,551.12	6,091,623,233.28
Total	9,363,015,551.12	6,091,623,233.28

The book balance at the end of 2016 mainly included the incurred but unpaid costs.

32. Non-current liabilities due within 1 year

Applicable Not Applicable

Unit and Currency: RMB		
Items	Closing balance	Opening balance
Long-term borrowings due within one year	1,734,250,000.00	
Bonds payable due within one year	1,223,220,143.70	
Long-term payables due within one year	9,338,365.85	10,877,261.36
Predicative liabilities due within one year		62,020,766.97
Total	2,966,808,509.55	72,898,028.33

33. Long-term borrowings

Applicable Not Applicable

Unit and Currency: RMB		
Items	Closing balance	Opening balance
Guaranteed borrowings	14,716,253,452.30	
Credit borrowings	814,547,859.50	297,241,293.20
Total	15,530,801,311.80	297,241,293.20

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

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

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

34. Bonds payable

On 20 March 2014, Haier Electronics Group Co., Ltd., the Company's holding subsidiary, issued HK\$1,316,036,039 convertible corporate bonds (equivalent to RMB1,055,023,280), with an annual coupon rate of 1.5%. The convertible corporate bonds will be expired on 20 March 2017. The bond holders may transfer shares after one year from the issue date to 7 days before the expiration at their option.

On initial recognition, the convertible corporate bonds, issued by the Company's holding subsidiary Haier Electronics Group Co., Ltd., was divided into liabilities and equities:

Items	Convertible bonds issued in 2014
Initial recognition:	1,055,023,279.62
Face values of the convertible bonds and issued warrants	

Including:	
Share option	
Equity of convertible bonds	54,838,289.02
Liabilities of convertible bonds	1,000,184,990.60

Change in liabilities of convertible bonds for the period:

Items	Opening balance	Increase in 2016	Accrued bond interest	Less: paid bond interest for the period	Effect of exchange rate	Reclassified to maturity within one year	Closing balance
Convertible bonds issued in 2014	1,107,734,516.43		37,301,352.71		78,184,274.56	1,223,220,143.70	
Total	1,107,734,516.43		37,301,352.71		78,184,274.56	1,223,220,143.70	

35. Long-term payables

√Applicable □Not Applicable

Unit and Currency: RMB

Items	Opening balance	Closing balance
CDB development fund investment fund	43,000,000.00	93,000,000.00
Lease	16,916,852.02	22,783,382.28
Total	59,916,852.02	115,783,382.28

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

36. Long-term payables for staff's remuneration

√Applicable □Not Applicable

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

√Applicable □Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
I. Post-employment benefits: net liability of defined benefit plan	837,967,757.25	
II. Termination benefits	51,440,750.33	33,209,406.02
III. Other long-term benefits		
IV. Provision for work-related injury compensation	317,102,409.75	

Total	1,206,510,917.33	33,209,406.02
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(2) Defined benefit plan

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

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

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

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

Actuarial assumption used in the defined benefit plan

Items	Percentage
I. Discount rate	1.10%
II. Expected rate of return	2.00%

Present value of defined benefit obligations

Items	Amount
I. Opening balance	286,219,180.96
II. Defined benefit cost in current profit or loss	14,863,830.53
1. Current period service cost	11,299,748.90
2. Past service cost	-
3. Settlement profit (loss indicated in “—”)	
4. Interest expenses	3,564,081.63
III. Defined benefit cost in other comprehensive incomes	25,632,509.04
1. Actuarial loss (gain indicated in “—”)	25,632,509.04
IV. Other changes	-11,805,834.16
1. Consideration paid upon settlement	
2. Prepaid benefits	-41,140,121.71
3. Exchange difference	29,334,287.55
V. Closing balance	314,909,686.37

Fair value of plan assets

Items	Amount
I. Opening balance	292,193,640.82
II. Defined benefit cost in current profit or loss	3,578,774.16
1. Interest income	3,578,774.16
III. Defined benefit cost in other comprehensive incomes	1,146,514.07
1. Return on plan assets (except those included in net interests)	1,146,514.07
2. Changes in impact of asset cap (except those included in net interests)	
IV. Other changes	3,353,554.54
1. Payments made by the employer	12,981,146.75
2. Prepaid benefits	-41,140,121.71
3. Exchange difference	31,512,529.50
V. Closing balance	300,272,483.59

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

Net liability (net asset) of defined benefit plan

Items	Amount
I. Opening balance	-5,974,459.86
II. Defined benefit cost in current profit or loss	11,285,056.37
III. Defined benefit cost in other comprehensive incomes	24,485,994.97
IV. Other changes	-15,159,388.70
V. Closing balance	14,637,202.78

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

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

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

Actuarial assumption used in the defined benefit plan

Items	Percentage
I. Discount rate	3.98%

Present value of defined benefit obligations

Items	Amount
I. Opening balance	
II. Consolidation of enterprises under non-common control	145,339,034.15
III. Defined benefit cost in current profit or loss	-1,264,626.15
1. Current period service cost	3,235,830.29
2. Past service cost	-8,369,699.70
3. Settlement profit (loss indicated in “—”)	
4. Interest expenses	3,869,243.26
IV. Defined benefit cost in other comprehensive incomes	

1. Actuarial loss (gain indicated in “—”)	
V. Other changes	3,589,876.01
1. Consideration paid upon settlement	
2. Paid benefits	-4,666,779.73
3. Exchange difference	8,256,655.74
VI. Closing balance	147,664,284.01

Net liability (net asset) of defined benefit plan

Items	Amount
I . Opening balance	
II . Consolidation of enterprises under non-common control	145,339,034.15
III. Defined benefit cost in current profit or loss	-1,264,626.15
IV. Defined benefit cost in other comprehensive incomes	
V. Other changes	3,589,876.01
VI. Closing balance	147,664,284.01

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

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

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

Actuarial assumption used in the defined benefit plan

Items	Percentage
I. Discount rate	3.68%

Present value of defined benefit obligations

Items	Amount
I . Opening balance	
II .Consolidation of enterprises under non-common control	376,762,770.66
III. Defined benefit cost in current profit or loss	-11,239,085.95
1. Current period service cost	11,364,332.96
2. Past service cost	-29,521,072.67
3. Settlement profit (loss indicated in “—”)	
4. Interest expenses	6,917,653.76
IV. Defined benefit cost in other comprehensive incomes	
1. Actuarial loss (gain indicated in “—”)	
V. Other changes	20,151,247.52
1. Consideration paid upon settlement	
2. Paid benefits	
3. Exchange difference	20,151,247.52
VI. Closing balance	385,674,932.23

Net liability (net asset) of defined benefit plan

Items	Amount
I . Opening balance	
II .Consolidation of enterprises under non-common control	376,762,770.66
III. Defined benefit cost in current profit or loss	-11,239,085.95
IV. Defined benefit cost in other comprehensive incomes	
V. Other changes	20,151,247.52
VI. Closing balance	385,674,932.23

It is estimated that the payment of RMB13 million will be made to the defined benefit obligation by the end of 2017.

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

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

Actuarial assumption used in the defined benefit plan

Items	Percentage
I. Discount rate	3.21%

Present value of defined benefit obligations

Items	Amount
I . Opening balance	
II .Consolidation of enterprises under non-common control	362,735,230.81
III. Defined benefit cost in current profit or loss	-37,085,620.70
1. Current period service cost	42,529,210.40
2. Past service cost	-83,963,421.00
3. Settlement profit (loss indicated in “—”)	
4. Interest expenses	4,348,589.90
IV. Defined benefit cost in other comprehensive incomes	
1. Actuarial loss (gain indicated in “—”)	
V. Other changes	18,416,120.89
1. Consideration paid upon settlement	
2. Paid benefits	-160,726.26
3. Exchange difference	18,576,847.15
VI. Closing balance	344,065,731.00

Fair value of plan assets

Items	Amount
I. Opening balance	
II. Defined benefit cost in current profit or loss	
1. Interest income	

III. Defined benefit cost in other comprehensive incomes	
1. Return on plan assets (except those included in net interests)	
2. Changes in impact of asset cap (except those included in net interests)	
IV. Other changes	8,170,835.63
1. Payments made by the employer	8,084,446.24
2. Paid benefits	-160,726.26
3. Exchange difference	247,115.65
V. Closing balance	8,170,835.63

Net liability (net asset) of defined benefit plan

Items	Amount
I . Opening balance	
II . Consolidation of enterprises under non-common control	362,735,230.81
III. Defined benefit cost in current profit or loss	-37,085,620.70
IV. Defined benefit cost in other comprehensive incomes	
V. Other changes	10,245,285.26
VI. Closing balance	335,894,895.37

(3) Provision for work-related injury compensation

Our subsidiary Haier US APPLIANCE SOLUTIONS, INC. made a provision for the occupational injury claims filed by the injured due to production accidents starting from 1 January 1991. The provision will be used to pay the claims to the employees injured during the accidents. The provision accrued was prepared by Beecher Carlson Insurance Services, LLC. adopting the actuarial method. The discount rate used in the actuarial method is 3.72%.

Items	Amount
I . Opening balance	
II . Consolidation of enterprises under non-common control	347,358,256.48
III. Compensation expenses in current profit or loss	22,291,216.28
IV. Compensation amount actually paid in 2016	90,681,706.99
V. Other changes	38,134,643.98
VI. Closing balance	317,102,409.75

Classification of the balance of defined benefit plan

Items	Closing balance	Opening balance
Short-term remuneration	45,903,557.14	
Long-term remuneration	837,967,757.25	
Total	883,871,314.39	

37. Estimated liabilities

Applicable Not Applicable

Unit and Currency: RMB

Items	Opening balance	Closing balance
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Pending action	14,190,400.00	18,501,499.76
Estimated charges of “three guarantees” and installations	1,841,853,237.19	2,275,917,930.84
Acquisition of equity interests of minority equity interests	43,500,000.00	15,700,000.00
Total	1,899,543,637.19	2,310,119,430.60

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

38. Deferred income

Explanations of deferred income

Applicable Not Applicable

Unit and Currency: RMB

Items	Opening balance	Increase in 2016	Decrease in 2016	Closing balance	Reason
Governmental subsidy	249,169,525.78	151,722,614.75	63,450,400.17	337,441,740.36	Government subsidies related assets
Leaseback	14,951,028.55		9,567,175.56	5,383,852.99	The differences on sales price and the book value of assets
Total	264,120,554.33	151,722,614.75	73,017,575.73	342,825,593.35	

39. Other non-current liabilities

Applicable Not Applicable

Unit and Currency: RMB

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

40. Share capital

Class of shares	Opening balance	Increase in 2016	Decrease in 2016	Closing balance

I. Restricted shares	613,687,188		7,473,200	606,213,988
1. State-owned shares				
2. Shares held by domestic non-state-owned legal entities				
3. Shares held by domestic natural persons	7,701,200		7,473,200	228,000
4. Shares held by foreign non-state-owned legal entities	605,985,988			605,985,988
II. Non-restricted shares	5,509,467,080		18,050,341	5,491,416,739
1. Ordinary shares in RMB	5,509,467,080		18,050,341	5,491,416,739
2. Domestic listed foreign shares				
3. Overseas listed foreign shares				
4. Others				
III. Total shares	6,123,154,268		25,523,541	6,097,630,727

41. Capital reserve

Applicable Not Applicable

Unit and Currency: RMB

Items	Opening balance	Increase in 2016	Decrease in 2016	Closing balance
Capital premium (share capital premium)		202,649,399.20	202,649,399.20	
Other capital reserve	83,383,194.51			83,383,194.51
Total	83,383,194.51	202,649,399.20	202,649,399.20	83,383,194.51

Other explanations, including the explanations on increases or decreases in 2016 and the reasons thereof:

Movements in capital premium mainly due to: ① an increase of RMB105,991,126.33 in capital premium due to the capital contribution to subsidiaries not on the original proportion of equity interest in 2016 led to the changes in the shareholdings of the Company; ② the share premiums decreased by RMB163,646,699.20 due to the cancellation of treasury stock in 2016; ③ a decrease of RMB39,002,700.00 in capital premium as a result of common control combination in 2016; ④ The share premiums in 2016 were not enough to offset the corresponding retained earnings transferred, therefore, the share premiums increased by RMB96,658,272.87.

42. Treasury stock

Applicable Not Applicable

Unit and Currency: RMB

Items	Opening balance	Increase in 2016	Decrease in 2016	Closing balance
Restricted share certificates	30,207,838.00		29,165,878.00	1,041,960.00

Share repurchase	47,396,706.70	112,693,414.90	160,090,121.60	
Total	77,604,544.70	112,693,414.90	189,255,999.60	1,041,960.00

Other explanations, including the explanations on increases or decreases in 2016 and the reasons thereof:

(1) Movements in restricted shares mainly due to: the Company cancelled restricted shares with a value of RMB29,165,878 in 2016.

(2) Movements in share repurchases mainly due to: an increase of RMB112,693,414.90 as a result of share repurchases in 2016. The Company cancelled treasury stock repurchased with a decrease of RMB160,090,121.60 in 2016.

43. Other comprehensive income

Items	Opening balance	Amounts incurred in 2016					Closing balance
		Pre-tax in 2016	Less: income tax expense	Attributable to the parent company, net of tax	Attributable to minority shareholders, net of tax	Others	
a	50,280,495.96	-16,427,282.41		-16,103,941.93	-323,340.48		34,176,554.03
b	455,598,882.88	-534,750,183.35	-81,244,844.41	-449,464,796.67	-4,040,542.27		6,134,086.21
c		16,630,224.63	6,663,731.01	9,966,493.62			9,966,493.62
d	110,598,255.79	440,347,844.82		411,549,019.59	28,798,825.23		522,147,275.38
e	16,705,825.40	-22,891,322.68		-22,891,322.68			-6,185,497.28
Total	633,183,460.03	-117,090,718.99	-74,581,113.40	-66,944,548.07	24,434,942.48		566,238,911.96

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

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

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

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

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

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

44. Surplus reserve

Applicable Not Applicable

Unit and Currency: RMB

Items	Opening balance	Increase in 2016	Decrease in 2016	Closing balance
Statutory surplus reserve	1,978,928,499.64	57,199,097.07	9,665,827.29	2,026,461,769.42

Discretionary surplus reserve	26,042,290.48			26,042,290.48
Reserve fund	11,322,880.64			11,322,880.64
Enterprise expansion fund	10,291,630.47			10,291,630.47
Others				
Total	2,026,585,301.23	57,199,097.07	9,665,827.29	2,074,118,571.01

Explanations on surplus reserves, including the explanations on increases or decreases in 2016 and the reasons thereof:

Pursuant to Company Law of the People's Republic of China and articles of association, the Company is required to appropriate the statutory surplus reserve at 10% of its net profit. Decrease in 2016 is resulted from Capital reserves – due to share premiums not enough to offset the corresponding retained earnings transferred.

45. Undistributed profits

Applicable Not Applicable

Items	Amount
Undistributed profits at the end of last year	13,905,774,481.88
Add: correction of accounting errors	
Adjustment on implementation of ASBE	
Adjustment on business combination under common control	38,858,499.40
Undistributed profits at the beginning of the year	13,944,632,981.28
Add: net profit attributable to owners of the Company	5,036,652,240.84
Profit available for appropriation for the year	18,981,285,222.12
Less: appropriation of statutory surplus reserve	57,199,097.07
Appropriation of staff incentive and welfare fund	
Dividend payable for ordinary shares	1,292,697,714.12
Retained earnings after deduction of combined offsetting under common control	86,992,445.58
Undistributed profits at the end of the period	17,544,395,965.35

46. Operating income and Operating cost

(1) Operating income

Categories	2016	2015
Principal Business	118,509,198,156.92	89,217,748,074.13
Other Business	556,627,044.59	579,417,920.76
Total	119,065,825,201.51	89,797,165,994.89

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

Categories	2016		2015	
	Income of principal business	Cost of principal business	Income of principal business	Cost of principal business
Air conditioner	18,676,423,237.28	12,645,964,675.28	16,250,889,159.97	11,662,362,800.22
Refrigerator	36,254,741,110.25	24,260,152,441.10	27,588,532,137.07	18,610,588,978.98
Kitchen appliance	19,013,918,291.78	11,187,891,955.96	6,620,603,698.64	3,730,801,944.40
Washing machine	23,479,946,836.50	15,346,199,597.38	17,469,847,901.81	11,472,567,714.01
Equipment product	2,584,757,821.69	2,425,096,943.64	1,818,035,269.39	1,576,671,700.64
Integrated channel services and others	18,499,410,859.42	16,097,749,339.90	19,469,839,907.25	17,539,452,471.81
Total	118,509,198,156.92	81,963,054,953.26	89,217,748,074.13	64,592,445,610.06

47. Taxes and surcharge√Applicable Not Applicable

Unit and Currency: RMB

Items	2016	2015
Business tax	10,230,737.89	21,748,028.38
City maintenance and construction tax	289,324,905.41	249,971,523.55
Education surcharge	197,382,776.46	115,025,612.76
Property tax	45,615,653.30	
Land use tax	28,738,931.20	
Stamp tax	87,975,062.38	
Others	28,497,208.13	10,576,911.78
Total	687,765,274.77	397,322,076.47

48. Expenses of sales√Applicable Not Applicable

Unit and Currency: RMB

Items	2016	2015
Expenses of sales	21,254,103,195.32	13,108,350,234.27
Total	21,254,103,195.32	13,108,350,234.27

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

49. Management expenses√Applicable Not Applicable

Unit and Currency: RMB

Items	2016	2015
Management expenses	8,382,442,112.27	6,553,796,904.32
Total	8,382,442,112.27	6,553,796,904.32

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

50. Financial expenses√Applicable Not Applicable

Unit and Currency: RMB

Items	2016	2015
Interest expenses	789,048,547.63	119,256,405.78
Interest income	-324,556,860.10	-524,682,668.51
Exchange gain or loss	179,509,401.20	-162,736,605.06
Others	76,893,727.72	54,269,429.93
Total	720,894,816.45	-513,893,437.86

51. Loss in assets impairment

√Applicable □Not Applicable

Unit and Currency: RMB

Items	2016	2015
I. Bad debt loss	21,816,555.49	51,019,819.87
II. Loss from price drop in inventory	466,518,247.15	250,268,151.63
III. Impairment loss on financial assets available for sale		25,000.00
VII. Impairment loss on fixed assets		5,004,997.05
VIII. Impairment loss on construction materials		
IX. Impairment loss on construction in progress	2,213,568.88	
Total	490,548,371.52	306,317,968.55

52. Profit or loss of changes in fair value

Items	2016	2015
Financial instruments measured in fair value through current profit or loss - derivative financial instruments	83,266,828.84	-90,223,059.50
Changes in fair values of hedging instrument and hedged items in an effective hedge relationship	11,381,247.23	
Total	94,648,076.07	-90,223,059.50

53. Investment Income

√Applicable □Not Applicable

Items	2016	2015
Long-term equity investments income calculated by the equity method	974,078,918.55	695,724,727.22
Investment income from disposal of long-term equity investments	86,010,966.27	338,777,175.29
Investment income from financial assets available for sale during the holding period	26,720,731.79	121,454,252.17
Gain on remeasurement of remaining equity by fair value upon loss of control		49,201,148.46

Investment income from disposal of financial assets available for sale	531,827,281.30	54,535,164.73
Investment income from disposal of financial assets at fair value and its changes recognized in the current profit and loss	-9,217,370.89	49,703,912.97
Wealth management products return	10,296,906.76	10,905,835.77
Total	1,619,717,433.78	1,320,302,216.61

54. Non-operating income

Items	2016	2015
Gain on disposal of non-current assets	257,384,561.49	50,992,727.10
Government grants	696,833,330.02	307,550,180.85
Change in accounting methods of financial assets available for sale	166,840,685.70	
Others	301,981,681.15	259,919,803.26
Total	1,423,040,258.36	618,462,711.21

Details of government grants are presented as follows:

Items	2016	2015
Current amortization of government grants related to assets	63,310,400.17	24,873,688.07
Government grants related to profit	633,522,929.85	282,676,492.78
Total	696,833,330.02	307,550,180.85

55. Non-operating expenses

Items	2016	2015
Loss on disposal of non-current asset	260,448,819.20	40,689,452.41
Charitable donation expenses	15,145,964.51	14,785,616.95
Others	81,799,870.64	40,441,092.69
Total	357,394,654.35	95,916,162.05

56. Income tax expense

(1) Table of income tax expense

Items	2016	2015
Current income expense	1,318,879,809.71	1,126,714,371.30
Deferred tax income	172,986,187.75	-71,021,534.21
Total	1,491,865,997.46	1,055,692,837.09

(2) Adjustment process of accounting profit and income tax expenses in 2016

Items	Amount
Total accounting profit	8,183,200,333.09
Income tax expenses calculated at statutory tax rate	2,045,800,083.27
Impact from different tax rates applicable to subsidiaries	-690,195,704.95
Impact from adjustment to income tax in prior periods	-78,565,464.95
Impact from non-taxable income	-191,021,327.50
Impact from non-deductible costs, fees and losses	114,940,084.93
Impact from deductible temporary differences or losses of deferred tax	300,397,465.30
Effect of write-off of deferred income taxes	-9,489,138.64
Others	
Total income tax expenses	1,491,865,997.46

57. Other comprehensive income√Applicable Not Applicable

For details, please refer to item 43 of note VII.

58. Cash received from other operating related activities√Applicable Not Applicable

Unit and Currency: RMB

Items	2016
Deposits and securities	110,799,732.02
Government grants	633,522,929.85
Non-operating income excluding government grants	173,516,464.33
Interest income	274,357,866.77
Others	41,569,586.86
Total	1,233,766,579.83

59. Cash paid to other operation related activities√Applicable Not Applicable

Unit and Currency: RMB

Items	2016
Cash paid on operating expenses	6,871,048,642.81
Cash paid on management expenses	3,617,090,795.78
Cash paid on financial expenses	78,256,310.25
Non-operating expenses	65,972,010.84
Others	91,243,527.06
Total	10,723,611,286.74

60. Cash received from other investment related activities

√Applicable □Not Applicable

Unit and Currency: RMB

Items	2016
Government grants related to assets	10,042,470.81
Total	10,042,470.81

61. Cash paid on other investment related activities

√Applicable □Not Applicable

Unit and Currency: RMB

Items	2016
Cash paid on disposal of subsidiaries	7,136,079.07
Placement of investment fund	20,000,000.00
Total	27,136,079.07

62. Cash paid to other financing related activities

√Applicable □Not Applicable

Unit and Currency: RMB

Items	2016
Cash paid on repurchasing shares	172,583,828.07
Cash paid due to the withdrawal of minority shareholders	8,955,625.00
Cash paid on financial lease	12,143,211.28
Loan margin	29,599,680.00
Others	
Total	223,282,344.35

63. Supplementary information on cash flow table

√Applicable □Not Applicable

Unit and Currency: RMB

Supplementary Information	2016	2015
1.Net profit adjusted to cash flows of operating activities:		
Net profit	6,691,334,335.63	5,925,080,508.93
Plus: provisions for assets impairment	490,548,371.52	306,317,968.55
Depreciation of fixed assets, depreciation of oil and gas assets, depreciation of productive bio-assets	2,149,558,323.86	955,098,993.27
Amortization of intangible assets	241,325,547.38	54,410,072.57
Amortization of long term expenses payable	32,843,689.24	44,695,125.22
Loss on disposal of fixed assets, intangible assets and other long term assets (“-” represents “gains”)	3,064,257.71	-10,303,274.69
Loss on write-off of fixed assets (“-” represents “gains”)		
Loss on change of fair value (“-” represents “gains”)	-94,648,076.07	90,223,059.50

Financial expenses (“-” represents “gains”)	789,048,547.63	119,256,405.78
Loss on investments (“-” represents “gains”)	-1,619,717,433.78	-1,320,302,216.61
Decrease of deferred income tax assets (“-” represents “increase”)	-398,120,606.40	-55,102,955.50
Increase of deferred income tax liabilities (“-” represents “decrease”)	571,106,794.14	-12,388,999.56
Decrease of inventories (“-” represents “increase”)	-1,659,578,856.98	376,498,031.75
Decrease of operational account receivables (“-” represents “increase”)	-3,029,172,821.19	4,578,425,668.22
Increase of operational account payables (“-” represents “decrease”)	4,250,284,575.76	-5,245,597,428.91
Others	-363,172,047.15	-202,144,003.41
Net cash flows generated from operational activities	8,054,704,601.30	5,604,166,955.11
2. Significant investment and financing activities not involving cash inflows and outflows		
Capital transferred from debts		
Convertible corporate bonds due within 1 year	1,223,220,143.70	
Financial leased fixed assets		24,232,599.76
3. Changes of cash and cash equivalents:		
Cash balance at the end of 2016	23,217,634,558.10	24,724,585,700.76
Less: cash balance at the beginning of 2016	24,724,585,700.76	31,135,533,463.03
Add: cash equivalents balance at the end of 2016		
Less: cash equivalents balance at the beginning of 2016		
Net increase of cash and cash equivalents	-1,506,951,142.66	-6,410,947,762.27

64. Cash and cash equivalents

Items	Closing balance	Opening balance
I. Cash	23,217,634,558.10	24,724,585,700.76
Including: treasury cash	565,073.32	448,890.79
Bank deposit available for payment at any time	23,191,076,580.34	24,664,175,572.12
Other cash fund available for payment at any time	25,992,904.44	59,961,237.85
II. Cash equivalents		
Including: bond investment due within three months		
III. Closing balance of cash and cash equivalents	23,217,634,558.10	24,724,585,700.76
Including: restricted cash and equivalents used by the Company or subsidiaries of the Group		

65. Foreign Currency Items

Items	Closing balance			Opening balance		
	Foreign currency balance	Exchange rate	RMB balance	Foreign currency balance	Exchange rate	RMB balance
Monetary capital						
Dollar	387,284,566.46	6.9370	2,686,593,037.50	382,814,217.61	6.4936	2,485,842,403.49
Euro	21,250,231.16	7.3068	155,271,189.01	23,695,633.42	7.0952	168,125,258.25
Yen	5,184,441,120.47	0.059591	308,946,030.81	1,519,376,567.61	0.053875	81,856,412.58
Others			961,507,199.02			593,664,319.50
Sub-total			4,112,317,456.34			3,329,488,393.82
Receivables						
Dollar	976,653,474.79	6.9370	6,775,045,154.60	60,073,515.58	6.4936	390,093,380.78
Euro	49,108,138.60	7.3068	358,823,347.09	78,420,140.64	7.0952	556,406,581.87
Yen	4,314,375,738.62	0.059591	257,097,964.64	5,056,219,138.00	0.053875	272,403,806.06
Others			1,882,170,143.32			1,459,452,977.77
Sub-total			9,273,136,609.65			2,678,356,746.48
Short-term borrowings						
Dollar	1,329,063,973.44	6.937	9,219,716,783.74	29,279,006.04	6.4936	190,126,153.60
Euro	10,815,675.73	7.3068	79,027,979.42	14,673,870.97	7.0952	104,114,049.31
Yen	5,251,439,976.00	0.059591	312,938,559.62	6,396,593,092.71	0.053875	344,616,452.87
HK Dollars	725,000,000.00	0.8945	648,512,500.00	1,194,471,484.84	0.8378	1,000,728,210.00
Others			21,015,000.00			119,091,405.25
Sub-total			10,281,210,822.78			1,758,676,271.03
Payables						
Dollar	894,240,568.95	6.937	6,203,346,826.78	113,082,834.29	6.4936	734,314,692.73
Euro	28,647,679.79	7.3068	209,322,866.70	50,236,492.28	7.0952	356,437,960.06
Yen	3,804,098,671.44	0.059591	226,690,043.93	4,698,797,257.13	0.053875	253,147,702.23
Others			1,012,439,147.10			1,008,890,397.28
Sub-total			7,651,798,884.51			2,352,790,752.30
Non-current liabilities due within one year						
Dollar	250,000,000.00	6.937	1,734,250,000.00			
Sub-total			1,734,250,000.00			
Long-term borrowings						
Dollar	2,121,414,653.64	6.937	14,716,253,452.30			
Euro						
Yen	5,278,445,730.06	0.059591	314,547,859.50	5,517,239,780.97	0.053875	297,241,293.20
Others						
Sub-total			15,030,801,311.80			297,241,293.20

VIII. Changes of consolidation scope**1.The consolidation of enterprises under non-common control**

√Applicable □Not Applicable

(1). The consolidation of enterprises under non-common control occurred in 2016

√Applicable □Not Applicable

Unit and Currency : US\$100 million

Name of transferor	Date of equity acquisition	Cost of equity acquisition	Proportion of equity acquired (%)	Method of equity acquisition	Date of purchase	Recognition basis as at the date of purchase	Income of transferor from the date of acquisition to the end of 2016	Net profit of transferor from the date of acquisition to the end of 2016
GEA	2016.6	56.12	100	Outsourced	2016-06-06	The relevant rights and obligations of target interest have transferred into the Company	38.40	1.50

(2). Combination costs and goodwill

Combination costs	GEA
----- Cash	US\$5.612 billion
----- Fair value of contingent considerations	
Total combination costs	US\$5.612 billion
Less: share of fair value of identifiable assets	US\$2.641 billion
Amount of goodwill	US\$2.971 billion

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

Unit: US\$10 thousand

Items	GEA	
	Fair value as at the date of acquisition(US\$10 thousand)	Book value as at the date of acquisition(US\$10 thousand)
Monetary Capital	2,283	2,283

Receivables	85,478	85,478
Inventories	82,349	82,224
Fixed assets /Construction in progress / Intangible assets	201,615	144,761
Goodwill		36,959
Long-term equity investment	42,090	36,453
Other long-term assets	12,112	12,112
Payables	-135,064	-135,064
Taxes payables	-682	-682
Long-term payroll	-26,102	-26,102
Net assets	264,079	238,422
Less: minority equity interest		
Net assets acquired	264,079	238,422

2. The consolidation of enterprises under common control

√Applicable □Not Applicable

(1) Enterprise combination under common control occurred in 2016

Name of the combined party	The proportion of equity interest acquired in business combination	Base of transaction constituting business combination under common control	Date of combination	Base of combination date
Haier Group (Dalian) Electrical Appliances Industry Co., Ltd.	100%	Under common control of Haier Group Corporation before and after the transaction	2016.1.1	The relevant rights and obligations of target interest have transferred into the Company

Continued

Name of combined party	Revenue of combined party from the beginning of the combined period to the date of combination	Net profit of combined party from the beginning of the combined period to the date of combination	Revenue of combined party in the comparison period	Net profit of combined party in the comparison period
Haier Group (Dalian) Electrical Appliances Industry Co., Ltd.	-	-	48,845,583.98	5,934,501.78

(2) Combination costs

Combination costs	Haier Group (Dalian) Electrical Appliances Industry Co., Ltd.
-----Cash	39,002,700.00

(3) Assets and liabilities of the combined party

Items	Haier Group (Dalian) Electrical Appliances Industry Co., Ltd.	
	As at the combination date	At the end of 2015
Monetary capital	41,759,196.67	41,759,196.67
Accounts receivable	623,083,011.52	623,083,011.52
Inventories	4,289,439.43	4,289,439.43
Fixed assets	3,623,002.92	3,623,002.92
Intangible assets	824,823.75	824,823.75
Other long-term assets	9,977,365.17	9,977,365.17
Less: amount payables	645,019,939.62	645,019,939.62
payables for staff's remuneration	116,700.00	116,700.00
taxes payable	3,684,710.05	3,684,710.05
net assets	34,735,489.79	34,735,489.79
Less: minority equity interest		
Net assets acquired	34,735,489.79	34,735,489.79

3. Disposal of subsidiaries

Single disposal of investments in subsidiaries representing loss of control:

Name of subsidiaries	Changle Shengfeng Logistics Co., Ltd.	Wenzhou Goodaymart Electronics Co., Ltd.	Tangshan Goodaymart Electronics Co., Ltd.
Consideration for disposal of equity interest	15,810,000.00	2,310,000.00	196,560.00
Proportion of equity disposal	55.17%	51.00%	51.00%
Method of equity disposal	Disposal	Disposal	Disposal
Date of loss-of-control	2016/12/31	2016/7/1	2016/11/30
Basis of determination of date of loss-of-control	The relevant rights and obligations of target interest have been transferred	The relevant rights and obligations of target interest have been transferred	The relevant rights and obligations of target interest have been transferred
Difference between disposal consideration and its share of net assets of the subsidiary in the consolidated financial statements as respect to the disposal of investment	5,105,678.26	-423,857.42	-38,842.06

continued

Name of subsidiaries	Xiyuan Information Technology (Shanghai) Co., Ltd.	Jining Goodaymart Electronics Co., Ltd.	Xuchang Goodaymart Electronics Co., Ltd.
Consideration for disposal of equity interest	-	1,010,000.00	2,550,927.67
Proportion of equity disposal	100.00%	51.00%	51.00%
Method of equity disposal	Liquidation	Disposal	Disposal
Date of loss-of-control	2016/12/31	2016/5/31	2016/12/31
Basis of determination of date of loss-of-control	The relevant rights and obligations of target interest have been transferred	The relevant rights and obligations of target interest have been transferred	The relevant rights and obligations of target interest have been transferred
Difference between disposal consideration and its share of net assets of the subsidiary in the consolidated financial statements as respect to the disposal of investment	-1,150,000.00	-7,640,424.22	-2,155,427.04

continued

Name of subsidiaries	Hanang Commercial and Trading (Shanghai) Co., Ltd.	Shengfeng Putian Logistics Co., Ltd.	Chengdu Haixin Goodaymart Co., Ltd.
Consideration for disposal of equity interest	-	-	-
Proportion of equity disposal	51.00%	51.00%	51.00%
Method of equity disposal	Liquidation	Liquidation	Liquidation
Date of loss-of-control	2016/1/1	2016/12/31	2016/5/27
Basis of determination of date of loss-of-control	Liquidation	Liquidation	Liquidation
Difference between disposal consideration and its share of net assets of the subsidiary in the consolidated financial statements as respect to the disposal of investment	-5,232,104.29	-412,186.21	-121,286.70

4. Changes of consolidation scope for other reasons

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

Applicable Not Applicable

(1) Haier Shareholdings (Hong Kong) Limited, a subsidiary of the Company, established a wholly-owned subsidiary Wonder Global (BVI) Investment Limited in 2016.

(2) Qingdao Haier Technology Investment Co., Ltd. (青岛海尔科技投资有限公司), a subsidiary of the Company, established a wholly-owned subsidiary Beijing Chuangshi Magic Mirror Technology Co., Ltd. (北京創世魔鏡科技有限公司) in 2016.

(3) Qingdao Haier Technology Investment Co., Ltd.(青岛海尔科技投资有限公司), a subsidiary of the Company, established Beijing Haier Zhongyou Netmedia Co., Ltd. (北京海尔中幼网络传媒有限公司) in 2016, and held its 51% equity interests at the end of 2016.

(4) Qingdao Haier Technology Investment Co., Ltd.(青岛海尔科技投资有限公司), a subsidiary of the Company, established Qingdao Weixi Smart Technology Co., Ltd. (青岛卫玺智能科技有限公司) in 2016, and held its 87.08% equity interests at the end of the period.

(5) The Company established a wholly-owned subsidiary Haier U+ Smart Technology (Beijing) Co., Ltd. (海尔优家智能科技(北京)有限公司) in 2016.

(6) The Company established a wholly-owned subsidiary Qingdao Haier Industry Intelligence Research Institute Co., Ltd. (青岛海尔工业智能研究院有限公司) in 2016.

(7) The Company established a wholly-owned subsidiary Haier (Shanghai) Appliances Co., Ltd. (海尔(上海)电器有限公司) in 2016.

IX. Interests in other entities

1. Interests in subsidiaries

(1). Composition of the Group

√Applicable □Not Applicable

Name of subsidiaries	Principal place of business	Registration place	Business nature	Shareholding Percentage(%)		Acquisition method
				Direct	Indirect	
Haier Electronics Group Co., Ltd.	Mainland of China and Hong Kong	Bermuda	This company is a group company, mainly engaging in investment holding, the production and sale of washing machines and water heaters, distribution service and logistics service	14.06	29.79	common control combination
Wonder Global (BVI) Investment Limited	The US and other overseas areas	British Virgin Islands	Household appliances production distribution business		100.00	Establishment
Haier Singapore Investment Holding Co., Ltd.	Singapore and other overseas areas	Singapore	Household appliances production distribution business		100.00	common control combination
Qingdao Haier Air Conditioner Gen Corp., Ltd.	Qingdao High-tech Zone	Qingdao High-tech Zone	Manufacture and operation of household air-conditioners	99.95		common control combination
Guizhou Haier Electronics Co., Ltd.	Huichuan District, Zunyi City, Guizhou Province	Huichuan District, Zunyi City, Guizhou Province	Manufacture and sale of refrigerator	59.00		common control combination

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

(International) Co., Ltd.	Zone, Qingdao	Zone, Qingdao	refrigerators			
Qingdao Household Appliance Technology and Equipment Research Institute	Qingdao High-tech Zone	Qingdao High-tech Zone	Research and development of home appliances mould and technological equipment	100.00		Establishment
Qingdao Haier Whole Set Home Appliance Service Co., Ltd.	Qingdao High-tech Zone	Qingdao High-tech Zone	Research, development and sales of health series of small home appliance	98.33		Establishment
Qingdao Haier Intelligent Electronics Co., Ltd.	Qingdao High-tech Zone	Qingdao High-tech Zone	Design and development of electronics and automatic control system	97.36		Establishment
Qingdao Haier Special Refrigerator Co., Ltd.	Qingdao Development Zone	Qingdao Development Zone	Manufacture and sales of fluorine-free refrigerators	100.00		Establishment
Qingdao Haier Dishwasher Co., Ltd.	Qingdao Development Zone	Qingdao Development Zone	Manufacture and production of dish washing machine and gas stove	100.00		Establishment
Qingdao Haier Special Freezer Co., Ltd.	Qingdao Development Zone	Qingdao Development Zone	Research, manufacture and sales of freezer and other refrigeration products	96.06		Establishment
Dalian Haier Air-conditioning Co., Ltd.	Dalian Export Expressing Zone	Dalian Export Expressing Zone	Manufacture and production of air-conditioners	90.00		Establishment
Dalian Haier Refrigerator Co., Ltd.	Dalian Export Expressing Zone	Dalian Export Expressing Zone	Manufacture and production of refrigerators	90.00		Establishment
Qingdao Haier Electronic Plastic Co., Ltd.	Qingdao Development Zone	Qingdao Development Zone	Development , assembling and sales of plastics, electronics and product	80.00		Establishment
Wuhan Haier Freezer Co., Ltd.	Wuhan Economic & Technological Development Zone High-tech	Wuhan Economic & Technological Development Zone High-tech	Research, manufacture and sales of freezer and other refrigeration	95.00	5.00	Establishment

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

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

Ltd.			production			
Beijing Haier Guangke Digital Technology Co., Ltd.	Beijing	Beijing	Development, promotion and transfer of technology		55.00	common control combination
Shanghai Haier Medical Technology Co., Ltd.	Shanghai	Shanghai	Wholesale and retail of medical facility		100.00	Establishment
Qingdao Haier Technology Co., Ltd.	Qingdao	Qingdao	Development and sales of software and information product	100.00		common control combination
Qingdao Haier Technology Investment Co., Ltd.	Qingdao	Qingdao	Entrepreneurship investment and consulting	100.00		Establishment
Qingdao Casarte Smart Living Appliances Co., Ltd.	Qingdao	Qingdao	Development, production and sales of appliances		100.00	Establishment
Qingdao Haichuangyuan Appliances Sales Co., Ltd.	Qingdao	Qingdao	Sales of household appliances and digital products		100.00	Establishment
Beijing ASU Tech Co., Ltd.	Beijing	Beijing	Technical services, import and export business		100.00	Establishment
Haiyike (Beijing) Tech Co., Ltd.	Beijing	Beijing	Technical services, software development		100.00	Establishment
Haier Overseas Electric Appliance Co., Ltd.	Qingdao	Qingdao	Sales of household appliances, international freight forwarding	100.00		Establishment
Haier Group (Dalian) Electrical Appliances Industry Co., Ltd.	Dalian	Dalian	Sales of household appliances, international freight forwarding	100.00		common control combination
Qingdao Haier Central Air-conditioner Co., Ltd.	Qingdao	Qingdao	Production and sales of air conditioners and refrigeration equipment		100.00	Establishment
Beijing Tongyuan Technology Co., Ltd.	Beijing	Beijing	Technology development, promotion and transfer		100.00	Establishment
Chongqing Haier Home Appliance Sale Hefei Co., Ltd.	Hefei	Hefei	Household appliance sales		100.00	Establishment
Beijing Chuangshi Magic Mirror Technology Co., Ltd. (北京创世魔镜科技有限公司)	Beijing	Beijing	Smart home		100.00	Establishment
Beijing Haier Zhongyou Netmedia Co., Ltd.	Beijing	Beijing	Radio and television program		51.00	Establishment

Qingdao Weixi Smart Technology Co., Ltd.	Qingdao	Qingdao	Intelligent bathroom		87.08	Establishment
Haier U+smart Technology (Beijing) Co., Ltd.	Beijing	Beijing	Software development	100.00		Establishment
Qingdao Haier Industry Intelligence Research Institute Co., Ltd.	Qingdao	Qingdao	Industrial intelligent technology	100.00		Establishment
Haier (Shanghai) Appliance Co., Ltd.	Shanghai	Shanghai	Sales, research and development of household appliances	100.00		Establishment
Small companies such as Qingdao Hai Heng Feng Electrical Appliances Sale & Service Co., Ltd.	All over the country	All over the country	Sales of household appliances			Establishment

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

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

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

(2). Significant non-wholly owned subsidiaries

√Applicable □Not Applicable

Unit and Currency: RMB

Name of subsidiaries	Percentage of shareholding of minority shareholders	Profit or loss attributed to minority shareholders for the period	Dividend declared to minority shareholders for the period	Balance of minority equity interest at the end of the period
Haier Electronics Group Co., Ltd.	56.15%	1,585,534,997.71	200,181,268.13	10,633,082,805.20
Guizhou Haier Electronics Co., Ltd.	41.00%	7,727,591.30	4,100,000.00	105,328,446.88
Wuhan Haier Electronics Co., Ltd.	40.00%	12,656,032.72		205,398,462.92
Qingdao Haier Refrigerator (International) Co., Ltd.	25.00%	168,512.18		79,118,826.23

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

Name of subsidiaries	Closing balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Haier Electronics Group Co., Ltd.	28,356,845,782.86	7,662,215,538.27	36,019,061,321.13	16,690,729,604.24	1,039,492,037.45	17,730,221,641.69
Guizhou Haier Electronics Co., Ltd.	431,426,225.53	37,508,427.60	468,934,653.13	211,909,531.88	126,470.38	212,036,002.26
Wuhan Haier Electronics Co., Ltd.	689,813,474.19	132,342,221.17	822,155,695.36	308,318,253.02	341,285.04	308,659,538.06
Qingdao Haier Refrigerator (International) Co., Ltd.	277,702,166.97	55,808,808.81	333,510,975.78	17,035,670.88	-	17,035,670.88

Continued

Name of subsidiaries	Opening balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Haier Electronics Group Co., Ltd.	23,044,810,093.72	7,019,431,512.78	30,064,241,606.50	12,309,170,141.12	2,107,776,134.64	14,416,946,275.76
Guizhou Haier Electronics Co., Ltd.	314,706,629.02	43,195,339.38	357,901,968.40	109,851,101.19		109,851,101.19
Wuhan Haier Electronics Co., Ltd.	549,813,441.00	138,467,728.19	688,281,169.19	206,425,093.69		206,425,093.69
Qingdao Haier Refrigerator (International) Co., Ltd.	278,517,080.54	55,808,808.81	334,325,889.35	18,524,633.17		18,524,633.17

Name of subsidiaries	2016			
	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities
Haier Electronics Group Co., Ltd.	63,861,599,904.07	2,804,044,734.79	2,849,033,873.58	3,554,979,037.71
Guizhou Haier Electronics Co., Ltd.	939,787,451.99	18,847,783.66	18,847,783.66	59,180,619.09
Wuhan Haier Electronics Co., Ltd.	1,636,159,440.14	31,640,081.80	31,640,081.80	329,771,205.77
Qingdao Haier Refrigerator (International) Co., Ltd.	11,943.43	674,048.72	674,048.72	57,378,584.24

Continued

Name of subsidiaries	2015			
	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities
Haier Electronics Group Co., Ltd.	62,831,627,407.20	2,821,288,343.71	2,850,957,615.73	2,602,853,409.58
Guizhou Haier Electronics Co., Ltd.	1,071,734,860.12	26,408,668.76	26,408,668.76	26,016,651.42
Wuhan Haier Electronics Co., Ltd.	1,709,531,738.51	76,386,666.58	76,386,666.58	33,442,718.25
Qingdao Haier Refrigerator (International) Co., Ltd.		-15,118,346.68	-15,118,346.68	23,547,247.02

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

√Applicable □Not Applicable

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

√Applicable □Not Applicable

During 2016, shareholding proportion held by the Company changed as a result of the exercise of share options and capital reduction contributed by minority shareholders of Haier Electronics Group Co., Ltd., all of which are subsidiaries of the Company; Changes in shareholding proportions in Beijing Tongyuan Technology Co., Ltd. (北京通远科技有限公司), Haier Appliances (India) Co., Ltd. (海尔电器(印度)有限公司), Qingdao Weixi Smart Technology Co., Ltd. (青岛卫玺智能科技有限公司) and Beijing ASU Tech Co., Ltd. (北京一数科技有限公司), which are subsidiaries of the Company have taken place and the capital contribution to them are not on the original proportion of equity interest.

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

Items	Haier Electronics Group Co., Ltd.	Others
Total of cost of acquisition/disposal consideration		137,112,600.00
Less: share of net assets of subsidiaries calculated with reference to the proportion of the share acquired/disposed	69,903,628.79	173,200,097.54
The difference	-69,903,628.79	-36,087,497.54
Including: adjustment and increase to capital reserve	69,903,628.79	36,087,497.54

3. Interests in joint ventures and associates

√Applicable □Not Applicable

(1) Associates

Name of associates	Principal place of business	Registration place	Business nature	Shareholding percentage	Accounting method for the investment of associates
Wolong Electric Zhangqiu Haier Motor Co., Ltd.	Zhangqiu	Zhangqiu	Motor Manufacturing	30.00%	Equity method
Haier Medical and Laboratory Products Co., Ltd.	Qingdao	Qingdao	Medical freezer	27.37%	Equity method
Qingdao Haier Special Steel Plate Research and Development Co., Ltd.	Qingdao	Qingdao	Manufacture of steel plate	30.00%	Equity method
Hefei Haier Special Steel Plate Research and Development Co., Ltd.	Hefei	Hefei	Manufacture of steel plate	30.00%	Equity method
Qingdao Haier SAIF Smart Home Industry Investment Center (limited partnership)	Qingdao	Qingdao	Venture capital investment	63.00%	Equity method
Mitsubishi Heavy Industries Haier (Qingdao) Air-conditioners Co., Ltd.	Qingdao	Qingdao	Manufacture of household appliances	45.00%	Equity method
Qingdao Haier Carrier Refrigeration Equipment Co., Ltd.	Qingdao	Qingdao	Manufacture of household	49.00%	Equity method

			appliances		
Haier Group Finance Co., Ltd.	Qingdao	Qingdao	Financing	42.00%	Equity method
Qingdao Haier Software Investment Co., Ltd.	Qingdao	Qingdao	Software development	25.00%	Equity method
Beijing Mr. Hi Network Technology Company Limited	Beijing	Beijing	Technology development	40.00%	Equity method
Bank of Qingdao Co., Ltd.	Qingdao	Qingdao	Commercial bank	9.47%	Equity method
Beijing Xiaobei Technology Co., Ltd.	Beijing	Beijing	Sales of household appliances	45.00%	Equity method
Haier Tongchuang Investment Partnership (limited partnership)	Guangzhou	Guangzhou	Investment	50.00%	Equity method
Qingdao HSW Water Appliance Co., Ltd.	Qingdao	Qingdao	Sales	15.00%	Equity method
Qingdao Roca Water Appliance Co., Ltd.	Qingdao	Qingdao	Sales	49.00%	Equity method
China Shengfeng Microfinance limited in Jin'an District of Fuzhou City	Fuzhou	Fuzhou	Microfinance	20.00%	Equity method
Fujian ATL-Shengfeng Logistics Co., Ltd.	Fuzhou	Fuzhou	Logistics	40.00%	Equity method
Shenzhen Storm Leader Technology Co., Ltd.	Shenzhen	Shenzhen	Sales	21.00%	Equity method
Qingdao Java Cloud Network Technology Co., Ltd.	Qingdao	Qingdao	Online household service	24.93%	Equity method
Qingdao JSH Network Technology Co. Ltd.	Qingdao	Qingdao	E-commerce platform	24.02%	Equity method
Wuhan Xiao Shuai Intelligent Technology Co. Ltd.	Wuhan	Wuhan	Technology development	36.77%	Equity method
Konan Electronic Co., Ltd.	Hunan	Hunan	Motor Manufacturing	50.00%	Equity method
HPZ LIMITED	Nigeria	Nigeria	Manufacture of household appliances	25.01%	Equity method
HNR COMPANY (PRIVATE) LIMITED	Pakistan	Pakistan	Manufacture of household appliances	31.72%	Equity method
CONTROLADORA MABE S.A.de C.V.	Mexico	Mexico	Manufacture of household appliances	48.42%	Equity method
Middle East Air Conditioning Company, Limited	Saudi Arabia	Saudi Arabia	Sales of household appliances	49.00%	Equity method

(2) Main financial information of important associates

① Basic information of important associates:

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

b. General Electric Company has participated in the capital contribution to the establishment of CONTROLADORA MABE S.A.de C.V. (hereinafter referred to as “MABE”). In June 2016, a subsidiary of the Company acquired 48.42% of equity interests in MABE held by General Electric Company. The registered address and principal place of business of MABE is Mexico. The subsidiaries of the Company hold approximately 48.42% of equity interests in MABE in total.

c. Bank of Qingdao Co., Ltd. (hereinafter referred to as “Qingdao Bank”), one of the first city commercial banks in China, was established in November 1996. The registered place and principal place

of business of Qingdao Bank is No.68 Hong Kong Middle Road, Shinan District, Qingdao, Shandong Province. The Company and its subsidiaries hold approximately 9.47% of equity interests in Qingdao Bank in total.

② Financial information of significant associates

Items	Closing balance/2016	Opening balance/2015
	Finance company	Finance company
Current assets	64,554,524,837.39	56,908,243,695.90
Non-current assets	7,512,078,269.27	4,185,942,298.04
Total assets	72,066,603,106.66	61,094,185,993.94
Current liabilities	57,728,520,903.78	48,277,090,860.06
Non-current liabilities	4,555,925,257.50	4,234,302,863.48
Total liabilities	62,284,446,161.28	52,511,393,723.54
Minority equity interests		
Equity interest attributable to shareholders of the Company	9,782,156,945.38	8,582,792,270.40
Including: share of net assets calculated based on shareholding percentage	4,108,505,917.06	3,604,772,753.58
Operating income	2,332,603,892.42	2,720,546,605.87
Net profit	1,274,117,159.81	1,523,290,481.78
Other comprehensive income	-74,752,484.83	74,151,925.35
Total comprehensive income	1,199,364,674.98	1,597,442,407.13
Dividend received from associates for the year	294,000,000.00	
Items	Closing balance/2016	Opening balance/2015
	MABE	MABE
Current assets	5,411,456,582.00	
Non-current assets	9,986,415,019.00	
Total assets	15,397,871,601.00	
Current liabilities	5,947,561,816.00	
Non-current liabilities	6,151,148,892.00	
Total liabilities	12,098,710,708.00	
Minority equity interests		
Equity interest attributable to shareholders of the Company	3,299,160,893.00	
Including: share of net assets calculated based on shareholding percentage	1,597,453,704.39	

Operating income	9,967,422,072.09	
Net profit	451,756,280.78	
Other comprehensive income	155,137,412.22	
Total comprehensive income	606,893,693.00	
Dividend received from associates for the year	-	

Items	Closing balance/2016	Opening balance/2015
	Qingdao Bank	Qingdao Bank
Current assets	118,881,404,000.00	
Non-current assets	159,106,702,000.00	
Total assets	277,988,106,000.00	
Current liabilities	214,236,012,000.00	
Non-current liabilities	46,116,121,000.00	
Total liabilities	260,352,133,000.00	
Minority equity interests		
Equity interest attributable to shareholders of the Company	17,635,973,000.00	
Including: share of net assets calculated based on shareholding percentage	1,670,058,752.11	
Operating income	5,996,145,000.00	
Net profit	2,088,605,000.00	
Other comprehensive income	-419,980,000.00	
Total comprehensive income	1,668,625,000.00	
Dividend received from associates for the year	76,868,897.00	

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

√Applicable □Not Applicable

Unit and Currency: RMB

	Closing balance/ 2016	Opening balance/ 2015
Associates :		

Wolong Electric Zhangqiu Haier Motor Co., Ltd.	122,669,926.30	119,968,184.53
Haier Medical and Laboratory Products Co., Ltd.	303,384,893.47	283,507,786.33
Qingdao Haier Special Steel Plate Research and Development Co., Ltd.	102,915,605.69	95,207,113.86
Hefei Haier Special Steel Plate Research and Development Co., Ltd.	126,896,206.56	114,000,000.00
Qingdao Haier SAIF Smart Home Industry Investment Center (limited partnership)	227,531,053.19	200,266,832.77
Mitsubishi Heavy Industries Haier (Qingdao) Air-conditioners Co., Ltd.	503,375,198.93	
Qingdao Haier Carrier Refrigeration Equipment Co., Ltd.	302,112,378.55	
Qingdao Haier Software Investment Co., Ltd.	17,045,106.31	17,033,872.46
Beijing Mr. Hi Network Technology Company Limited	5,838,036.16	2,606,883.28
Beijing Xiaobei Technology Co., Ltd.	6,422,222.58	
Haier Tongchuang Investment Partnership (limited partnership)	153,796,910.58	160,012,400.00
Qingdao HSW Water Appliance Co., Ltd.	30,722,549.43	39,437,684.81
Qingdao Roca Water Appliance Co., Ltd.	13,124,212.46	13,300,791.62
China Shengfeng Microfinance limited in Jin'an District of Fuzhou City	79,553,513.46	78,598,195.59
Fujian ATL-Shengfeng Logistics Co., Ltd.	12,675,789.21	12,630,535.81
Shenzhen Storm Leader Technology Co., Ltd.	-	16,168,507.04
Qingdao Java Cloud Network Technology Co., Ltd.	2,729,378.59	
Qingdao JSH Network Technology Co. Ltd.	6,706,394.01	
Wuhan Xiao Shuai Intelligent Technology Co. Ltd.	-	
Konan Electronic Co., Ltd.	50,269,006.41	31,904,236.23
HPZ LIMITED	89,650,522.58	73,342,754.13
HNR COMPANY (PRIVATE) LIMITED	78,885,757.89	96,149,801.89
Middle East Air conditioning Company, Limited	30,966,870.44	
Total book value of investment	2,267,271,532.80	1,354,135,580.35
Total amount of the following items calculated based on shareholding percentage		
--Net profit	107,572,183.30	55,942,724.88
--Other comprehensive income	-20,378,283.27	8,451,556.05
--Total comprehensive income	87,193,900.03	64,394,280.93

X. Segment Information

Basis of determination and accounting policies of reportable segments:

Applicable Not Applicable

The Company principally engaged in manufacture and sales of household appliances and relevant services business, manufacture of upstream household appliances parts business and distribution of

products of third-party, logistics and after-sale business. The Company has 6 business segments, including refrigerator segment, air-conditioner segment, washing machine segment, kitchenware and sanitary ware segment, equipment components segment, integrated channel services segment and other segment. The management of the Company assesses operating performance of each segment and allocates resources according to the division. Sales between segments were mainly based on market price.

Refrigerator segment mainly engaged in manufacture and sales of refrigerator and freezers products.

Air-conditioner segment mainly engaged in manufacture and sales of household air conditioners and commercial air conditioners.

Washing machine segment mainly engaged in manufacture and sales of washing machine products.

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

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

Segment of integrated channel services and others mainly engaged in distribution business, logistics business, after-sale business, small home appliance business and others.

The Company's 3rd and 4th tier markets channel business is treated as integrated channel services and assessed separately with other segments. Accordingly, operating profit from 3rd and 4th tier markets of refrigerator, air-conditioner, kitchenware and sanitary ware, washing machine business segment was not reflected in operating profit of each segment.

As the centralized management under the headquarters or not being included in the assessment scope of segment management, the total assets of segment exclude monetary capital, financial assets held for trading, dividends receivable, other current assets, available-for-sale financial assets, long-term equity investment, goodwill, deferred income tax assets; the total liabilities of segment exclude long-term and short-term borrowings, financial liabilities held for trading, dividends payables, tax payable, bonds payable, deferred income tax liabilities; operating profit of segment exclude profit/loss in fair value, income from investment, and financial expenses.

(1) Information of reportable segments

Segment information for 2016

Segment information	Air-conditioner segment	Refrigerator segment	Kitchenware and sanitary ware segment	Washing machine segment
Segment revenue	17,208,677,349.84	33,306,169,720.12	18,246,482,539.54	21,566,715,143.98

Including: revenue from external consumers	5,870,195,820.93	17,453,376,711.71	12,713,092,711.04	9,706,872,749.51
Inter-segment revenue	11,338,481,528.91	15,852,793,008.41	5,533,389,828.50	11,859,842,394.47
Total segment operating cost	16,640,596,218.18	30,744,680,296.73	16,610,785,512.02	19,825,524,531.56
Segment operating profit	568,081,131.66	2,561,489,423.39	1,635,697,027.52	1,741,190,612.42
Total segment assets	13,258,952,328.16	12,795,156,573.98	13,406,793,447.42	10,065,969,129.74
Total segment liabilities	6,076,480,008.35	21,272,341,142.80	5,761,567,268.81	4,054,914,657.29

Continued

Segment information	Equipment components segment	Segment of integrated channel services and others	Inter-segment elimination	Total
Segment revenue	32,741,307,787.14	78,259,359,141.97	-82,082,011,046.84	119,246,700,635.75
Including: revenue from external consumers	2,650,745,367.94	70,852,417,274.62		119,246,700,635.75
Inter-segment revenue	30,090,562,419.20	7,406,941,867.35	-82,082,011,046.84	
Total segment operating cost	32,448,962,675.95	78,627,066,126.41	-81,955,874,195.02	112,941,741,165.83
Segment operating profit	292,345,111.19	-367,706,984.44	-126,136,851.82	6,304,959,469.92
Total segment assets	23,027,647,676.49	26,750,757,320.79	-29,599,977,056.15	69,705,299,420.43
Total segment liabilities	21,723,163,381.14	24,126,790,721.51	-28,490,996,947.49	54,524,260,232.41

Segment information for the corresponding period of last year

Segment information	Air-conditioner segment	Refrigerator segment	Kitchenware and sanitary ware segment	Washing machine segment
Segment revenue	15,548,916,560.86	25,437,902,097.25	5,788,906,482.77	15,740,751,019.45
Including: revenue from external consumers	5,688,702,529.15	9,744,307,964.19	1,071,717,018.93	4,897,345,078.20
Inter-segment revenue	9,860,214,031.71	15,693,594,133.06	4,717,189,463.84	10,843,405,941.25
Total segment operating cost	15,278,071,333.17	23,455,952,502.29	5,174,375,852.52	14,376,310,636.93
Segment operating profit	270,845,227.69	1,981,949,594.96	614,530,630.25	1,364,440,382.52

Total segment assets	5,841,833,563.83	6,376,313,050.97	2,130,388,494.57	4,284,563,989.36
Total segment liabilities	3,821,144,833.27	6,393,975,291.48	1,541,249,731.32	2,255,451,123.87

Continued

Segment information	Equipment components segment	Segment of integrated channel services and others	Inter-segment elimination	Total
Segment revenue	30,510,178,653.76	74,719,239,836.84	-77,749,534,982.29	89,996,359,668.64
Including: revenue from external consumers	2,100,221,913.89	66,494,065,164.28		89,996,359,668.64
Inter-segment revenue	28,409,956,739.87	8,225,174,672.56	-77,749,534,982.29	
Total segment operating cost	29,987,077,256.96	74,237,209,506.99	-77,426,085,295.86	85,082,911,793.00
Segment operating profit	523,101,396.80	482,030,329.85	-323,449,686.43	4,913,447,875.64
Total segment assets	14,782,886,743.90	22,820,321,479.85	-15,750,940,826.61	40,485,366,495.87
Total segment liabilities	19,020,827,626.04	20,868,815,735.60	-14,828,492,673.60	39,072,971,667.98

(2) Geographical information

“Other countries/regions” in this report refers to all other countries/regions (including Hong Kong and Macau Special Administration Region and Taiwan) other than the mainland China for the purpose of information disclosure.

External transaction income	2016	2015
Mainland China	71,729,266,323.31	71,297,057,103.80
Other countries/regions	47,517,434,312.44	18,699,302,564.84
Total	119,246,700,635.75	89,996,359,668.64

Continued

Total non-current assets	Closing balance	Opening balance
Mainland China	11,281,553,188.93	10,912,571,019.52
Other countries/regions	15,247,717,206.38	1,033,929,423.11
Total	26,529,270,395.31	11,946,500,442.63

The total non-current assets exclude: available-for-sale financial assets, long-term equity investment, goodwill, deferred income tax assets.

XI. Disclosure of fair value**1. Fair value of assets and liabilities at fair value at the end of the period**

Items	Fair value at the end of the period		
	Level 1	Level 2	Total
Recurring fair value measurement			
I. Financial asset designated to be measured by fair value and change of which is recorded in current profit and loss	80,432,384.17		80,432,384.17
II. Financial liability designated to be measured by fair value and change of which is recorded in current profit and loss	585,125,283.06		585,125,283.06
III. Available-for-sale financial assets	28,663,218.95	1,690,975.85	30,354,194.80

2. Basis for determination of level 1 fair value at recurring fair measurement: Unadjusted quoted prices of similar assets or liabilities in active markets as at the measurement date.

3. Basis for determination of level 2 fair value at recurring fair measurement: Inputs other than quoted prices included within level 1 that are observable for the assets or liabilities, either directly or indirectly.

XII. Related parties and Related-party transactions

(I) Explanation for basis of identifying related party

According to Accounting Standards for Business Enterprises No. 36 — Related Party Disclosures, parties are considered to be related if one party has the ability to control or jointly control the other party or exercise significant influence over the other party. Parties (two or more than two) are also considered to be related if they are subject to common control, joint control or significant influence.

According to Management Practices for Information Disclosure of The Company (China Securities Regulatory Commission Order No. 40), in certain occasions, related legal person and natural person will be identified as related parties.

(II) Relations between related parties

1. Information about the Company and other companies holding shares of the Company

Applicable Not Applicable

Unit and Currency: RMB

Name of the Company	Registered address	Business nature	Registered capital	Equity Interest of the Company (%)	Voting share of the Company (%)
Haier Group Corporation	Qingdao High-tech Zone Haier Park	Household appliances etc.	311,180,000	17.59	17.59
Haier Electric Appliances International Co., Ltd.	Qingdao High-tech Zone Haier Park	Household appliances etc.	631,930,635	20.64	20.64
Qingdao Haier Venture & Investment Information Co., Ltd.	Qingdao Free Trade Zone	Investment etc.	30,000,000	2.63	2.63

Qingdao Haier Kitchen Facilities Co., Ltd.	Qingdao Economics and Technology Developing Zone	Household appliances etc.	105,000,000	0.19	0.19
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2. Information about subsidiaries of the Company

Detailed information of subsidiaries is disclosed in item 1 of note VII. Interests in subsidiaries

3. Information about associates and joint ventures

Information about the associates or joint ventures of the Company are set out in item 11 of note V and item 3 of note VII.

4. Related companies without controlling relationship

Name of enterprises	Relationship with the Company
FISHER & PAYKEL APPLIANCES LIMITED	Subsidiary of Haier Group
HAIER INFORMATION APPLIANCES S.R.L.	Subsidiary of Haier Group
HAIER INTERNATIONAL (HK) LTD.	Subsidiary of Haier Group
HAIER INTERNATIONAL CO., LTD	Subsidiary of Haier Group
Feima Electronic (Qingdao) Co., Ltd.	Subsidiary of Haier Group
Haier International Trading Co., Ltd.	Subsidiary of Haier Group
Haier Group Finance Co., Ltd.	Subsidiary of Haier Group
Haier Group Electric Appliance Industry Co., Ltd.	Subsidiary of Haier Group
Haier Group Corporation	Subsidiary of Haier Group
Haier Group Technology Research and Development Center	Subsidiary of Haier Group
Haier Energy Power Co., Ltd.	Subsidiary of Haier Group
Haier Brothers Animation Industry Co., Ltd.	Subsidiary of Haier Group
Hefei Haier Logistics Co., Limited	Subsidiary of Haier Group
Hefei Huadong Packaging Co., Ltd.	Subsidiary of Haier Group
Laiyang Haier Electrical Co. Ltd.	Subsidiary of Haier Group
Lizhu Haier Built Facilities(Qingdao) Co., Ltd.	Subsidiary of Haier Group
Qingdao Haier Funchoi Exquisite Indian Express Co., Ltd.	Subsidiary of Haier Group
Qingdao Haier Tooling Development and Manufacturing Co., Ltd.	Subsidiary of Haier Group
Qingdao Haier International Travel Agency Co., Ltd.	Subsidiary of Haier Group
Qingdao Haier International Trading Co., Ltd.	Subsidiary of Haier Group
Qingdao Haier Household Integration Co., Ltd.	Subsidiary of Haier Group
Qingdao Haier Parts Procurement Co., Ltd.	Subsidiary of Haier Group
Qingdao Haier Software Investment Co., Ltd.	Subsidiary of Haier Group
Qingdao Haier Strauss Water Equipment Co., Ltd. (青岛海尔施特劳斯水设备有限公司)	Subsidiary of Haier Group
Qingdao Haier Special Plastic Development Co., Ltd.	Subsidiary of Haier Group

Qingdao Haier Communications Co., Ltd.	Subsidiary of Haier Group
Qingdao Haier Logistics Consulting Co., Ltd.	Subsidiary of Haier Group
Qingdao Haier New Material Research and Development Co., Ltd.	Subsidiary of Haier Group
Qingdao Haiyongda Property Management Co., Ltd.	Subsidiary of Haier Group
Goodaymart Electronics Co., Ltd.	Subsidiary of Haier Group
Xingyang International Co., Ltd.	Subsidiary of Haier Group
BRAVE LION (HK) LIMITED	Subsidiary of Haier Group
Chongqing Haier Electrical Appliances Sales Co., Ltd.	Subsidiary of Haier Group
Chongqing Haier Logistics Co., Ltd.	Subsidiary of Haier Group
CONTROLADORA MABE S.A.de C.V.	Joint venture
HNR Company (Pvt) Limited	Joint venture
MiddleEast Air conditioning Company, Limited	Joint venture
Hefei Haier Special Steel Plate Research and Development Co., Ltd.	Joint venture
Konan Electronic Co., Ltd.	Joint venture
Qingdao Haier Carrier Refrigeration Equipment Co., Ltd.	Joint venture
Haier Medical and Laboratory Products Co., Ltd.	Joint venture
Qingdao Haier Special Steel Plate Research and Development Co., Ltd.	Joint venture
Mitsubishi Heavy Industries Haier (Qingdao) Air-conditioners Co., Ltd.	Joint venture
Wolong Electric Zhangqiu Haier Motor Co., Ltd.	Joint venture

(III) Information on related-party transaction

(1) Related-party transactions regarding purchase and sale of goods and rendering and receipt of services

Table of purchase of goods/receipt of services

√Applicable □Not Applicable

Unit and Currency: RMB

Related parties	2016	2015
Qingdao Haier Parts Procurement Co., Ltd.	6,559,317,331.99	6,675,153,029.96
Chongqing Haier Electrical Appliances Sales Co., Ltd.	5,308,308,617.34	5,503,218,700.70
CONTROLADORA MABE S.A.de C.V.	4,036,320,000.00	
Hefei Haier Logistics Co., Limited	1,892,629,617.04	1,166,640,621.44
Chongqing Haier Logistics Co., Ltd.	1,589,002,597.45	1,628,537,521.70
HNR Company (Pvt) Limited	1,132,376,506.93	1,004,079,518.17
Qingdao Haier International Trading Co., Ltd.	1,032,040,565.52	960,755,418.06
Wolong Electric Zhangqiu Haier Motor Co., Ltd.	657,210,146.25	573,416,379.71
Qingdao Haier Special Plastic Development Co., Ltd.	636,837,147.86	607,921,553.32
Hefei Haier Special Steel Plate Research and Development Co., Ltd.	628,809,482.35	31,644,491.99
Qingdao Haier Special Steel Plate Research and Development Co., Ltd.	460,990,968.73	14,530,172.07

Haier Energy Power Co., Ltd.	417,094,079.20	452,034,595.44
Haier Group Electric Appliance Industry Co., Ltd.	188,713,337.46	4,199,545,118.50
Qingdao Haier Household Integration Co., Ltd.	154,078,740.02	156,111,132.01
HAIER INTERNATIONAL CO., LTD	147,195,063.71	389,354,690.48
Qingdao Haiyongda Property Management Co., Ltd.	142,315,716.56	169,008,958.41
Hefei Huadong Packaging Co., Ltd.	131,018,217.76	139,333,414.30
Laiyang Haier Electrical Co. Ltd.	75,469,873.23	49,831,671.80
HAIER INTERNATIONAL (HK) LTD.	41,838,241.70	216,381,269.39
Hunan Electronic Co., Ltd. (湖南电机株式会社)	34,422,539.94	216,902,186.20
HAIER INFORMATION APPLIANCES S.R.L.	17,999,472.48	227,035,537.04
Haier Group Technology Research and Development Center		36,542,616.47
Other related parties	1,509,163,760.57	1,926,816,641.95
Total	26,793,152,024.09	26,344,795,239.11

(2) Table of sale of goods/rendering of services
Applicable Not Applicable

Unit and Currency: RMB

Related parties	2016	2015
FISHER&PAYKEL APPLIANCES LIMITED	834,176,472.36	316,305,245.50
Hefei Haier Special Steel Plate Research and Development Co., Ltd.	782,482,433.58	
Qingdao Haier International Trading Co., Ltd.	545,455,276.03	487,308,824.30
Wolong Electric Zhangqiu Haier Motor Co., Ltd.	486,108,923.29	583,990,560.40
Qingdao Haier Special Steel Plate Research and Development Co., Ltd.	414,573,862.79	
Qingdao Haier New Material Research and Development Co., Ltd.	356,450,592.68	476,339,702.18
Qingdao Haier Special Plastic Development Co., Ltd.	159,443,929.38	175,369,533.76
Haier Group Electric Appliance Industry Co., Ltd.	128,226,503.41	2,958,400,103.88
Qingdao Haier Tooling Development and Manufacturing Co., Ltd.	96,822,916.82	109,459,024.01
Qingdao Haier International Travel Agency Co., Ltd.	34,512,005.34	110,651,599.25
Qingdao Haier Parts Procurement Co., Ltd.	4,047,790.45	76,087,939.66
Chongqing Haier Logistics Co., Ltd.		23,235,938.29
HAIER INTERNATIONAL CO., LTD		37,525,630.99
Other related parties	530,892,824.80	1,081,121,611.70
Total	4,373,193,530.93	6,435,795,713.92

(3) Unsettled amounts of related parties

Items and names of consumers	Ending balance	Beginning balance
Bills receivables:		

Haier Group Electric Appliance Industry Co., Ltd.				580,500,000.00
Other related parties				1,792,043.36
Dividends receivables:				
Wolong Electric Zhangqiu Haier Motor Co., Ltd.	50,000,000.00			50,000,000.00
Qingdao Haier Carrier Refrigeration Equipment Co., Ltd.	39,306,692.40			
Qingdao Haier Software Investment Co., Ltd.	4,524,472.84			4,524,472.84
MiddleEast Air conditioning Company, Limited	7,817,747.86			
Qingdao Haier Special Steel Plate Research and Development Co., Ltd.				6,301,362.54
Accounts receivables:				
Items and names of consumers	Book balance	Provision for bad debts	Book balance	Provision for bad debts
FISHER & PAYKEL APPLIANCES LIMITED	224,292,054.50	11,214,602.73	158,810,441.99	7,940,522.10
Haier Group Electric Appliance Industry Co., Ltd.	210,327,249.43	10,516,362.47	203,339,308.67	10,166,965.43
HNR (Private) Company Limited (HNR 私人有限公司)	122,775,678.35	6,138,783.92	32,073,631.86	1,603,681.59
Hefei Haier Special Steel Plate Research and Development Co., Ltd.	94,611,810.86	4,730,590.54	76,285,963.56	3,814,298.18
Qingdao Haier New Material Research and Development Co., Ltd.	44,543,720.65	2,227,186.03	47,541,824.58	2,377,091.23
Qingdao Haier International Travel Agency Co., Ltd.	34,699,458.66	1,734,972.93	123,890,004.37	6,194,500.22
HAIER INTERNATIONAL CO., LTD	31,129,868.67	1,556,493.43		
Qingdao Haier Special Steel Plate Research and Development Co., Ltd.	24,923,915.12	1,246,195.76	22,351,319.72	1,117,565.99
Mitsubishi Heavy Industries Haier (Qingdao) Air-conditioners Co., Ltd.	18,441,193.77	922,059.69	29,966,338.37	1,498,316.92
Haier Medical and Laboratory Products Co., Ltd.	6,963,446.22	348,172.31	8,419,069.02	420,953.45
Wolong Electric Zhangqiu Haier Motor Co., Ltd.	5,706,153.26	285,307.66	110,510,547.68	5,525,527.38
Haier International Trading Co., Ltd.			85,283,740.22	4,264,187.01
Other related parties	257,965,110.29	12,898,255.51	282,161,015.99	14,108,050.80
Prepayments:				

Qingdao Haier Parts Procurement Co., Ltd.	54,261,329.05		16,879,474.20
Qingdao Haier International Trading Co., Ltd.	26,145,174.92		26,873,715.41
Goodaymart Electronics Co., Ltd.	12,805,704.55		12,538,028.12
Hefei Haier Logistics Co., Limited	8,934,803.31		
Other related parties	14,614,830.85		9,556,559.99
Interests receivables:			
Haier Group Finance Co., Ltd.	10,353,293.15		91,036,865.15
Other receivables:			
Names of consumers	Book balance	Provision for bad debts	Book balance
			Provision for bad debts
Haier Group Electric Appliance Industry Co., Ltd.	59,806,077.31	2,990,303.87	45,013,672.34
Chongqing Haier Electrical Appliances Sales Co., Ltd.	33,441,658.84	1,672,082.94	
Qingdao Haier Logistics Consulting Co., Ltd.	13,593,017.74	679,650.89	13,593,017.74
Other related parties	84,938,909.08	4,246,945.45	41,924,443.65
			2,096,222.18
Bills payable:			
Wolong Electric Zhangqiu Haier Motor Co., Ltd.	76,131,434.12		
Laiyang Haier Electrical Co. Ltd.	58,008,353.21		29,649,819.07
Qingdao Haier Funghoi Exquisite Indian Express Co., Ltd.			5,910,415.02
Other related parties	20,169,217.84		12,574,392.12
Accounts payables:			
CONTROLADORA MABE S.A.de C.V.	1,231,921,638.54		
Chongqing Haier Electrical Appliances Sales Co., Ltd.	275,130,591.00		759,596,919.13
Qingdao Haier Communications Co., Ltd. (青岛海尔通信有限公司)	219,092,243.03		
Qingdao Haier International Trading Co., Ltd.	209,554,906.25		245,904,920.71
Qingdao Haier Parts Procurement Co., Ltd.	176,467,143.15		663,349,767.52
Feima Electronic (Qingdao) Co., Ltd.	144,450,361.18		203,253,438.63
Qingdao Haier Special Plastic Development Co., Ltd.	86,510,974.88		74,845,920.73
HNR Company (Pvt) Limited	75,871,533.43		83,188,898.42
HAIER INTERNATIONAL CO., LTD	61,199,874.08		22,060,139.07
Chongqing Haier Logistics Co., Ltd.	54,116,937.28		139,178,244.68

Hefei Haier Logistics Co., Limited	50,255,970.60	201,205,529.62
Qingdao Haier Strauss Water Equipment Co., Ltd. (青岛海尔施特劳斯水设备有限公司)	46,642,817.01	
HAIER INTERNATIONAL (HK) LTD.	41,669,785.41	20,541,494.39
Lizhu Haier Built Facilities (Qingdao) Co., Ltd.	39,042,729.52	39,063,792.08
HAIER INFORMATION APPLIANCES S.R.L.	33,861,555.29	102,725,606.14
Haier Group Electric Appliance Industry Co., Ltd.	11,485,262.70	187,995,713.20
Qingdao Haier New Material Research and Development Co., Ltd.	1,775,542.51	817,525.38
Goodaymart Electronics Co., Ltd.		10,614,831.51
Other related parties	250,743,581.80	412,767,825.33
Receipts in advance:		
Haier Group Electric Appliance Industry Co., Ltd.	10,576,951.80	18,701,475.03
HAIER INTERNATIONAL CO., LTD	1,159,469.63	18,158.64
Other related parties	24,877,981.64	18,596,856.89
Other payable:		
Haier Brothers Animation Industry Co., Ltd.	384,741,409.54	393,253,947.83
Haier Group Corporation	163,049,555.34	
Chongqing Haier Logistics Co., Ltd.	51,830,739.06	51,830,739.06
Haier Energy Power Co., Ltd.	37,071,886.32	
Hefei Haier Logistics Co., Limited	8,663,500.00	
Haier Group Electric Appliance Industry Co., Ltd.	6,716,767.49	27,962,633.21
Goodaymart Electronics Co., Ltd.	4,300,000.00	18,990,955.78
Xinyang International Co., Ltd.		13,885,076.40
Other related parties	145,996,993.63	160,241,754.57
Interests payables:		
Haier Group Finance Co., Ltd.	14,845,738.29	5,697,476.64
Dividends payables:		
BRAVE LION (HK) LIMITED	122,756,874.10	115,230,923.73
Other related parties	16,781,015.20	17,051,346.99

4. Other Related-party transactions

(1) One of the Company's subsidiaries entered into a loan contract with Haier Group Finance Co., Ltd.. The borrowed amount as of 31 December 2016 was RMB9,426 million and the interest and fees payable to Haier Group Finance Co., Ltd. in 2016 was RMB299 million in total.

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

Borrower	Borrowed amount	Guarantor
Qingdao Haier Special Refrigerator Co., Ltd.	700,000,000.00	Haier Group Corporation
Hefei Haier Refrigerator Co., Ltd.	700,000,000.00	Haier Group Corporation
Qingdao Haier Special Freezer Co., Ltd.	500,000,000.00	Haier Group Corporation
Zhengzhou Haier Air-conditioning Co., Ltd.	250,000,000.00	Haier Group Corporation
Qingdao Haier (Jiaozhou) Air-conditioning Co., Limited	600,000,000.00	Haier Group Corporation
Qingdao Haier Air-Conditioner Electronics Co., Ltd.	300,000,000.00	Haier Group Corporation
Chongqing Haier Electronics Sales Co., Ltd.	2,450,000,000.00	Haier Group Corporation
Qingdao Haidayuan Procurement Service Co., Ltd.	1,000,000,000.00	Haier Group Corporation
Haier Overseas Electric Appliance Co., Ltd.	400,000,000.00	Haier Group Corporation
HAIER US APPLIANCE SOLUTIONS, INC	16,450,503,452.30	Haier Group Corporation
Total	23,350,503,452.30	

(3) The interest income from bank deposits with Haier Group Finance Co., Ltd. deposited by the Company and its subsidiaries in 2016 was RMB123 million.

(4) Qingdao Haier Goodaymart Logistic Co., Ltd., a subsidiary of the Company and other companies provided logistics services to other related companies under Haier Group, the logistics income for 2016 was RMB190 million.

(5) Leasing

Lessees	Lessors	Application of leased assets	Lease expense recognized for the period
Subsidiary of the Company	Qingdao Haier Investment and Development Co., Ltd. and its subsidiaries	Production and operation	19,346,788.64
Subsidiary of the Company	Other companies of Haier Group	Production and operation	33,472,093.16
Total			52,818,881.80

(IV) Pricing policies

1. Related-party sales

Following the acquisition of the overseas white household appliances assets, the Company's original overseas sales model, being exports through the Group's exporting platform, was changed. The trading company under the company holding overseas white household appliances assets was fully responsible for sales of export-oriented products. Meanwhile, the trading company was also responsible for the overseas sales of some of the Group's products (such as brown goods). As such, the Company entered into a Sales Framework Agreement with Haier Group Corporation. Under which, it was agreed that the Company and Haier Group Corporation will sell products and provide sales-related services (including but not limited to agency sales services, after-sales services and technical support) on a reciprocal basis for a term of three years.

Connected sales among Haier Electronics Group Co., Ltd. ("Haier Electronics"), a holding subsidiary of the Company, Qingdao Haier Investment and Development Co., Ltd, Haier Group Corporation are carried out according to relevant provisions of Goods Export Agreement, After-sales Service Agreement, Logistics Service Agreement entered into among parties.

2. Related-party Procurements

In addition to independent procurement platform, the Company entrusted Haier Group Corporation and its subsidiaries for procurements of part of raw materials and distribution of goods and materials. The business is conducted according to the Purchase and Distribution Contract entered among the Company, Haier Group Corporation and other parties. The Company, Haier Group Corporation and its subsidiaries purchase materials from agents. They purchase and distribute goods for production and non-production use according to the specific material procurement target proposed by the Company. The price of materials purchased and delivered consist of the actual purchase price and the agency fee, of which the agency fee was calculated by 1.25% of the actual purchase price, while in principle the price of materials should not be higher than the price that the Company independently purchases from the market.

Related-party procurements among Haier Electronics, Qingdao Haier Investment and Development Co., Ltd, Haier Group Corporation are carried out according to relevant provisions of Materials Procurement Agreement and Production and Experimental Equipment Procurement Agreement entered among parties.

3. Related-party Transactions of Financial and Logistics Services

Some of the financial services such as deposit and loan service, discounting service and foreign exchange derivatives needed by the Company are provided by Haier Group Corporation, its subsidiaries and other companies. According to the Financial Service Agreement entered among the Company, Haier Group Corporation and other parties, the price of financial services is determined by the principle that is not less favorable of market value fair. The Company is entitled to decide whether to keep cooperation

relationship with them with the knowledge of the price prevailing on the market and in combination with its own interests. While performing the agreement, the Company could also require other financial service institutions to provide related financial services basing on actual situation. In order to meet the Company's demands such as the avoidance of foreign exchange fluctuation risk, the Company may choose Haier Group Finance Co., Ltd. ("Finance Company") to provide some foreign exchange derivative service after comparing with comparable companies. The Company will uphold the safe and sound and appropriately reasonable principle, under which all foreign exchange capital business shall have a normal and reasonable business background to eliminate speculative operation. At the same time, the Company has specified the examination and permission rights, management positions and responsibilities at all levels for its foreign exchange capital business to eradicate the risks of operation by persons and improved its response speed to risks on the premise that the risks are effectively controlled.

Related-party transactions of financial services among Haier Electronics, Finance Company, Qingdao Haier Investment and Development Co., Ltd and Haier Group Corporation are carried out according to relevant provisions of Financial Service Agreement entered into among parties.

In order to further standardize the logistics services provided by the related companies of Haier Group Corporation, the Company signed the Logistics and Service Agreement with Qingdao Haier Investment and Development Co., Ltd and Haier Group Corporation, the Company entrusted the subsidiaries of Haier Group to provide energy and power, basic research and detection, equipment leasing, house rental and maintenance, landscaping and sanitation, gift purchasing, design, consultation, all kinds of booking and other services.

In accordance with the Comprehensive Service Agreement, Promotion Agreement, Product Research and Development Agreement entered into among Haier Electronics, Qingdao Haier Investment and Development Co., Ltd and Haier Group Corporation, Haier Electronics entrusted subsidiaries of Haier Group to provide Haier Electronics with hydropower energy and related support; meeting, accommodation, ticket agent; integrated services such as product certification, software, food and beverage agent, property decoration, house lease, finance and marketing, product research and development services.

4. Others

In order to expand the sales businesses in the third and fourth-tier markets, Haier Electronics renewed the Products Procurement Agreement and Internal Sales Agreement with Qingdao Haier Investment and Development Co., Ltd and Haier Group Corporation, according to which, while Haier Electronics purchases products from contract parties, the purchasing price shall be determined basing on the prices of which Haier Electronics purchases the same type of product in similar transactions from independent third parties in the market, and are not less favorable than the terms and conditions provided by the independent third parties to Haier Electronics; while Haier Electronics sales products to contract parties for their own use or distributes products through sales network, the selling price shall be

determined basing on the prices of which Haier Electronics sells the same type of product in similar transactions to independent third parties in the market, and are not less favorable than the terms and conditions provided by Haier Electronics to independent third parties.

The Company and its subsidiaries entered into a series of contracts, including the Framework Agreement Regarding the Procurement of Modular Products with Wolong Electric Zhangqiu Haier Motor Co., Ltd. and other companies. Pursuant to which, they agreed to supply modular products to the Company at the most favorable price which is no higher than the price it offered to other clients.

The Company and its subsidiaries entered into a series of contracts, including the Contract Arrangement Regarding the Procurement of Special Steel Plate Products with Qingdao Haier Special Steel Plate Research and Development Co., Ltd. and Hefei Haier Special Steel Plate Research and Development Co., Ltd.. Under which, it is agreed that they shall supply goods to the Company on terms which are not less favorable than terms offered by other suppliers.

XIII. Share-based Payments

1. General information on share-based payment

Applicable Not Applicable

XIV. Commitment and contingencies

1. Critical commitment

Applicable Not Applicable

2. Contingencies

(1). Critical contingencies on the balance sheet date

Applicable Not Applicable

XV. Events Subsequent to the Balance Sheet Date

1. According to the resolution of the 5th meeting of the 9th session of the Board of Directors of the Company held on 28 April 2017, the profit for the year is proposed to be distributed on the basis of the total number of shares on the registration date when the plan is implemented in the future, the Company will declare cash dividend of RMB2.48 (including taxes) for every 10 shares to all shareholders.

2. On 3 January 2017, Haier Electronics Group Co., Ltd (hereinafter referred to as “Haier Electronics”), a subsidiary of the Company, received an exchange notice from Alibaba Investment Limited, a wholly-owned subsidiary of Alibaba Group, for the exercise of the exchange right under the convertible and exchangeable bond (the “CEB”) to exchange all the CEB in the principal amount of HK\$1,316,036,000 for all the non-voting rights of Heroic Plan Global Limited, a wholly-owned subsidiary of Haier Electronics, which in turn holds 24.10% interest in Qingdao Goodaymart Logistics Co., Ltd. (青岛日日顺物流有限公司) (hereinafter referred to as “Goodaymart Logistics”) through Partner Century Holdings Limited, a wholly-owned subsidiary of the Group. Haier Electronics also

received an option notice from Alibaba Investment Limited for the exercise of the call option under the CEB to acquire the voting rights of Heroic Plan Global Limited at the exercise price of HK\$5.

Upon the completion of the transactions above, all the non-voting and voting shares of Heroic Plan Global Limited have been transferred to Alibaba Investment Limited and therefore Alibaba Group currently holds 24.10% of interest in Goodaymart Logistics through Alibaba Investment Limited. In addition, as disclosed in the announcement of Haier Electronics dated 9 December 2013, Alibaba Group holds a further equity interest of 9.90% in Goodaymart Logistics through Taobao China Holding Limited (淘宝中国控股有限公司). Accordingly, Alibaba Group indirectly holds an aggregate of 34% of the equity interest of Goodaymart Logistics.

3. The Company considered and adopted the Phase II Stock Ownership Scheme of Core Employees Stock Ownership Scheme of Qingdao Haier Co., Ltd. (Draft) and its Summary (the “Stock Ownership Scheme”) at the 4th meeting of the 9th session of the Board of Directors held on 27 February 2017. The participants of the Stock Ownership Scheme are the directors (excluding independent directors), supervisors, senior management of the Company and regular employees who serve at the Company and its subsidiaries and sign employment contracts with the Company or its subsidiaries and receive remuneration from them. The Stock Ownership Scheme will be funded by the incentive fund of RMB270 million withdrawn by the Company. As of 28 March 2017, the Stock Ownership Scheme has purchased an aggregate of 22,820,787.00 shares of the Company, representing 0.37% of the total share capitals of the Company, from the secondary market at an average trading price of approximately RMB11.43 per share with a trading volume of RMB260,768,338.35.

4. Qingdao Haier Multimedia Co., Ltd. (青岛海尔多媒体有限公司) (hereinafter referred to as “Haier Multimedia”) proposed to transfer its shares and increase its capitals. In particular, Qingdao Haier Photoelectric Co., Ltd. (hereinafter referred to as “Haier Photoelectric”), the original shareholder of Haier Multimedia, proposed to transfer the registered capital of RMB88,755,981 of Haier Multimedia to Qingdao Haier Co., Ltd. (the “Company”) and Alibaba (China) Technology Co., Ltd. (阿里巴巴(中国)网络技术有限公司) (hereinafter referred to as “Alibaba”); Haier Multimedia proposed to increase its registered capital by RMB128,947,369, which was subscribed by the Company and Alibaba, respectively. The registered capital of Haier Multimedia was RMB350 million before the transaction, and was changed to RMB478,947,369 after the transaction, which was held as to 50.51%, 25.25%, 20.20% and 4.04% by Haier Photoelectric (still its shareholder), Alibaba, Qingdao Haier and Qingdao Zhongchuangying Commerce Enterprise (Limited Partnership) (青岛众创盈商企业(有限合伙)) (hereinafter referred to as “Qingdao Zhongchuangying”), respectively. After the transaction, subject to the unanimous consents of the parties, Qingdao Zhongchuangying will be entitled to subscribe the newly added registered capital of Haier Multimedia by ways of capital contribution, through which Qingdao

Zhongchuangying will hold an aggregate of 5% of Haier Multimedia's registered capital after the capital contribution. This related-party transaction has been considered and approved at the 4th meeting of the 9th session of the Board of Directors held on 27 February 2017.

5. The Company has no material events subsequent to the balance sheet date which need to be disclosed.

XVI. Financial Instruments Related Risks

The Company's financial assets include notes receivables, receivables and etc., and the Company's financial liabilities include bills payable, payables, long- and short- term borrowings and etc. Please refer to relevant items in Note V for detailed descriptions of various financial instruments. Risks relating to these financial instruments and the risk management policies the Company adopts to mitigate these risks are summarized below. The Company's management manages and monitors these risk exposures in order to ensure these risks are well within their respective risk limits.

1. Credit risk

The credit risk the Company exposed to mainly comes from bank deposits, notes receivables, accounts receivables, interest receivables, other receivables and wealth management products in other current assets.

(1) The Company's bank deposits and wealth management products are mainly deposited with Haier Group Finance Co., Ltd., national banks and other large and medium size listed banks. The interest receivables mainly refer to the accrued interest from time deposits placed with the aforesaid banks. The Group doesn't believe there is any significant credit risk due to defaults of its counterparties which would cause any significant loss.

(2) Accounts receivables and notes receivables: The Company only trades with recognized and creditworthy third parties. It is the Company's policy that all consumers who wish to trade on credit terms are subject to credit verification procedures. The payment terms shall be determined on a reasonable basis. The Company monitors the balances of accounts receivables on an ongoing basis and maintains credit insurances for significant accounts receivables due from its credit clients, so as to ensure the Company will not expose to significant risk of bad debts.

(3) The Company's other receivables mainly include export tax rebate receivable, recurrent loans and advances to its employees. The Company strengthened the management of these receivables and corresponding business activities based on their historical reasons of occurrence, and continued to monitor such receivables, so as to ensure that the Company's significant risk of bad debts are controllable and to further reduce such risks.

2. Liquidity risk

Liquidity risk is the risk that an enterprise may encounter deficiency of funds in meeting obligations associated with financial liabilities. In order to control liquidity risk, the Company integrates the utilization of various financing methods such as settlement with bills and bank loans, to strive for a

sustainable and flexible financing. The Company has secured line of credit with a great number of commercial banks to satisfy its needs for working capital and capital expenditures.

3. Exchange rate risk

The Company's businesses are based in mainland China, the US, Japan, Southeast Asia, South Asia, central and east Africa, Europe, and Australia, etc. and are settled in RMB, US dollar, and other currencies.

The Company's overseas assets and liabilities denominated in foreign currencies as well as transactions settled in foreign currencies in the future expose the Company to fluctuations in exchange rates. The Company's finance department is responsible for monitoring the size of transactions in foreign currencies and assets and liabilities denominated in foreign currencies, so as to reduce its exposure to fluctuations in exchange rates to the largest extent. The Company avoid its exposure to fluctuations in exchange rates by entering into forward foreign exchange contracts.

4. Interest rate risk

The Company mainly faces interest rate risk from its long- and short- term bank loans and bonds payables which are interest-bearing. Financial liabilities with floating interest rates expose the Company to cash flow interest rate risk, while financial liabilities with fixed interest rates expose the Company to fair value interest rate risk. The Group determines the percentage of fixed-interest rate and floating interest rate contracts in light of the prevailing market conditions.

XVII. Other Important Events

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

XVIII. Notes to Main Items of Financial Statements of the Company

1. Accounts receivables

(1) Disclosure of accounts receivables by consumer categories is set out as follows:

Items	Closing balance		Opening balance	
	Book balance	Provision for bad debts	Book balance	Provision for bad debts
Individual significant accounts receivables of which provision for bad debts is made on an individual basis				
Accounts receivables of which provision for bad debts is made on a group basis	279,408,653.04	13,970,432.65	219,582,372.06	10,979,118.60
Individual insignificant accounts receivables of which provision for bad debts is made on an individual basis				
Total	279,408,653.04	13,970,432.65	219,582,372.06	10,979,118.60

(2) Accounts receivables of which provision for bad debts is made on a group basis:

Aging	Closing balance		Opening balance	
	Book balance	Provision for bad	Book balance	Provision for bad

		debts		debts
Within one year	260,896,436.79	13,044,821.84	208,577,829.57	10,428,891.47
One to two years	18,512,216.25	925,610.81	914,539.56	45,726.98
More than two years			10,090,002.93	504,500.15
Total	279,408,653.04	13,970,432.65	219,582,372.06	10,979,118.60

(3) The total debt amount of the top 5 debtors in the ending accounts receivables amounted to RMB278,250,111.51, representing 99.59% of the book balance of the accounts receivables.

2. Other receivables

(1) Disclosure of other receivables by consumer categories is set out as follows:

Items	Closing balance		Opening balance	
	Book balance	Provision for bad debts	Book balance	Provision for bad debts
Individual significant other receivables of which provision for bad debts is made on an individual basis				
Other receivables of which provision for bad debts is made on a group basis	339,950,820.95	16,997,541.05	64,573,075.32	3,228,653.77
Individual insignificant other receivables of which provision for bad debts is made on an individual basis				
Total	339,950,820.95	16,997,541.05	64,573,075.32	3,228,653.77

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

Aging	Closing balance		Opening balance	
	Book balance	Provision for bad debts	Book balance	Provision for bad debts
Within one year	339,950,820.95	16,997,541.05	64,573,075.32	3,228,653.77
Total	339,950,820.95	16,997,541.05	64,573,075.32	3,228,653.77

(3) The total debt amount of the top 5 debtors in the ending accounts receivables amounted to RMB337,161,270.74, representing 99.18% of the book balance of the accounts receivables.

3. Long-term equity investments

Applicable Not Applicable

(1) Details of long-term equity investments:

Items	Closing balance		Opening balance	
	Book balance	Provision for impairment	Book balance	Provision for impairment
Long-term equity investments				
Including: long-term equity	20,211,704,813.36	7,100,000.00	13,506,982,541.50	7,100,000.00

investments to subsidiaries				
Long-term equity investments to associates	2,137,474,063.71		641,850,570.99	
Total	22,349,178,877.07	7,100,000.00	14,148,833,112.49	7,100,000.00

(2) Long-term equity investments to subsidiaries

Name of Investee Companies	Opening balance	Changes for 2016	Closing balance	Impairment provision closing balance
I. Subsidiaries:				
Chongqing Haier Electronics Sales Co., Ltd.	9,500,000.00		9,500,000.00	
Haier Group (Dalian) Electrical Appliances Industry Co., Ltd.		34,735,489.79	34,735,489.79	
Qingdao Haier Refrigerator Co., Ltd.	402,667,504.64		402,667,504.64	
Qingdao Haier Special Refrigerator Co., Ltd.	329,832,047.28		329,832,047.28	
Qingdao Haier Information Plastic Development Co., Ltd.	102,888,407.30		102,888,407.30	
Dalian Haier Precision Products Co., Ltd.	41,836,159.33		41,836,159.33	
Hefei Haier Plastic Co., Ltd.	42,660,583.21		42,660,583.21	
Qingdao Haier Technology Co., Ltd.	16,817,162.03		16,817,162.03	
Qingdao Haier Moulds Co., Ltd.	273,980,796.30		273,980,796.30	
Qingdao Haier Intelligent Electronics Co., Ltd.	271,380,000.00		271,380,000.00	
Qingdao Household Appliance Technology and Equipment Research Institute	66,778,810.80		66,778,810.80	
Qingdao Meier Plastic Powder Co., Ltd.	24,327,257.77		24,327,257.77	
Chongqing Haier Precision Plastic Co., Ltd.	47,811,283.24		47,811,283.24	
Chongqing Haier Intelligent Electronics Co., Ltd.	11,870,511.98		11,870,511.98	
Qingdao Haier Electronic Plastic Co., Ltd.	48,000,000.00		48,000,000.00	
Dalian Haier Refrigerator Co., Ltd.	99,000,000.00		99,000,000.00	
Dalian Haier Air-conditioning Co., Ltd.	99,000,000.00		99,000,000.00	
Guizhou Haier Electronics Co., Ltd.	96,904,371.71		96,904,371.71	
Hefei Haier Air-conditioning Co., Limited	67,110,323.85		67,110,323.85	
Qingdao Haier Refrigerator (International) Co., Ltd.	158,387,576.48		158,387,576.48	
Qingdao Haier Robot Co., Ltd.	3,149,188.69		3,149,188.69	
Qingdao Haier Air-Conditioner Electronics Co., Ltd.	1,113,433,044.51		1,113,433,044.51	
Qingdao Haier Air Conditioner Gen Corp., Ltd.	218,245,822.50		218,245,822.50	
Qingdao Haier Special Freezer Co., Ltd.	442,684,262.76		442,684,262.76	
Qingdao Haier Dishwasher Co., Ltd.	206,594,292.82		206,594,292.82	
Wuhan Haier Freezer Co., Ltd.	47,310,000.00		47,310,000.00	

Wuhan Haier Electronics Co., Ltd.	100,715,445.04		100,715,445.04	
Chongqing Haier Air-conditioning Co., Ltd.	100,000,000.00		100,000,000.00	
Hefei Haier Refrigerator Co., Ltd.	49,000,000.00		49,000,000.00	
Qingdao Haier Whole Set Home Appliance Service Co., Ltd.	118,000,000.00		118,000,000.00	
Chongqing Haier Refrigeration Appliance Co., Ltd.	91,750,000.00		91,750,000.00	
Qingdao Haier Industry Intelligence Research Institute Co., Ltd.		8,000,000.00	8,000,000.00	
Haier Shareholdings (Hong Kong) Limited	7,081,316,920.00	6,479,886,782.07	13,561,203,702.07	
Shenyang Haier Refrigerator Co., Ltd.	100,000,000.00		100,000,000.00	
Foshan Haier Freezer Co., Ltd.	100,000,000.00		100,000,000.00	
Zhengzhou Haier Air-conditioning Co., Ltd.	100,000,000.00		100,000,000.00	
Qingdao Haidayuan Procurement Service Co., Ltd.	20,000,000.00		20,000,000.00	
Qingdao Haier Intelligent Technology Development Co., Ltd.	130,000,000.00		130,000,000.00	
Qingdao Haier Technology Investment Co., Ltd.	120,000,000.00	36,600,000.00	156,600,000.00	
Qingdao Casarte Smart Living Appliances Co., Ltd.	10,000,000.00		10,000,000.00	
Haier Overseas Electric Appliance Co., Ltd.	40,000,000.00		40,000,000.00	
Haier (Shanghai) Electronics Co., Ltd.		8,500,000.00	8,500,000.00	
Haier U+smart Intelligent Technology (Beijing) Co., Ltd.		137,000,000.00	137,000,000.00	
Haier Electronics Group Co., Ltd.	669,830,769.26		669,830,769.26	7,100,000.00
Qingdao Haidarui Procurement Service Co., Ltd.	107,800,000.00		107,800,000.00	
Qingdao Haier Intelligent Household Appliances Co., Ltd.	326,400,000.00		326,400,000.00	
Total	13,506,982,541.50	6,704,722,271.86	20,211,704,813.36	7,100,000.00

(3) Long-term equity investments to associates

Name of investee companies	Opening balance	Changes for the Period			Closing balance	Impairment provision at the end of the period
		Changes for the Period	Investment income recognized under the equity method	Others		
Haier Medical and Laboratory Products Co., Ltd.	164,103,659.92		28,417,813.92	3,565.91	192,525,039.75	
Wolong Electric Zhangqiu Haier Motor Co., Ltd.	100,464,869.11		6,483,624.06		106,948,493.17	
Qingdao Haier Special Steel Plate Research and Development Co., Ltd.	95,207,113.86		7,708,491.83		102,915,605.69	
Hefei Haier Special Steel Plate Research	81,808,095.33		13,389,681.56		95,197,776.89	

and Development Co., Ltd.						
Qingdao Haier SAIF Smart Home Industry Investment Center (Limited Partnership)	200,266,832.77		27,264,220.42		227,531,053.19	
Bank of Qingdao Co., Ltd.		577,382,477.93	71,870,639.61	-42,384,600.00	606,868,517.54	
Mitsubishi Heavy Industries Haier (Qingdao) Air-conditioners Co., Ltd.		481,109,570.00	22,265,628.93		503,375,198.93	
Qingdao Haier Carrier Refrigeration Equipment Co., Ltd.		325,318,475.00	16,100,595.95	-39,306,692.40	302,112,378.55	
Total	641,850,570.99	1,383,810,522.93	193,500,696.28	-81,687,726.49	2,137,474,063.71	

4. Operation Income and Operation Expense:

Applicable Not Applicable

Unit and Currency: RMB

Items	2016		2015	
	Revenue	Cost	Revenue	Cost
Principal Business	3,238,545,943.78	2,282,262,928.08	2,563,999,764.21	1,923,914,958.87
Other Business	12,499,443.97	3,250,821.85	9,182,671.10	2,856,661.71
Total	3,251,045,387.75	2,285,513,749.93	2,573,182,435.31	1,926,771,620.58

5. Investment Income

Items	2016	2015
Long-term equity investments income calculated by the equity method	193,500,696.28	49,559,904.69
Investment income from disposal of long-term equity investments		174,478,540.49
Investment income from disposal of financial assets available for sale	17,262,280.41	
Long-term equity investments income calculated by cost method	282,298,678.36	1,436,445,351.14
Investment income from financial assets available for sale during the holding period	229,880.16	35,145,802.66
Total	493,291,535.21	1,695,629,598.98

XIX. Supplementary Information

1. Breakdown of non-recurring profit or loss in 2016

Applicable Not Applicable

Unit and Currency: RMB

Items	Amount
Gains or losses from disposal of non-current assets	-3,064,257.71

Government grants credited to profit or loss in the period (exclusive of government grants which are closely related to the operations of the Company and received in fixed amount or quantity in accordance with the national unified standards)	515,957,895.78
Profit arising from investment cost for acquisition of a subsidiary, an associate and a joint venture by the Company being less than its share of fair value of identifiable net assets of the investee on acquisition	166,840,685.70
Costs of corporate reorganization, such as expenses for staff resettlement and integration costs	-702,771,321.12
Profit and loss of changes in fair value arising from holding of trading financial assets and trading financial liabilities except for valid straddle business relevant to normal business of the company, as well as investment gain realized from disposal of trading financial assets, trading financial liabilities and financial assets available for sale	74,049,457.95
Custodian fees from entrusted operation	1,493,710.69
Other non-operating income and expenses	203,542,135.31
Income from disposal of long-term equity investments	86,010,966.27
Income from disposal of financial assets available for sale	531,827,281.30
Effect of income tax	37,469,886.96
Effect of minority equity interests	-207,157,250.36
Total	704,199,190.77

1. Basic and diluted earnings per share

Items	2016			2015		
	Weighted average return on net assets	Earnings per share (RMB)		Weighted average return on net assets	Earnings per share (RMB)	
		Basic earnings per share	Diluted earnings per share		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	20.41%	0.826	0.823	16.22%	0.706	0.706
Net profit attributable to ordinary shareholders of the Company after deduction of non-recurring gain or loss	17.56%	0.71	0.708	13.86%	0.603	0.603

2. Difference on figures by domestic and foreign Accounting Standards

Applicable Not Applicable

3. Others

Applicable Not Applicable

SECTION XII DOCUMENTS AVAILABLE FOR INSPECTION

Documents Available for Inspection	(I) Financial statements with signatures and seals of the legal representative, chief accountant and person in charge of accounting department.
Documents Available for Inspection	(II) Original audit report with seals of accounting firm, signatures and seals of registered accountants.
Documents Available for Inspection	(III) Original of all documents and announcements of the Company which have been publicly disclosed on the newspaper designated by China Securities Regulatory Commission during the reporting period.

Chairman: Liang Haishan

Publish approved by the Board on 28 April 2017

Revised informationApplicable Not Applicable