

Stock Code: 600690

Short Name: Qingdao Haier

# **Qingdao Haier Co., Ltd.**

## **2016 Interim Report**

**Stock Code: 600690**



INTELLIGENCE  
CREATE SMART LIFE

## Important Notice

**I. The Board, the board of supervisors and directors, supervisors and senior management of the Company hereby assure that the content set out in the interim report is true, accurate and complete, and free from any false content, misleading statement or material omission, and are individually and collectively responsible for the content set out therein.**

**II. All directors of the Company have attended the Board meeting.**

**III. The interim report has not been audited.**

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

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

Not Applicable

**VI. Disclaimer in respect of forward-looking statements**

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 shareholder 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

Chairman: Liang Haishan

Qingdao Haier Co., Ltd.

30 August 2016

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## SECTION 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
SSE		Shanghai Stock Exchange
CSDCCL		China Securities Depository and Clearing Corporation Limited Shanghai Branch
The Company, Qingdao Haier		Qingdao Haier Co., Ltd.
Four Major Securities Newspapers		China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily
KKR		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)
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. Business scope covers over 50 countries/areas of 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.
GEA		Assets related to the household appliances business of GE have become the assets of the Company included into the combined statements since 7 June 2016.
CMM		China Market Monitor Co., Ltd., established in 1994, has been focusing on the research on retail sales in Chinese consumption market for a long term and is the nationally recognized market research institute in terms of appliance area.

## SECTION II GENERAL INFORMATION OF THE COMPANY

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

### III. Summary of the changes in general information

There was no change in the general information of the Company during the reporting period. Details of the latest conditions are set out in the 2015 annual report of the Company.

### IV. Place for Disclosure and Deposit of Information

There was no change in the place for disclosure and deposit of information during the reporting period. Details of the latest conditions are set out in the 2015 annual report of the Company.

### V. Summarized Information of Shares of the Company

Type of Shares	Stock Exchange	Short name	Stock Code	Short name before change
A shares	Shanghai Stock Exchange	Qingdao Haier	600690	/

### VI. Changes in the registration of the Company for the reporting period

During the reporting period, the Company completed relevant works in respect of the “combination of three certificates into one” for certificates such as business license. The uniformed social credit code as set out in the business license is 91370200264574251E. For details of the change, please refer to the Announcement of Qingdao Haier Co., Ltd. regarding the Modification on the Articles of the Company dated 29 April 2016 and relevant announcements on resolutions passed on the Board meetings, and announcement on the resolution passed on the 2015 Annual General Meeting disclosed on 1 June 2016,

etc. (the above announcements are collectively referred to as “relevant announcements on the changes in the information of registration”). Meanwhile, as the Company had cancelled the shares repurchased from the secondary market, there were changes in the registered capital of the Company. For details of such changes, please refer to relevant announcements on the changes in the information of registration, and Section VI titled “Changes in share capital and information about shareholders” of this report.

## SECTION III ACCOUNTING DATA AND SUMMARY OF FINANCIAL INDICATORS

### I. Major accounting data and financial indicators of the Company

#### (I) Major accounting data

Unit and Currency: RMB

Major accounting data	During the reporting period(January-June)	The corresponding period of last year		Increase/decrease for the reporting period compared with the corresponding period of last year (%)
		After adjustment	Before adjustment	
Operating revenue	48,786,606,924.87	47,313,293,035.65	41,920,085,570.93	3.11
Net profits attributable to shareholders of listed companies	3,315,173,171.70	2,734,979,407.70	2,628,857,170.77	21.21
Net profits after non-recurring profit or loss attributable to shareholders of listed companies	2,765,423,757.22	2,509,689,410.57	2,509,689,410.57	10.19
Net cash flows from operating activities	4,754,556,382.69	1,760,931,701.32	1,645,677,881.02	170
	As at the end of the reporting period	As at the end of last year		Increase/decrease as at the end of the reporting period compared with the corresponding period of last year (%)
		After adjustment	Before adjustment	
Net assets attributable to shareholders of listed companies	25,516,430,198.26	22,733,334,660.35	22,693,976,160.95	12.24
Total assets	120,715,245,049.68	75,960,718,327.49	75,960,672,801.38	58.92

Note: Due to the effect in the amount of approximately RMB600 million as a result of the disposal of part of the equity interests for introducing strategic investors in Tongshuai brand entertainment household appliances business and the proactive disposal of joint-ventures engaging in distribution business which was not in line with the direction of our business development. As compared under the same condition and with the same method, the revenue recorded a year-on-year increase of 4.44%.

## (II) Major financial indicators

Major financial indicators	During the reporting period(January-June)	The corresponding period of last year		Increase/decrease for the reporting period compared with the corresponding period of last year (%)
		After adjustment	Before adjustment	
Basic earnings per share (RMB per share)	0.543	0.449	0.432	20.94
Diluted earnings per share (RMB per share)	0.543	0.445	0.431	22.02
Basic earnings per share after deducting non-recurring profit or loss (RMB per share)	0.453	0.413	0.413	9.69
Weighted average return on net assets (%)	13.78	10.49	11.08	Increased by 3.29 pct pt
Weighted average return on net assets after deducting non-recurring profit or loss (%)	11.49	10.58	10.58	Increased by 0.91 pct pt

## II. Differences of accounting data under domestic and overseas accounting standards

☐ Applicable ☒ Not Applicable

## III. Non-recurring Profit or Loss Items and Amount

Non-recurring gain or loss items	Current amount
Losses and profits from disposal of non-current assets	152,219,717.52
Government grants included in current profit or loss	77,329,943.02
Other non-operating net income and expenses other than the aforementioned items	125,779,366.19
Gain from disposal of long-term equity investment	37,414,012.10
Income from disposal of financial assets available for sale	531,765,734.66
Gains and losses of the changes in fair value	-182,258,158.84
Investment income obtained from disposal of derivative instrument at fair value through current profit or loss	32,350,801.48
Deduction of the effect of minority shareholders	-101,052,567.67
Effects of income tax on non-recurring profit or loss attributable to the parent company	-123,799,433.98
Amount of affected consolidated profits for the common controlling company (attributable to the parent company)	
Total	549,749,414.48

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

### I. Discussion and analysis of the Board on the operation of the Company during the reporting period

#### Part I Industry overview

Due to various factors such as the slowdown in economic growth, and the white goods industry in China started to be driven mostly by replacement demand, in the first half of 2016, we continued to see the downward trend in domestic white goods industry, which was a continuation of the trend experienced in 2015. According to the data released by CMM, in the first half of 2016, retail volume of refrigerators, washing machines and air-conditioners recorded a year-on-year decrease of 9.29%, 3.42% and 6.74% respectively. Under the pressure of high level of inventory in the air-conditioners industry, we had witnessed a significant drop in the output from factories. According to data of China Industry Online, domestic manufacturers of air-conditioners produced a total of 26,185,600 sets in the first half of the year, representing a decrease of 31.97% compared with the corresponding period of last year.

Against the backdrop of the continued shrinking in scale and commoditization of products, competition in the white goods industry has become increasingly intensified. Benefiting from the recovery of the real estate market and the potential of penetration, the kitchenware and sanitary ware business maintained its momentum of growth. Retail volume of the water heaters, kitchen ventilators and gas stoves respectively recorded a year-on-year increase by 6.12%, 2.45% and 0.07%.

Continued upgrade of consumption in the industry and the trend towards smart appliances: ① according to the data of CMM, retail sales of multi-door refrigerators and air cooling refrigerators respectively recorded a year-on-year increase by 21.9% and 27.1%; front-loading, large-volume and frequently-converter became the major trend in the washing machine industry, and the percentage of retail sales of the front-loading washing machines in 2016 recorded a year-on-year increase of 4.2 pct pt to 63.6%; the percentage of artistic cabinet-type air-conditioners in cabinet-type air-conditioners reached 50.2%, representing an increase of 8.7 pct pt compared with last year; ② according to the forecast of CMM, the penetration of retail volume of smart refrigerators will reach 6.3%, representing an increase of 4.6 pct pt compared with last year.

E-commerce channels sustained a momentum of fast growth. Benefiting from a number of favorable factors in China, such as leading Internet technologies, continuing growth building on the large base of online shoppers, beneficial policies and pricing, sales of white goods through e-commerce channels continued to grow rapidly. For example, the online weekly monitoring data of CMM showed that the retail sales of refrigerators increased by 50.2% compared with last year.

With the accelerating integration across the white goods industry around the world, leading players in household appliances industry in China were leveraging on the proven capabilities accumulated in the long-term market competitions, actively participated in the mergers and reorganization in the industry around the world, and enhanced the growth point of their businesses through the enhancement of capability of global operation and the business blueprint.

## **Part II Summary of the operation of the Company in the first half of the year**

During the first half of 2016, leveraging on various opportunities such as the upgrade of consumption, the industry-wide trend of going online as well as smart products and the integration in overseas markets, **the Company deepened its transformation and globalization, established the base for long-term growth: led the trend of consumption through product innovation, focused on the transform and upgrade of retail channels to promote the efficiency, improved the global layout and consolidated the base for “moving up”, explored various business operating models based on internet appliance + community, such as U+ SmartLife , internet factory and diy.haier.com, etc. to achieve stable enhancement of performance.** In the first half of 2016, the Company recorded revenue of RMB48.787 billion, representing an increase of 3.11% compared with last year; net profits attributable to the owners of the parent company was RMB3.315 billion, representing an increase of 21.21% compared with last year; recurring net profits attributable to the parent company was RMB2.765 billion, representing an increase of 10.2% compared with last year. Affected by the consolidation of GE Appliances and the original business growth, the single-quarter revenue for the second quarter and recurring net profits attributable to the owners parent company grew by 15% and 14.4% respectively compared with last year, representing a continued momentum of improvement. Benefiting from a number of factors such as the continued upgrade of the product structure and the modulization, as well as the drop in the prices of raw materials, the gross profit margin increased by 1.74 pct pt compared with

last year to 28.92%. Cash flow from operations was RMB4.755 billion, representing an increase of 170% compared with last year. In addition, the quality of our operation also showed further enhancement.

During the reporting period, ① we have seen continued increase in the market share of our products, such as refrigerators, washing machines and water heaters: during the first half of 2016, percentage of retail volume of Haier's refrigerators was 24.36%, representing an increase of 0.87 pct pt compared with the corresponding period of last year; percentage of retail volume of Haier's washing machines was 26.47%, representing an increase of 0.56 pct pt compared with the corresponding period of last year; percentage of retail volume of Haier's water heaters was 18.16%, representing an increase of 0.92 pct pt compared with the corresponding period of last year. ② Profitability of the air-conditioner business was significantly improved, with gross profit margin increasing by 1.52 pct pt. ③ Kitchen appliances achieved rapid development, the revenue of which grew by 15.4% compared with the corresponding period of last year.

**Major operating activities of the Company during the reporting period were as follows:**

**(I) Maintain the leading advantages in technologies and standards, with leading products focusing on targeting the growth point of upgrade of consumption**

**Refrigerator business:**

Building on our technologies for “separate storage for dry and wet items” freshness preservation and refined “separate storage for dry and wet items” freshness preservation, first of its kind in the industry around the world, the Company played a leading role in the formulation of the method for testing of freshness preservation of refrigerators for IEC. Haier branded refrigerators represented China to chair the work team for standards, and FPA represented New Zealand to hold the office of secretary of the work team. This was the first time the home appliance industry of PRC took the lead in developing international standards. The “Interactive Smart Control and Innovation System for Refrigerators” project of Haier was granted the Second Prize of the National Science and Technology Progress Award by China National Light Industry Council. In February 2016, Haier's star kitchen multi-door refrigerators, Haier's T-type four-door refrigerators and Casarte Yunzhen refrigerators won the German IF Design Award.

Revenue from multi-door and T-type refrigerators grew by 50.8% by seizing and planning for the opportunities in multi-door refrigerators. For example, the “refined separate storage drawer 405 refrigerator”, which is designed to overcome the drawbacks faced by users, successfully achieved the upgrade from the “separate storage for dry and wet items” to “refined separate storage for dry and wet items”: the dry area is featured by the newly-added deodorization system, which is capable of efficient deodorization; in the wet area, users will be provided with the most appropriate humidity level based on different food materials.

### **Washing machine business:**

In order to meet consumer’s demand for “healthier, more economical, separate rinsing, large-diameter drum”, we continued to upgrade the rinsing and care solution to achieve renewal of products. ① Successfully developed the washing machine featuring by no water between drums, which solved the problem of dirt between the inner and outer drums. Such feature can save 30% of water, and provide healthier and more economical rinsing and care experience for consumers; ② We launched cleaning-free washing machine which is equipped with two fully-automatic washing drums featuring separated washing function. Washing water in the two drums is totally separated, which perfectly simulates the effect of washing by hands, and maintains the cleanness of the inner drum of the washing machine. ③ The newly launched Purple Crystal front-loading washing machine is equipped with 525mm large-diameter inner drum and FPA frequency-converter motor. This model offers 50% more washing capacity and maximum spin-dry rotation speed of 1,600 RPM. Its cradle soft washing function can achieve less than 90 degrees precise control at the lowest rotation speed of the inner drum. This feature is a revolutionary change to the ways of traditional washing machines, which are only capable of washing by 360-degree spinning and the up and down motion, thus meeting the consumption demand of washing and caring of high-end clothes. “Research and Application of Cleaning-free Technology” was granted the Second Prize of China Light Industry Science and Technology Progress Award; “Research and Application of the Technology of Water-less Washing Between the Inner and Outer Drum on Washing Machines” and “Research and Development of Separated-area Washing Dual Front-loading Washing Machines” was recognized by the China National Light Industry Council as the first of its kind in the world and achieving internationally leading level in the industry. In 2016, the Separated-area dual

front-loading washing machine was granted the Red-top Prize, while the Purple Crystal front-loading washing machine was granted the Innovation Award of the Appliance Prize.

The market share of our pulsator washing machines reached 32.3%, representing an increase of 0.5 pct pt compared with last year, maintaining the leading position in the industry. The development of the front-loading washing machines was strengthened, with the revenue increasing by 13%. Percentage of retail volume of front-loading washing machines reached 23%, representing an increase of 1 pct pt.

### **Household air-conditioner business:**

Haier had been building competitiveness with a focus on the core demand of health and comfort of users and by consolidating the leading position in self-cleaning, cozy breeze/comfortable breeze technology. The self-cleaning technology was recognized as reaching the advanced global level on the appraisal meeting organized by the China National Light Industry Council in 2015. The “smart and self-cleaning technology for air-conditioners” developed by the Company was assessed by the Chinese Association of Refrigeration as reaching leading level in the industry and was granted the award for innovative technologies.

Pioneered by the series of self-cleaning air-conditioners, we took an active approach to investing in smart products, with a view to enhance competitiveness through differentiation: ① The launch of a series of products, including Casarte Yunding (云鼎) cabinet-type air-conditioners/wall-mounted air-conditioners, comfortable wind cabinet all-mounted air-conditioners/ Jingfeng (劲风) and Dizun (帝尊) IV, thus achieving the upgrade of product structure and the enhancement of profitability. According to the statistics of CMM, in the first half of the year, average price of household air-conditioners increased by 0.9% compared with the corresponding period of last year. Benefiting from the optimization of product structure, the average price of Haier’s air-conditioners rose by 2.9%, higher than the average level in the industry. ② Market share of Haier’s smart air-conditioners reached 60%, standing at a leading level in the industry.

### **Commercial air-conditioner business:**

This segment is aiming to develop energy-saving, smart, comfortable air and environment solutions with the core of maglev and cloud smart technology. The Company participated in and completed the

formulation of two national standards on air-conditioner set featuring the provision of wind through wind tunnel, fresh air - air energy recovery unit. The newly released full falling film maglev centrifuge is capable of delivering 2210RT cooling and energy efficiency index of IPLV13.18, while saves up to 50% energy, representing a record level in the industry. We also launched the cloud smart service center 3.0. This system is capable of displaying real-time operation information of Haier's maglev air-conditioner project, and providing free-of-charge remote smart control and automatic energy-saving operation of heating and air-conditioning equipment around the world, thus offering systematic and comprehensive solution for energy-saving, efficiency-enhancement and energy management. The maglev centrifugal chiller unit was widely recognized in the industry, and the sales increased by 70% compared with last year. It had been ranked first in terms of market share over the last few years, representing its leading position in the industry. According to the China Industry Online data, market share of the commercial air-conditioner business of Haier increase by 0.83 pct pt to the fourth position in the industry.

## **Kitchenware and sanitary ware business**

### **(1) Water heater business:**

On the basis of maintaining the advantage in electricity-heating products, we had taken an active approach to the development of gas water heater, heat pump water heater, etc. to foster future growth point. Revenue from gas water heater grew by 33%, several times faster than the growth rate of the industry.

① Targeting at the drawback of contaminated sources of water for water heaters, we introduced the clean water washing water heater, which was capable of purification from using three-tier purification technologies, i.e. "filtration of sediment as the first step, elimination of residual chlorine as the second step, degermination as the third step"; ② Taking into account the issues faced by households living in tall buildings, such as strong wind resulted from cross ventilation and unstable water pressure, we developed the Smart Home T1S gas water heater, which is capable of resisting level 12 wind through smart Olympic sailing vessel torch wind-resistant technology. The product can be used even in strong wind. The Yunyi (云翼) T2S gas water heater equipped with industry leading power line communication technology offers a number of features with the use of Smart Control (智控宝) terminal, such as

operating the gas water heater in the bathroom, simultaneous display of alarm for excessive carbon monoxide, thus providing multi-level of protection for bathing safety. ③ For heat pump water heater products, the Company laid down the distribution channels in three segments, namely household heat pump, commercial heat pump, heat pump heating. For example, the Tianmu (天沐) HERO series R410a cold media frequency-converter household heat pump solves the challenge facing the industry of low-temperature attenuation; the commercial direct heating 5P、10P、20P full spectrum of products were listed in the national government energy conservation procurement catalog for the ultra-high energy efficiency and became the first-choice energy-saving water heater product for different premises, such as hotels, hospitals, schools and factories.

Haier's Tianmu (天沐) king series carbon dioxide air energy water heater and clean water washing water heater were granted the Red-top Prized for High-end Household Appliance in China; Haier's solar water heater was granted Environmental-friendliness Award of the Appliance Prize for its comprehensive absorption technology; On the Thirteen Real Estate Annual Billboard and Green Procurement Summit, Haier's water heater was awarded two prizes, namely "First-Choice Famous Water Heater Brand For Real Estate Industry in China" and "Top-ten First-choice Brand for Procurement Among Material Suppliers For Real Estate Industry in China".

## **(2) Kitchen appliances business:**

**In line with the trend of safe, healthy, environmentally friendly and complete sets and through synergy with the first-class research and development resources of FPA, we achieved enhancement of competitiveness and maintained rapid growth of business. In the first half of the year, revenue grew by 15.4% compared with the corresponding period of last year. In particular, revenue from ventilator and stove products in the domestic market increased by 20%.**

The first cleaning-free ventilator - Haier "Starry Sky" (星空) kitchen ventilator was introduced. Oil-smoke separation and the highly efficient cleaning of the inner core of the ventilator was achieved through the self-cleaning system of "oil-catch net for dynamic core cleaning", and the proprietary "automatic catching" oil cleaning technology. The product took a leading role in defining the industry standard for cleaning-free ventilators.

The R&D and design of kitchen appliances under the brand of Casarte was strengthened with the integration of the R&D resources of FPA. Such products were introduced with the proposition of

creating a kitchen with both Chinese and western elements, and was aiming to lead the life-style in the kitchen for high-end users. Products released in the first half of 2016 included “—” shape triple-stoves gas stove, and C6 series ventilators with the features of smart operation and lighting interaction for specific scenes.

In terms of oven products, we introduced a number of set products, including embedded ovens, steam box and microwaves. These products are equipped with precise temperature controlling technology, high-temperature self-cleaning technology, steam assisting technology and smart control. User's baking experience was enhanced through various activities, such as cooperation with other resources, e.g. baking talents and publishing house, as well as offline interaction among fans.

## **(II) Enhance terminal efficiency through the transformation and upgrade of retail business in the domestic market**

**Systematically push forward with the transformation, upgrade and efficiency enhancement throughout the operation system through proprietary channels:** upgrade the information system of stores to improve the capability of managing the incoming, selling and stocking products; develop the standards of “expanding service reach to town-level”, enhance the quality of service rendered to distributors in counties and towns; establish online channels such as Shunguan WeChat store to expand online sales platform, thus promoting the transformation of OTO; expand new business modes through various channels, such as interior design and decoration, assist distributors in transferring from stores to up-stream section, and acquire portal for user traffic; establish organizations for communication among manufactures club of the exclusive stores, 140 strategic alliance for comprehensive stores, V58 club for core distributors in the form of clubs, strengthen the point-to-point communication with distributors, and satisfy their need for customization. These measures were gradually producing positive results, and the optimization of efficiency for distributors' turnover of products exceeded 30%.

For the **KA channel**, various measures were adopted to deepen cooperation, promote the refined operation of stores and increase the share of channels. Such measures included customization of products, information projects and sharing of data, building Casarte experience hall/experience store to increase the share in the high-end market, as well as upgrade of member benefits.

**Continued to push ahead with the rapid development of business through e-commerce channels, and achieved over 30% growth in revenue in the first half of the year compared with corresponding period of last year.** ① Enhance the establishment of ecosystem of major e-commerce channels and refined operation of channels, expand the entrance of user flow; strengthen promotion through the Internet and increase the Internet elements for the brand; integrate platform resources to organize Haier super branding day, with a view to consolidating the influence of our brand in the Internet community. ② Propel the transformation of Haier's online store [www.ehaier.com](http://www.ehaier.com), to a platform for the interaction of user value, focus on the rebuilding of social network and sedimentation of relation with users based on mobile business; promote the membership management with the pool of users; carry out a number of measures, such as the introduction of new products, content promotion featuring customization, diversification, entertainment and games, with the aim of realizing close interaction with users, and creating business model featured by content-focused and fans economy. The total number of registered users of Haier's online store exceeded 9 million, and the percentage of active users reached 16.8% °

Establish the channel operation system based on the characteristics of the industry of commercial air-conditioners and kitchenware and sanitary ware business. For commercial air-conditioners, the basis for channel for business development was enhanced through the sinking of professional channels and the expansion of diversified channels, building of ecological cycle of the industry users and deployment for decoration market. Compound channel was built and proprietary network was strengthened for kitchenware and sanitary ware business. Through the online dream home decoration festival, building of offline community users, one-stop purchase of home decoration brands, as well as cross-industry alliance such as those with designers to initiate comprehensive and cubic campaign, thus enhancing the influence and image of the brand.

**(III) Overseas market: Acquisition of GE's appliances business, improve the global footprint and consolidate the basis for “going up”**

**Focusing on the directive target system of establishing “brand upgrade, community experience, adding value through synergy”,** the Company continued to promote the intergrated operation, which included upgrade of global brands, manufacturing and R&D of local market, as well as

the construction of the regional synergic mechanism and the mechanism for the sharing of global resources. Under the environment of continued downward trend of the global economy, revenue from overseas business was RMB14.009 billion in the first half of 2016, representing an increase of 31.33% compared with the corresponding period of last year.

**Continued to increase the market share of high-end products, increase the percentage of sales of mid-end and high-end products, and dedicated to realizing the “going up” of overseas business and brand.** ① In European market, we successively launched a number of highly-differentiated, globally-leading products, including the 70cm-wide frost-free combined multi-door refrigerators, full spectrum Cube variable-temperature refrigerators and Gemini Ella washing machines. The release of such products raised both the image of the brand and the unit price level. Sales of high-end differentiated products increased by over 100%, as result, overall revenue grew by over 20%. ② Overall revenue from South Asian market increased by 17% compared with last year: in Indian market, we led the development of the market with the launch of a wide range of products including glass-door refrigerator, French-door refrigerators, cleaning-free washing machine and five-star fix-frequency unit air-conditioner. Prices of our high-end products are all higher than that of Korean brands; In Pakistan market, the Company led the market of French-door refrigerators, which is priced 10% higher than the products of our competitors. ③ Average price of refrigerators and washing machines increased by 8% and 3% respectively as a result of adjustment in product structure.

**Promote the upgrade of supply chain from export from China to the combination of local production and distribution around the world to satisfy the market demand in a rapid manner.** It is expected that the Company’s capability of the supply chain in overseas market will reach 14 million, percentage of sale of own brand will maintain the level of 90%. Regarding the European market, the manufacturing base in Russia was put into operation, which is expected to strengthen the competitive advantage of “localization, low-cost and high-quality service” of Haier’s European business. Regarding the South Asian market, the second phase of the factory in Pune, India commenced construction, which was expected to be completed by the end of 2017. After the commencement of operation, the category of products will be expanded from refrigerator to washing machine, air-conditioner, water heater, while the overall capacity of production will be doubled, thus better serving the needs of local customers.

**Promote the implementation of mechanism for regional collaboration and achieve synergy in the international market.** ① Global R&D resources integrating with the global leading product platforms comprising FPA, GEA, Asia-Pacific (formerly known as white goods of SANYO ) and modulized design, and building on such base, carry out adjustment based on demand of local users and achieve optimization of product development costs and time costs; establishment of the global synergic procurement platform for the share of premium resources of suppliers, with a view to maximizing the benefits from the advantage in cost control. ② Completed the settlement of principal business of GE's appliances and achieved stable transition: in the first half of 2016, GEA recorded sales revenue of US\$3.109 billion, representing an increase of 3.63% compared with the corresponding period of last year; EBITDA was US\$307 million, representing a double-digit growth (GEA's operating results after 6 June was attributed to the Company. In the first half of the year, revenue and net profit attributable to the Company was RMB3,460 million and RMB103 million respectively) ; carry out synergic projects such as procurement, sharing of leading modules and joint establishment of R&D platform; develop plans for development with management, with the aim of recording a year-on-year growth of 5% and 3%-4% respectively for 2016 and 2017, and growth rate of more than 10% for EBITDA for both years.

**(IV) Casarte: focusing on user experience, push ahead with the building of channels and branding to transform from selling products to selling life-style**

With regard to the building of channels: Focusing on the experience consumption of users, in the first half of the year, a total of 21 large innovative experiencing halls and 600 experiencing stores were established, which consolidated our role in leading the trend of consumption of high-end household appliances. In terms of branding broadcasting: ① Continued to develop two high-end precise interaction platforms of Casarte Home Marathon (萨帝家庭马拉松) and Enjoyment Club (思享荟), and enhanced satisfaction with the brand through the interaction method of emotion + community + content and precise integration of promotional campaigns. ② Display the vision of the Casarte brand, as well as the value created for users in terms of science and technology and premium life-style through various industry platforms, such as Appliance & Electronics World Expo (AWE) and Chongqing Merchandise Household Appliances Festival, thus injecting sustained momentum for the development of the brand.

In the first half of the year, the market share of Casarte refrigerator increased by 0.8 pct pt to 5.43%; Casarte washing machine maintained its advantage in the industry of front-loading washing machines at

the unit price of over RMB10,000. Statistics on market share released by CMM showed that market share of Casarte front-loading washing machine in the product segment at the unit price of over RMB10,000 increased by 12.5 pct pt compared with the corresponding period of last year to 61.5%.

**(V) Deepen the development of U+, smart factory system and the Creative Convergence customization platform, explore the operational mode of “Internet appliance + community” and build the base for the future industry**

**Enhance capacity of the U+ smart ecological platform, increase ecological resources, and promote the generation of revenue from third-party**

In the first half of 2016, the Company accelerated the transition of white goods towards “Internet appliance”, upgraded Haier U+ APP2.0, enhanced user’s experience of interaction between the hardware and software, and increased the coverage and stickiness of the entrance of user’s interaction. In the first half of the year, sales of smart white goods reached 1.6 million units, representing an increase of 52%. Accumulated number of users of the Haier’s U+ APP exceeded 18 million, and the number of active users was close to 2 million.

The Company adhered to the development strategy of “Openness, Cooperation, Win-win”, and further developed the platform of U+ smart lifestyle, increased the capability of openness, service and cohesion of the platform. The Company has achieved leading position in the area of smart home in the global WIFI alliance. Based on the compatibility with various protocols, such as Homekit by Apple, Allseen, Google, Weave and Huawei’s HiLink, we have achieved interconnection with different platforms, including JD.com, Alibaba and Microsoft, and the number of types of smart hardware products exceeded 120. The U+ cloud platform comes with the capability of supporting 100 million users and 10 million online equipments, thus realizing sharing of data of users and data of equipment. The efficiency of connection of equipment increased by 30%, and the big data processing capability was doubled. User and equipment data processed every day exceeded 1 billion entries, based on which various capabilities were established, covering analysis of behavior of users, monitoring and assessment of behavior of equipment, analysis of big data of the platform, interaction with natural languages between man and machine, as well as training of U+ intelligent brain, thus delivering comprehensive enhancement of user experience.

The Company strengthened the building of resources for ecological circle to increase user stickiness and promote the thriving of the system. Internally, small and micro companies were incubated through the mechanism for small and micro innovators; externally, a total of 12 incubators had been established and operated with joint efforts, which directly serviced the innovators. The Company also made efforts to promote the U+ platform to attract more small and micro platforms. Collaboration with various premium industrial resources was initiated to achieve synergy within the ecological circle. More than 300 cooperation third-party resources were introduced for such initiative. As part of our strategy of forming alliance of powerful players and achieving win-win results, the Company continued its strategic cooperation and business cooperation with various companies, including Microsoft, Google, Huawei and Meizu to enhance our ecological competitiveness. In addition, in order to supplement the ecological development with investment, the Company continued to invest in core areas of Internet of Things, such as O2O service, artificial intelligence, sensor and big data.

The Company upgraded and improved the implementation of the model of ecological circle, pushed ahead with the synergic development of the smart ecological circles, involving kitchen and foods, sanitary and bathroom, living room, entertainment and security, thus promoting the implementation of the scene economy. The Company also upgraded and launched the U+ smart life 2.0 strategy, and unveiled its artificial intelligence solution for smart home appliances, first of its kind in the industry, which led the future development of smart home appliances and fueled the transition to the mode of “hardware + software + service + content”. For example, the Xinchu smart refrigerator which was developed based on the kitchen ecology recorded accumulated sales of 40 thousand sets since its launch. The number of fans reached more than 500,000, and the frequency of user interaction reached 40 per day, and the percentage of active users was closed to 80%. The smart system platform was built for the Xinchu refrigerator to integrate the smart circle of the cooling industry comprising content resources, module technology resources, media resources, marketing channel resources, while attempt on new profitability model was made, realizing the 0-to-1 change in revenue from third-party.

**Enhancement of soft and hard capability of the smart factory, and the start-up of large-scale customization of the Creative Convergence customization platform**

The Company further deepened the upgraded system of supply chain. In January 2016, the celebration of the commencement of base construction of Haier's smart factory of central air-conditioner was held in Qingdao Sino-Germany Ecological Park. Upon its operation, the factory will pioneer the industry in the rebuilding of smart factory of large water machine (maglev, centrifuge), thus taking a leading role in the manufacturing of large equipment in the central air-conditioner industry.

The mode of smart factory was exported to the system platform capable of providing external services, and the Cosmo (Cloud of Smart Manufacture Operation), our smart manufacturing cloud platform, was established in collaboration with first-class resources around the world. Cosmo focuses on the zero distance between users and resources, supports the participation of users in customization throughout the process, thus offering seamless, transparent and visible user experience and assisting the manufacturing industry in implementing solution for large-scale customization. Moreover, the open platform structure of Cosmo means that it is compatible with third-party applications. In the future, Haier will be capable of providing more professional operational value-added services to industry players covering quality optimization and equipment optimization.

The Company established the Haier Industrial Smart Research Institute, with a view to building the open platform for smart solution for manufacturing industry. The Smart Research Institute offers sedimentation of the industry-leading mode of smart factory, which is refined to form standards and modes that can be copied rapidly internally. At the same time, the industrial smart cloud service platform was formed by iteration to provide overall solution to external parties. The Company has been playing a leading role in the establishment of the standards for smart manufacturing and has become the member unit (the only one of the industry) of the overall team of the National Smart Manufacturing Standardization Committee.

### **Start-up of large-scale customization of the Creative Convergence customization platform**

New modes of customization were implemented on the Creative Convergence (<http://diy.haier.com/>), the Company's experience platform, for community interaction and customization through various means, such as collaboration with IP resources and cross-industry cooperation with home decoration brands. Various needs from users, such as community interaction, scene experience and product customization, are satisfied through these new modes. For the period from January to June, a total of 402,000

customized products were sold, among which 133,100 were sold in Q1, 269,000 were sold in Q2, representing over 100% quarter-on-quarter growth.

IP fans community was established through the cross-industry alliance with various brands and categories including IP images and their license providers, while multi-dimensional and multi-touch points IP customization ecological circle was formed through the interaction and direct flow. The Company also launched Hello Kitty series home appliances, and a total of 11 Hello Kitty customized products under six categories had been released. As at 30 June, an accumulated number of more than 10,000 Hello Kitty products were sold. Haier's refrigerator segment deepened its collaboration with Disney and released a full spectrum of refrigerator products under the brand of Disney, which included French-door refrigerators, multi-door refrigerators and air cooling refrigerators. Efforts were also made to allocate resources to develop online and offline channels.

Cross-industry collaboration with home decoration brands was made to initiate the new mode based on "home appliance + home decoration" scenes to build the mode of "Home Life" scene through the interconnection of the whole industrial chain of manufacture of home appliance + home decoration, to realize the combination of online interaction and offline experience. Fairy tale teller was introduced by integrating the resources of both parties, which merged cartoon images, fairy tales and customized home decoration and electrical appliances. As part of this mode, the Company also introduced children rooms designed for children, which created a world like the scenes described in fairy tales.

## **(VI) Construction of logistics business**

In the first half of the year, the leading position of the Goodaymart Logistics in terms of service capability on the value chain throughout the whole process of logistics for home appliances was further strengthened, while market reputation was also established in the area of large home decoration items service. During the period, we saw rapid growth in business in e-commerce logistics and third-party logistics.

The highly efficient operation of Goodaymart Logistics relied on the continuous improvement of the logistics information system. During the reporting period, Goodaymart Logistics made great efforts to enhance the capability of the logistics platform, and launched five solution platforms, i.e. open smart cloud storage, major line centralized allocation, visible regional allocation, last-mile delivery and installation, as well as value interaction, in order to develop SCM (supply chain management)

comprehensive solution for large home decoration items. As a result of these efforts, the Company had built the capability to deliver flexible, highly efficient, accurate and personal services and to bring best experience to users and customers throughout the whole process.

The cooperation between Goodaymart Logistics and the Tmall platform under Alibaba continued to deepen and reaped satisfactory result. Penetration of e-commerce logistics continued to increase, and the amount of orders for services grew by more than 60% over the corresponding period of last year. During the reporting period, building on the cloud storage facilities nationwide and the service networks across the country, next-day delivery service for household bulky items was launched through the Cainiao platform. The high-quality and leading reputation of user service was maintained for Haier's logistics services on the Tmall platform in the trend of rapid growth in the number of orders. The rating of our logistic service quality had clear leading edge compared to major competitors.

In order to solve the issue of major line of stock preparation faced by some businesses, as well as to realize one-warehouse stock preparation for nationwide distribution and offer alternative stock preparation solutions for businesses, in April 2016, Goodaymart Logistics launched the Shangyu centralized warehouse at places for large home appliances items as planned under the Cainiao system. Such comprehensive solution which integrated warehousing and distribution will increase the competitiveness in the area of large less-than-truck-load items.

As at 30 June 2016, Goodaymart Logistics established 42 first-tier distribution centers and 100 regional logistics centers across the country, and the area of warehouses in its possession or under its management reached nearly 3 million square meters. At present, the peak capacity of Goodaymart Logistics in processing large items is 0.9 million orders, operation capacity of consecutive 7 days is 0.5 million order, standing capacity is 0.25 million orders, representing its strong leading position in the industry.

### **Part III Development plan for the second half of the year**

#### **(I) Industry outlook**

From a long-term perspective, due to the major trend of renewal of stocks and high pressure on the macro-economy in the domestic white goods market, it would be difficult for the white goods industry to

replicate the rapid growth experienced in the past. The upgrade in consumption and the enhancement of the capability of innovation of Chinese companies will continue to fuel the progress of the industry, and there is significant potential for the upgrading of the industrial structure. In the short run, the substantial demand arising from the recovery of the property market is expected to release gradually in the second half of the year and the coming year, while the high temperature will be favorable for the digestion of inventory through the air-conditioner channel. The increasingly intense competition, which accelerates the process of survival of the fittest, will play a positive role in the increase of market share of leading player in the industry.

From a global dimension, against the backdrop of increasingly significant downward risks facing the global economy, the overall market is exposed to great pressure on growth. Leading industry players in China continued to enhance their competitiveness in the global arena through acquisitions and integration. It is expected that overseas market will become the future growth point of companies in home appliance business.

## **(II) Major tasks of the Company in the second half of the year**

The Company will take advantage of the trend of upgrade within the industry, and lead the upgrade in consumption through the iteration of products. The development of air-conditioner and kitchen appliance will be continuously strengthened while the leading edge in refrigerator, washing machine and water heater industry will be maintained. **In the domestic market**, the Company will continue to push ahead with the transformation and upgrade of its retail business, and the model of expanding services to towns. Standards of rendering services to customers in counties and towns by service providers will be developed to achieve transformation and upgrade of services. Strategic alliance of distributors will be formed to increase the market share through the channel of comprehensive store and to explore potential for incremental growth. In terms of the e-commerce channels, the deployment of products will be optimized to enhance marketing capability and establish flexible mechanism of operation and to seize the market opportunity arising from the rapid development of e-commerce business. With regard to the Casarte business, deployment for business on the Internet will be accelerated and more efforts will be put into the development of interaction platforms and itinerary lifestyle shows. As part of this strategy, the Company will deepen the cooperation with Zhejiang Satellite TV on the program Twelve Tastes (12道锋味). The taste kitchen equipped with relevant products will showcase high-quality lifestyle of home

appliance to high-end target consumers. **In overseas market**, we will open and integrate various global resources, secure the implementation of the localization of the triple-to-one, namely R&D, manufacturing and sale, “man-order integration” to realize enhancement of brand and the market share of high-end products. The Company will also deepen the finalization and integration with GEA synergy projects, and promote the attainment of targets of GEA business plans and the release of synergy effect.

**U+ business:** Based on the implementation of the 2.0 strategy for U+ smart life, the Company will push ahead with the construction of five capability platforms, namely the U+ cloud platform, U+ brain, Haier U+ APP, platform for the ecosystem, platform for open resources. The Company will also consolidate the scenes of application for artificial intelligence and big data in home appliance products, and make continuous efforts in developing the Internet of Things on the U+ platform as well as the quantity and quality of interaction among users. In addition, the Company also intends to enhance the full scene end-to-end user experience and the value of platforms.

**Connecting factory:** Further explore the model of smart factory, materialize and summarize successful experience and make comprehensive breakthrough in technology, model and innovation. Build comprehensive service capability featuring core standards and mode for exporting smart manufacturing through the integration of first-class resources around the world and on the basis of making breakthrough in critical common technologies for smart manufacturing. Establish COSMO platform based on cloud structure through the convergence of expertise on the whole ecological chain. Further enhance the capability of smart, visible and soft large scale customization with parallel involvement from user and resources providers.

**Creative Convergence customization business:** Pioneered by home decoration industry, carry out the construction of the ecosystem of the customization platform and build scene economy. On the basis of such capabilities, extending the cross-industry cooperation in other areas, integrating associated industrial resources, providing comprehensive smart and Internet of Things home decoration solutions.

**Logistics business:** Through strategic cooperation with Alibaba platform, seize opportunities for growth in logistics business arising from the rapid growth in online large goods, and develop end-to-end platform solution for logistics of large items. On the basis of warehousing and transportation and distribution business, explore logistics value-added service areas such as packaging, recycling of raw materials and reverse logistics.

**(I) Analysis of principal business****1 Table of movement analysis on the related items in financial statement**

Unit and Currency: RMB

Items	Current period	Corresponding period of last year	Change (%)
Operating revenue	48,786,606,924.87	47,313,293,035.65	3.11
Operating cost	34,675,732,074.42	34,452,549,833.31	0.65
Sales expense	6,693,076,335.80	6,149,238,598.81	8.84
Administrative expenses	3,543,082,531.68	3,125,316,640.02	13.37
Financial expenses	125,069,008.47	-217,283,087.33	157.56
Net cash flows generating from operating activities	4,754,556,382.69	1,760,931,701.32	170.00
Net cash flows generating from investing activities	-36,998,768,852.90	-4,294,251,697.39	-761.59
Net cash flows generating from financing activities	29,440,960,074.11	-244,429,996.56	12,144.74
Research and development expense	834,627,090.73	78,064,195.82	969.15
Financial assets at fair value and change of which included in the current profit or loss	562,343.01	22,069,897.04	-97.45
Receivables	13,093,193,090.44	6,046,443,252.84	116.54
Prepayments	838,676,200.31	526,722,364.61	59.23
Interests receivables	89,753,096.80	183,731,216.46	-51.15
Dividends receivables	131,393,412.47	85,826,158.26	53.09
Other receivables	807,853,942.92	544,784,127.95	48.29
Inventories	13,254,832,579.89	8,563,533,478.52	54.78
Non-current assets due within one year	29,198,448.95		100
Available-for-sale financial assets	1,548,582,371.11	2,837,318,201.20	-45.42
Long-term equity investments	9,619,749,673.20	4,958,908,333.93	93.99
Fixed assets	15,816,115,969.52	8,424,171,471.44	87.75
Intangible assets	7,001,122,314.06	1,454,295,538.84	381.41
Goodwill	20,231,079,222.25	392,484,932.55	5,054.61
Other non-current assets	535,149,030.48	399,084,091.53	34.09
Short-term borrowing	10,359,804,325.51	1,873,108,241.50	453.08
Financial liabilities at fair value and change of which included in the current profit or loss	179,803,749.09	7,707,414.12	2,232.87
Trade payables	21,934,222,531.29	14,662,615,841.25	49.59

Interests payable	84,247,370.02	15,081,416.34	458.62
Dividends payable	286,296,730.13	133,382,009.73	114.64
Other payables	8,153,747,154.46	6,091,623,233.28	33.85
Non-current liabilities due within one year	3,351,400,414.52	72,898,028.33	4,497.38
Long-term borrowing	19,969,889,938.66	297,241,293.20	6,618.41
Debentures payable		1,107,734,516.43	-100.00
Long-term payable	104,047,037.58	59,916,852.02	73.65
Long-term employee benefits payable	1,287,581,681.41	33,209,406.02	3,777.16
Treasury stock	30,207,838.00	77,604,544.70	-61.07
Other comprehensive income	246,512,045.36	633,183,460.03	-61.07
Income from change in fair value	-182,258,158.84	-16,917,216.84	-977.35
Investment income	1,029,193,799.84	502,572,721.49	104.79
Non-operating income	460,324,873.14	169,218,556.68	172.03
Non-operating expenses	56,483,320.12	34,478,058.18	63.82
Other comprehensive income, net of tax	-376,650,095.76	71,252,944.53	-628.61

Movement analysis on the reasons of large change in financial indicators:

(1) Financial assets measured at fair value and changes of which included in current profit and loss decreased by 97.45% from the beginning of the period, which was mainly attributable to the influence of change in fair value of derivative financial instruments such as future exchange during the period;

(2) Trade receivable increased by 116.54% from the beginning of the period, which was mainly attributable to the incorporation as a results of acquisition of GEA during the period;

(3) Prepaid amount increased by 59.23% from the beginning of the period, which was mainly attributable to the increase of prepayment to supplier during the period;

(4) Interests receivable decreased by 51.15% from the beginning of the period, which was mainly attributable to the decrease of confirmed but not received interest;

(5) Dividend receivable increased by 53.09% from the beginning of the period, which was mainly attributable to Qingdao Bank declared dividends;

(6) Other receivable increased by 48.29% from the beginning of the period, which was mainly attributable to the incorporation as a results of acquisition of GEA during the period;

(7) Inventories increased by 54.78% from the beginning of the period, which was mainly attributable to the incorporation as a result of acquisition of GEA during the period;

(8) Non-current assets due within one year increased by 100% from the beginning of the period, which was mainly attributable to the reclassification of long-term prepaid expenses due within one year;

(9) Available-for-sale financial assets decreased by 45.42% from the beginning of the period, which was mainly due to the change in the accounting of the investment equity interest in Bank of Qingdao held in the current period, which has been reclassified from available-for-sale financial assets to long-term investment in equity interests;

(10) Long-term equity investments increased by 93.99% from the beginning of the period, which was mainly attributable to the incorporation as a result of acquisition of GEA during the period;

(11) Fixed assets increased by 87.75% from the beginning of the period, which was mainly attributable to the incorporation as a result of acquisition of GEA during the period?

(12) Intangible assets increased by 381.41% from the beginning of the period, which was mainly attributable to the incorporation as a result of acquisition of GEA during the period;

(13) Research and development expense increased by 969.15% from the beginning of the period, which was mainly attributable to the incorporation as a result of acquisition of GEA during the period;

(14) Goodwill increased by 5054.61% from the beginning of the period, which was mainly attributable to the incorporation as a result of acquisition of GEA not under common control;

(15) Other non-current assets increased by 34.09% from the beginning of the period, which was mainly attributable to the incorporation as a result of acquisition of GEA during the period;

(16) Short-term borrowings increased by 453.08% from the beginning of the period, which was mainly attributable to the increase of flow borrowings in subsidiaries;

(17) Financial liabilities at fair value and change of which included in the current profit or loss increased by 2232.87% from the beginning of the period, which was mainly attributable to the change of fair value of forward financial instruments such as future foreign exchange and the acquisition of GEA during the period;

(18) Trade payable increased by 49.59% from the beginning of the period, which was mainly attributable to the incorporation as a results of acquisition of GEA during the period;

(19) Interests payable increased by 458.62% from the beginning of the period, which was mainly attributable to the increase of borrowings during the period;

(20) Dividends payable increased by 114.64% from the beginning of the period, which was mainly attributable to the increase of unallocated dividends in subsidiaries;

(21) Other payable increased by 33.85% from the beginning of the period, which was mainly attributable to the incorporation as a results of acquisition of GEA during the period;

(22) Non-current liabilities due within one year increased by 4497.38 % from the beginning of the period, mainly due to the incorporation as a result of acquisition of GEA and the bonds payable by subsidiaries has been reclassified into non-current liabilities due within one year;

(23) Long-term borrowings increased by 6618.41% from the beginning of the period, mainly due to the acquisition of GEA during the current period for debt financing;

(24) Debentures payable decreased by 100% from the beginning of the period, mainly due to the reclassification into non-current liability due within one year;

(25) Long-term payable increased by 73.65% from the beginning of the period, mainly due to the absorption by subsidiaries of the fund investment by the China Development Bank;

(26) Long-term employee benefits payable increased by 3777.16% from the beginning of the period, which was mainly attributable to the incorporation as a result of acquisition of GEA during the period;

(27) Treasury stock decreased by 61.07% from the beginning of the period, which was mainly attributable to the cancellation of shares repurchased by the Company from open market during the period;

(28) Other comprehensive income decreased by 61.07% from the beginning of the period, which was mainly attributable to the changes in the accounting policies in respect of the Bank of Qingdao;

(29) Net cash flows generating from operating activities increased by 170% compared with the corresponding period of last year, which was mainly attributable to the strengthening in management and control over recovery of funds and management of credit period by the Company during the period;

(30) Net cash flows generating from investing activities decreased by 761.59% compared with the corresponding period of last year, which was mainly attributable to the payment of consideration for acquisition of GEA during the period;

(31) Net cash flows generating from financing activities increased by 12144.74% compared with the corresponding period of last year, which was mainly attributable to the debt financing for the acquisition of GEA during the period.

## **2. Others**

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

(1) Financial expenses increased by 157.56% as compared with the corresponding period of last year, which was mainly attributable to the increase of borrowings during the period;

(2) Income from change in fair value decreased by 977.35% compared with the corresponding period of last year, which was mainly attributable to the change in fair value of derivative financial instruments such as future exchange;

(3) Investment income increased by 104.79% as compared with the corresponding period of last year, which was mainly attributable to the changes of accounting methods in equity of Bank of Qingdao for the period, the accumulative changes in fair value of other comprehensive income originally included in other comprehensive income transferred to current investment income;

(4) The non-operating income increased by 172.03% as compared with the corresponding period of last year, which was mainly attributable to the changes of accounting methods in equity of Bank of Qingdao for the period, and the difference between the fair value of the equity and the attributable fair

value of net identifiable assets of the Bank of Qingdao as determined according to the proportion of shareholding;

(5) Non-operating expenses increased by 63.82% as compared with the corresponding period of last year, which was mainly attributable to the increase of loss from disposal of non-current assets;

(6) Net of other comprehensive income after tax decreased by 628.61% as compared with the corresponding period of last year, which was mainly attributable to the changes of accounting policies in Bank of Qingdao for the period.

## **(2) Analysis of and explanation on the progress of implementation of prior financing activities and material asset reorganization of the Company**

During the reporting period, the Company made proposal for material asset reorganization, under which the Company intends to acquire the assets of GE's home appliance business (GEA) in cash, details of which are set out in the Proposal for Material Acquisition of Assets by Qingdao Haier Co., Ltd. disclosed on 16 January 2016, the Report on Material Acquisition of Assets by Qingdao Haier Co., Ltd. (Draft) disclosed on 15 March 2016, and monthly announcements on the progress of the implementation of the reorganization during the reporting period, etc. As at the end of the reporting period, the funds for acquisition had been paid in full, while the settlement of assets had been completed with the exception of a small part of assets in Saudi Arabia, India and some other places, which was subject to some procedures for transfer of assets.

## **(II) Analysis on operations by industries, products and regions**

### **1. Operating activities by industries, products and regions**

Unit and Currency: RMB

Principle operating activities by products						
Product	Revenue	Operating cost	Gross profit margin (%)	Increase/decrease in revenue compared with last year (%)	Increase/decrease in operating cost compared with last year (%)	Increase/decrease in gross profit margin compared with last year (%)
Air-conditioners	9,491,972,643.18	6,519,203,423.83	31.32	-7.50	-9.51	Increased by 1.52 pct pt
Refrigerators	14,280,076,125.66	9,476,044,381.62	33.64	-4.75	-6.57	Increased by 1.29 pct pt
Kitchenware and sanity ware	3,476,650,640.93	1,940,254,349.21	44.19	8.96	6.72	Increased by 1.17 pct pt

Washing machines	8,050,292,911.89	5,347,016,823.62	33.58	2.39	0.23	Increased by 1.43 pct pt
Equipment components	1,249,804,964.69	1,058,835,187.55	15.28	8.54	7.69	Increased by 0.66 pct pt
GEA	3,453,257,406.23	2,399,627,008.82	30.51			
Channel integrated services business and others	8,394,598,006.53	7,841,537,429.00	6.59	-11.03	-12.30	Increased by 1.36 pct pt

## 2. Principle operating activities by regions

Unit and Currency: RMB

Region	Revenue	Increase/decrease in revenue compared with last year (%)
Domestic market	34,826,153,702.66	-4.97
International market	14,008,965,748.50	31.33

### (III) Analysis on core competitiveness

Since the foundation of the Company in 1984, it always adhered to the principle of driving the sustainable and healthy development with the innovation system centered on the needs of users, and 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 realize sustainable development across different cycles through continued innovations on development strategy and operating mode, brand, research and development, products, 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 first among global large home appliances brands for 7 years, refrigerators, washing machines, wine cellars, freezers continue to be ranked the first in the world. In response to the personalization and diversification of users' needs, Haier persists in promoting multi-brands operating strategy and building a multi-level system of brands. In domestic market, the Company mainly operates Haier, Casarte and Tongshuai brands, in which, Casarte has become the first choice among high-end home appliance brands for successive years. In markets of different overseas areas, the Company promotes double-brands operating strategy to comprehensively cover terminal markets of different levels. According to the latest

brands research data announced by Millward Brown, the leading global information consulting company, currently, Haier has expanded its brand popularity in overseas markets over 60%, while in Pakistan and Nigeria, Haier popularity tops to 99% and 95% respectively. Haier's core competitiveness lies in the global presence of its brand, and the recognition of consumers. Leveraging on these advantages, Haier is able to maintain its leading position amidst ever-changing industry landscape as it faces competition from various brands home and abroad and the changes of channel, the emergence of e-commerce.

**(II) R&D competitiveness:** Stick to the open innovative strategy of — The world is my R&D department, focusing on customers' needs to promote innovation, reforming conventional waterfall R&D to iteration R&D, meanwhile, establishing open innovation platform with integration of on-line and off-line modes to support such transformation, so as to realize zero distance interaction among global users, innovators and creative resources and support to produce revolutionary solutions. ①On-line open innovation platform, HOPE, could realize matching between innovation sources and resources in course of innovation transformation and continuously produce sector-cross and revolutionary creative results. It has become a leading domestic open innovation platform. Currently, this platform could contact 3,200,000 leading resources of the world with 370,000 registered resources and averagely produce over 6,000 innovative ideas every year. R&D matching period has been shortened to six weeks from previous eight weeks. ②For off-line aspect, the Company has built five top R&D centers in the world, which are located in Qingdao, Japan, Germany, United States, New Zealand established global open innovation resources and realized off-line interaction and products transformation and iterate network. The Company constantly keeps its technology, products and innovation ability advanced and competitive and has accumulatively obtained 90 international design awards and 14 national science and technology awards. In addition, the Company has led to promote the establishment of the first work team for international standards of refrigerator, which fulfills a breakthrough of zero record of such team in domestic refrigerator area. Patents and relevant percentage which represent our innovation ability maintain leading position in the home appliance industry.

**(III)Product competitiveness:** The Company adheres to the product-oriented strategy and adapts to the trend of the era, and promotes the transition from selling products to providing integrated smart home appliance solutions to consumers. We have developed comprehensive product lines, covering refrigerators, freezers, washing machines, air-conditioners, water heaters, kitchen electrical appliances,

small home appliances, U-home smart home business, etc., which enable us to offer integrated solutions for smart homes to our customers. The Company has continuously launched innovative products to lead the development of the industry which developed and manufactured with the consumer's complaints and new drawbacks of needs from the consumers' needs interaction in mind. These products include Haier Tianzhun air-conditioners, Haier self-cleaning air-conditioners, Haier maglev central air-conditioners, Haier clean-free washing machines, the Casarte Gemni washing machine featured by dual front-loading drums, super quietness and refined separated washing; the Casarte Yunzhen refrigerator featured by precise freshness preservation technology; the Casarte legendary water heater featured by high safety and carbon monoxide-free; the self-cleaning kitchen ventilator with the application of automatic capturing oil-cleaning technologies, which is capable of separating oil and smoke and the highly efficient cleaning of the core element of the ventilator, all of which is leading the development of the industry. Following the trend of demand towards healthy, environmentally-friendly, high-end, personalized and diversified products in the home appliance industry, the precise targeting of resolving the drawbacks experienced by consumers and the emphasis on environmental protection has become the core of the competitiveness of products. We ranked the first in terms of market shares of Haier's refrigerator, freezer, washing machine and water heater business, and we ranked top three in the industry in terms of the market share of Haier's air-conditioner products.

**(IV)Network competitiveness:** Diversified marketing network, logistics network and service network system combined online and offline facilitate the company to meet consumer's experience efficiently. The Company maintains long-term favorable strategic cooperation with channels including Gome, Suning and regional home appliance chain stores. In respect of own channels, Haier has established more than 8,000 county-level stores, and more than 30,000 town and country-level networks. The logistic system across the nation guarantees the distribution to counties within 24 hours and to towns within 48 hours, thus achieving distribution on demand and one-stop service of distribution and installation. The network comprising more than 20,000 service providers is always available for service, which enable us to offer comprehensive, timely and care-free services. In respect of e-commerce channel with rapid development, the Company maintains favorable cooperation with e-commerce platforms including Tmall and JD, and advances business development through individual and different products layout.

**(V) Supply chain competitiveness:** The Company owns advanced and smart manufacture capability and process technologies to provide consumers with high-quality and serial home appliance products and resolutions. Facing with challenges bring by Internet era, the Company initiatively promotes the transformation from large-scale manufacture to large-scale customization, constructs large-scale customized factory which could realize the large-scale customization, develops standard to integrate resources, builds customized platform and implements customized measures, thus to satisfy consumers' increasing personal and customized needs. ①Initiatively launch a platform that delivers connected customization experience for user community, namely Creative Convergence (<http://diy.haier.com/>), which provides users with information channels and solutions through various modes including module customization, crowd-sourcing customization and special customization. ②Set up five connected factories covering refrigerators, air conditioners, washing machines, water heaters and establish connecting factory system, which formed the capability of customization, and could realize direct delivery of orders from users to factory and direct delivery of products from factory to users. In the first half of 2016, we have realized the customization for 400,000 products. ③Establish an open platform called Haidayuan (<http://l.haier.com/>) that delivers connected experience for module suppliers. Through such platform, suppliers are transformed from retailers to module suppliers, who participate in design and provide module-oriented solutions to meet individual needs and create best user experience.

**(VI) Overseas market triple-to-one competitiveness of research and development, manufacture and marketing: Stick to own brand development strategy and develop competitiveness advantages basing on localization, low cost and high-quality service via a triple-to-one localization mode of integrating research and development, manufacture and marketing.** ①Localized supply chain system includes nine overseas factories covering Europe, America, Asia, Middle East and Africa; ②Continuously improved brand awareness and reputation: According to survey data provided by Millward Brown, a world-renowned brand information consulting company, Haier brand awareness in overseas market has exceeded 60%. In Europe, America, Japan, Korea and other developed countries, while Haier brand awareness is improving stably year by year, the design, quality and innovative elements of Haier refrigerator and washing machine are well known and recognized by local users. ③Channel layout appropriate for different regional characters: Our products are sold to over 100 countries, the overseas

sales network covers over 43,000 entities. In developed markets, such as Europe and America, Haier brand has been successfully ranked into local top 10 internationalized large-scale chain stores. Haier are putting much effort in developing home appliance franchised stores in developing countries. In view of channel transformation opportunities brought out by rapid development of e-commerce in internet era, Haier actively promotes the synchronous development of conventional off-line channels and on-line e-commerce channels.

Furthermore, the acquisition of the home appliance assets of GE further enhanced the competitiveness of the Company in overseas market. The home appliance business of GE has a long history of more than one hundred years. The Company is one of the largest manufacturer in the world, whose business covers five major business segments: kitchen electrical appliances products, cooling and freezing products, laundry products, dishwashers and household care products. It offers nearly 30 different types and thousands of different types of leading home appliance products and related services. In addition, the Company has accumulated rich experience in the industry, as well as leading R&D capability and technologies, robust strategic marketing network and world-class logistics and distribution capabilities. As an influential industry player with strong competitiveness, its competitive advantages also include: ①internationally-renowned influence and leading market position in the industry; ②world-class supply chain network and unparalleled advantages in terms of channels; ③progressive spirit of innovation and industry-leading R&D capabilities; ④capabilities for integrated synergic operation of the industrial chain and sharing of resources; ⑤excellent and established brand matrix with full coverage of demand of customers.

**(VII) Cultural competitiveness:** Credibility culture based on quality and service is the core energy of Haier growth, and also is 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 home appliances manufacturers in the world, and keeps the leading position in world-wide innovation trend in internet era. Haier upholds the concept of — always meeting customers' requirements and creating requirements for customers while constantly denying, challenging and rebuilding ourselves. This concept stimulates the spirit of innovation, revolution and entrepreneurship of Haier and motivates it to follow up the times and continuously improve and challenge itself, so as to always and initially seize development opportunities.

The win-win model of combining people and order is the assurance of sustainable operation of Haier. In exploring the — Person-Order Integration 2.0, Co-create and Win-win Ecological Cycle Model, Haier endeavors to build co-create and win-win ecological cycle basing on user value interaction in new stage of e-commerce era to make every employee be his/her own CEO and realize its own value while creating value for users, so as to achieve win-win situation which is critical to parties in the ecological cycle.

#### (IV) Analysis on Investment

##### I. Overall analysis on external equity investment

During the reporting period, the external equity investment of the Company amounted to RMB 37.30 billion.

Name of company invested	Principle operating activities	Percentage of the equity interest of the company invested (%)	Remark	Amount of investment (RMB 100 million)	Amounted invested (RMB 100 million)
Acquisition of relevant assets of the home appliance business of GE	Home appliance business	100	For details, please refer to the Proposal for Material Acquisition of Assets by Qingdao Haier Co., Ltd. disclosed on 16 January 2016 and the monthly announcements on the progress of the implementation of reorganization of the Company during the reporting period.	364.6	364.6
Acquisition of the 49% equity interest in Qingdao Haier Carrier Refrigeration Equipment Co., Ltd. (“Carrier”) and 45% equity interest in Mitsubishi Heavy Industries Haier (Qingdao) Air-conditioners Co.,	Home appliance business	/	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 Connected Transaction (L 2015-062) disclosed on 23 December 2015, the Announcement on the Resolution Passed on the First Extraordinary	8.4	0

Ltd. ("Mitsubishi") held by Haier Group.			General Meeting of Qingdao Haier Co., Ltd for the Year 2016 (L 2016-002) disclosed on 8 January 2016 and relevant announcements.		
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Note: Relevant assets of the home appliance business of GE acquired include equity interest of the subject company, equity interest of the joint venture, minority equity interest and other relevant assets not related to equity interest. The consideration for the acquisition was US\$5.576 billion.

**(1) Investment in securities**

☐Applicable ☒Not Applicable

**(2) Shareholding in other listed companies**

☒Applicable ☐Not Applicable

Unit: RMB

Code of security	Abbreviation of security	Initial cost of investment	Percent age of shareholding at the beginning of the period (%)	Percent age of shareholding at the end of the period (%)	Carrying value at the end of the period	Profit or loss for the reporting period	Change in interests of owners during the reporting period	Accounting items	Source of shares
601328	Bank of Communications	1,803,769.50			7,669,478.76		-937,910.51	Available-for-sale financial assets	
600827	BAILIAN	154,770.00			475,807.04		-193,848.05		
300183	Eastsoft	18,713,562.84			20,714,679.00		-312,283.55		
000386	Bank of Qingdao	890,308,859.84	9.47	9.47	1,617,048,086.92	818,068,269.34	-14,460,102.63	Long-term investment in equity	
Total		910,980,962.18	/	/	1,645,908,051.72	818,068,269.34	-15,904,144.74	/	/

**(3) Shareholding in financial companies**

☒Applicable ☐Not Applicable

Name of company invested	Initial cost of Investment (RMB)	Percentage of shareholding at	Percentage of shareholding at	Carrying value at the end of the period (RMB)	Profit or loss during the reporting period (RMB)	Change in interests of owners during the reporting period	Accounting items	Source of shares
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		the beginnin g of the period (%)	the end of the period (%)			period (RMB)		
Haier Group Finance Co., Ltd.	420,000,000.00	42	42	3,855,693,974.43	269,707,873.04	-18,786,652.19	Long-te rm investm ent in equity	Own funds
Total	420,000,000.00	/	/	3,855,693,974.43	269,707,873.04	-18,786,652.19	/	/

## 2. Investment in entrusted wealth management and derivatives by non-financial companies

### (1) Entrusted wealth management

√Applicable □ Not Applicable

Unit and Currency: RMB

The name of Parties	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	Expected benefit	Actual amount of principal received	Actual gains	Through legal proceedings or not	Provision for impairment loss	Connected transaction or not	Involved in litigation or not	Source of capital and whether it belongs to raised funds	Connected relation
Mitsubishi Tokyo UFJ Bank (China) Co., Ltd.	Structured deposit	260,449,305.7	2016/4/29	2017/4/28	Minimum guarantee interest rate + floating income	8,777,141.601				0	No	No		
Total	/	260,449,305.7	/	/	/	8,777,141.601			/	0	/	/	/	/
Accumulated past due unrecovered principal and income (RMB)						0								
Description of entrusted wealth management						None								

### (2) Entrusted loans

□Applicable √ Not Applicable

**(3) Other investment wealth management and derivatives investment**

☐Applicable ☒Not Applicable

### 3. Usage of proceeds

#### (1) General usage of proceeds

☐ Applicable ☒ Not Applicable

#### (2) Usage of proceeds for committed projects

☐ Applicable ☒ Not Applicable

#### (3) Status of change of usage of proceeds

☐ Applicable ☒ Not Applicable

### 4. Analysis on the principal subsidiaries and participating companies

Unit and Currency: RMB 0'000

Name of company	Scope of business	Registered capital (RMB0'000)	Total assets	Net assets	Net profit
Haier Electronics Group Co., Ltd.	Production and sale of home appliances	/	2,948,589	1,644,566	106,918
Qingdao Haier Air-Conditioner Co., Ltd	Air conditioner manufacturing	1,671(USD )	389,994	293,252	77,262
Chong Qing Haier Air-Conditioner Co., Ltd	Air conditioner manufacturing	13,000	209,600	179,454	23,459
Hefei Haier Refrigerator Co., Ltd.	The refrigerator manufacturing	4,900	216,946	118,169	20,394

Note: Haier Electronics Group Co., Ltd. (a company listed in Hong Kong, short name: Haier Electronics, stock code: 01169.HK) The financial data is determined in accordance with the accounting standards generally accepted in the PRC and the accounting policies of the Company.

### 5. Projects not to be financed by the proceeds

☒ Applicable ☐ Not Applicable

Unit: RMB100 million Currency: RMB

Name of project	Amount of project	Progress of project	Amount of investment during the reporting	Accumulated actual amount of investment	Revenue from the project
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			period		
Acquisition of the home appliance business of GE	364.6	The settlement of assets had been completed with the exception of a small part of assets in Saudi Arabia, India and some other places, which was subject to some procedures for transfer of assets	364.6	364.6	During the reporting period, the acquired asset delivered profit of US\$ 16 million
Acquisition of minority interest in Mitsubishi and Carrier	8.4	As at the end of the reporting period, the funds for the project had not been paid	0	0	/
Total	373.0	/	364.6	364.6	/

#### Explanation of projects not to be financed by the proceeds

(1) During the reporting period, the Company made proposal for material asset reorganization, under which the Company intends to acquire the assets of GE's home appliance business in cash. Details are set out in the Proposal for Material Acquisition of Assets by Qingdao Haier Co., Ltd. disclosed on 16 January 2016, the Report on Material Acquisition of Assets by Qingdao Haier Co., Ltd. (Draft) disclosed on 15 March 2016, and monthly announcements on the progress of the implementation of the reorganization during the reporting period, etc. As at the end of the reporting period, the funds for acquisition had been paid in full, while the settlement of assets had been completed with the exception of a small part of assets in Saudi Arabia, India and some other places, which was subject to some procedures for transfer of assets.

(2) During the reporting period, the meeting of the Board shareholders' meeting of the Company considered and passed the related bills to acquire 49% equity of Qingdao Haier Carrier Refrigeration Equipment Co., Ltd. (referred to as "Carrier") and 45% equity of Mitsubishi Heavy Industries Haier (Qingdao) Air Conditioner Co., Ltd. (referred to as "Mitsubishi") held by Haier Group. 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 Connected Transaction (L 2015-062) disclosed on 23 December 2015, the Announcement on the Resolution Passed on the First Extraordinary

General Meeting of Qingdao Haier Co., Ltd. in 2016 (L 2016-002) disclosed on 8 January 2016 and relevant announcements.

## **II. Proposal for Profit Distribution or Capital Reserve Conversion**

### **(I) The performance or adjustment of implementation plans for profit distribution**

The Company has always applied the continuous and stable profit distribution policy. 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 with the opportunity to share in the growth of value, so that investors could form the expectation of a stable return.

During the reporting period, the Company strictly followed the requirements set out in the Articles of Association and the newly formulated —Shareholder Return Plan for the Next Three Years (2015-2017). The Company's 2015 profit distribution plan was passed on the 2015 Annual General Meeting of the Company: based on 6,097,630,727 shares, distribute of RMB2.12 per 10 shares (tax inclusive).

#### **The time frame of the implementation of the distribution of dividends is as follows:**

Registration date: 25 July 2016; Ex-right (ex-dividend) Date: 26 July 2016; Date of payment of cash dividend: 26 July 2016. The Announcement on the Allocation of Profit of Qingdao Haier Co., Ltd. in 2015 was published on the four major securities newspapers and the website of the Shanghai Stock Exchange (<http://www.sse.com.cn>) on 20 July 2016.

### **(II) Half-year Proposal for Profit Distribution and proposal for Capital Reserve Conversion of Ordinary Shares**

Whether distributed or converted	No
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## **III. Other disclosures**

**(I) Warning and explanation in respect of the estimate that the accumulated net profit during the period from the beginning of the year to the end of the next reporting period may be a loss or recorded significant changes compared with the corresponding period of last year**

☐ Applicable ☒ Not Applicable

**(II) Description of the Board of Directors and Board of Supervisors on the “non-standard audit report” issued by the accounting firm**

☐Applicable ☒Not Applicable

## SECTION V SIGNIFICANT EVENTS

### I. Material litigation, arbitration and media question matters

☐Applicable ☒Not Applicable

### II. Bankruptcy and reorganization related matters

☐Applicable ☒Not Applicable

### III. Transactions of assets and mergers of businesses

☒Applicable ☐Not Applicable

#### (I) Acquisition and disposal of asset and combination of business by the Company which have been disclosed in the temporary announcements and have no change in the subsequent implementation process

Summarized Explanations and Types	Index for details
Acquisition of GEA: During the reporting period, the Company made proposal for material asset reorganization, under which the Company intends to acquire the assets of GE's home appliance business "(GEA)" in cash. As at the end of the reporting period, the funds for acquisition had been paid in full, while the settlement of assets had been completed with the exception of a small part of equity in Saudi Arabia, India and some other places.	For details, please refer to the Proposal for Material Acquisition of Assets by Qingdao Haier Co., Ltd. disclosed on 16 January 2016, the Report on Material Acquisition of Assets by Qingdao Haier Co., Ltd. (Draft) disclosed on 15 March 2016, and relevant monthly announcements in the progress of the implementation of reorganization of the Company during the reporting period.
Acquisition of minority interest in Mitsubishi and Carrier: In December 2015 and January 2016, the Board/General Meeting of the Company approved the proposed acquisition of the 49% equity interest in Qingdao Haier Carrier Refrigeration Equipment Co., Ltd. ("Carrier") and 45% equity interest in Mitsubishi Heavy Industries Haier (Qingdao) Air-conditioners Co., Ltd. ("Mitsubishi") held by Haier Group at a consideration of RMB841 million.	For details, please refer to the Announcement on the Acquisition of the Equity Interest in a Sino-foreign Joint Venture Held by Haier Group Corporation and Connected Transaction of the Qingdao Haier Co., Ltd. (L 2015-062) disclosed on 23 December 2015, the Announcement on the Resolution Passed on the First Extraordinary General Meeting of Qingdao Haier Co., Ltd in 2016 (L 2016-002) disclosed on 8 January 2016 and relevant announcements.

#### (II) Not disclosed in temporary announcements or with subsequent progress

☐Applicable ☒Not Applicable

#### IV. Share Option Incentive of the Company and its effects

√Applicable □Not Applicable

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

Summarized Explanations	Index for details
<b>Cancellation of exercise/unlocking of certain equity under the Fourth Share Option Incentive Scheme:</b> On 28 April 2016, the Resolution on the Cancellation of Exercise/unlocking in Respect of Certain Equity Under the Fourth Share Option Incentive Scheme of Qingdao Haier Co., Ltd. was passed on the 30 <sup>th</sup> meeting of the 8 <sup>th</sup> session of the Board of the Company, according to which the exercise/unlocking of the equity incentive based on the assessment for the year 2015 was cancelled as the results for the year 2015 had not reached the condition for exercise/unlocking.	For details, please refer to the Announcement on the Cancellation of Exercise/unlocking in Respect of Certain Equity Under the Fourth Share Option Incentive Scheme of Qingdao Haier Co., Ltd. (L 2016-030) disclosed on 29 April 2016 and relevant announcement on the resolutions of the Board and others.
<b>Launch of employee shareholding plan:</b> On 28 April 2016, the Shareholding Plan for Core Employees of Qingdao Haier Co., Ltd. (Draft) and Summary and other relevant resolutions were passed on the 30 <sup>th</sup> meeting of the 8 <sup>th</sup> session of the Board of the Company. Such resolutions were also approved and passed on the Annual General Meeting for the year 2015 held on 31 May 2016.	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 announcements on the resolutions of the Board disclosed on, and the announcement on the resolution passed on the general meeting disclosed on 1 June 2016.

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

√Applicable □ Not Applicable

Incentive method: restricted shares

Resources of target shares: shares issued to Participants

Unit: Shares

Scope of participants in the incentive scheme during the reporting period	(1)Participants in the first phase of granting under the Fourth Share Option Incentive Scheme: Directors (excluding Independent Directors), Members of senior management, core technical (business) staff, the total number of which is 430; (2)Participants in the retained part of the Fourth Share Option Incentive Scheme: Directors (excluding Independent Directors), Members of senior management, core technical (business) staff, the total
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	number of which is 8.			
Total number of interests granted during the reporting period	0			
Total number of interests exercised during the reporting period	0			
Total number of interests lapsed during the reporting period	57,036,000			
Total accumulated number of interests granted but not exercised as at the end of the reporting period	1,008,000			
Total accumulated number of interests granted and exercised as at the end of the reporting period	94,145,400			
Adjustments to the grant price and exercise price and latest grant price and exercise after adjustment during the reporting period	During the reporting period, the latest price of exercise/grant of the Fourth Share Option Incentive Scheme of the Company was as follows: exercise price of the share options first granted was RMB8.07 per share, grant price of restricted shares was RMB3.62 per share; price for the exercise of share options of the retained part was RMB9.97 per share, and the grant price for restricted shares was RMB4.78 per share.			
Grant and exercise of equity interests related to Directors, Supervisors, member of senior management during the reporting period				
Name	Title	Number of equity interests granted during the reporting period	Number of equity interests exercised during the reporting period	Number of equity interests outstanding as at the end of the reporting period
LIANG Haishan	Director	0	0	0
TAN Lixia	Director	0	0	0
GONG Wei	Member of senior management	0	0	0
MING Guozhen	Member of senior management	0	0	0
Change of share capital as a result of the exercise of rights by Participants	As at the end of the reporting period, there was no change in the share capital of the Company as a result of the exercise of rights under incentive schemes. Cancellation of the 7,473,200 restricted shares repurchased by the Company had been completed on 12 July 2016, and the share capital of the Company was changed from 6,105,103,927 shares (in February 2016, cancellation of the 18,050,341 shares			

	repurchased from the secondary market was completed, and the registered capital of the Company was changed from 6,123,154,268 shares to 6,105,103,927 shares) to 6,097,630,727 shares.
Measurement methods of the fair value of the equity instrument	Adopting the B-S model to determine the fair value of the equity instrument.
Model, parameters and selective standards applied in the valuation technique	Adopting the B-S model to determine the fair value of the equity instrument by valuation technique with following parameters: (1) exercise price of share option; (2) duration of share option; (3) price of Target Shares on the granting date; (4) interest free of risk; (5) dividend yield of the Target Shares; (6) expected fluctuation rate of share price.
Apportion period and result for fair value of equity instrument	Not applicable

## V. Major Connected Transactions

☒Applicable ☐Not Applicable

### (I) Connected Transaction Related to Daily Operation

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

The Company made estimation on the connected 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. For details, please refer to the Announcement of Qingdao Haier Co., Ltd. regarding the Anticipation on the Renewal of Daily Connected Transactions Agreement and Daily Connected Transactions for 2016 disclosed on 29 April 2016 and relevant announcement on the resolutions of the Board.

For the actual implementation of the connected transaction from January to June in 2016, please see note XII –Connected Parties and Connected Transactions under section X- Financial and Accounting Report set out in this regular report.

#### 2. Matter not disclosed in temporary announcement

☐Applicable ☒Not Applicable

### (II) Connected Transactions Related to Asset Acquisition and Disposal

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

Summarized descriptions	Index for details
Acquisition of minority interest in Mitsubish and Carrier: See “III. Transactions of assets and mergers of businesses”– “(I) Acquisition and disposal of asset and combination of business by the Company which have been disclosed in the temporary announcements and have no change in the subsequent implementation process” in this section	See “III. Transactions of assets and mergers of businesses”– “(I) Acquisition and disposal of asset and combination of business by the Company which have been disclosed in the temporary announcements and have no change in the subsequent implementation process” in this section

## 2. Matter not disclosed in temporary announcement

☐ Applicable ☒ Not Applicable

## VI. Major Contracts and Status of Performance

### 1. Custody, undertaking and leasing

☐ Applicable ☒ Not Applicable

There was no material custody of the Company during the reporting period. As at the date hereof, the following matters related to entrusted assets as passed on relevant meetings (such as the general meetings of the Company) are within the term thereof:

(1) According to the 2011 Haier Group's commitment to further support the development of Qingdao Haier and resolve intra-industry competition to reduce connected 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 cannot 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 custodian fees to the Company each year during the period of custody.

(2) According to the 2011 Haier Group's commitment to further support the development of Qingdao Haier and resolve intra-industry competition to reduce connected transactions, since the entity engaged in undertaking the TV business of Haier Group - Qingdao Haier Photoelectric Co., Ltd. and its subsidiaries are still in the transition and consolidation period and the financial performance has not reached the expectations of the Company, Haier Group cannot complete the transfer before the

completion of the preceding commitment period. Haier Group intends to entrust the Company with the management and operation of assets under custody and will pay RMB1 million custodian fees to the Company each year during the period of custody.

## 2. Guarantee

√Applicable ☐ Not Applicable

Unit and Currency: RMB0'000

External guarantees of 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 signing 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	Connected relationship
Total amount of guarantee occurred during the report 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 for subsidiaries													
Total amount of guarantees for subsidiaries occurred during the reporting period						2,304,780							
Total balance of guarantees for subsidiaries at the end of the reporting period (B)						2,304,780							
Total amount of guarantees provided by the Company (including guarantees for subsidiaries)													
Total guarantee(A + B)						2,304,780							
Ratio of total amount of guarantees to net assets of the Company (%)						90.33							
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)	0
The amount of total amount of guarantee in excess of 50% of net assets (E)	1,028,959
Total amount of the above three guarantees (C + D + E)	1,028,959
Description of possibly bearing related discharge duty for premature guarantees	Not applicable
Description of guarantee status	<p>1. During the reporting period, the Company acquired the assets of GEA at a total consideration of US\$5.567 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 RMB21.855 billion. The provision of security had been considered and approved by the Board and the general meeting of the Company.</p> <p>2. In May 2016, the resolution on the expected security provided to subsidiaries in the year 2016 was passed on the Annual General Meeting of the Company for the year 2015, according to which, the Company had provided security in respect of the application for comprehensive facility made by certain subsidiaries to financial institutions. As at the end of the reporting period, the accumulated amount of security offered by the Company to subsidiaries was RMB1.193 billion.</p>

## VII. Performance on Undertakings

√Applicable □Not applicable

### (I) Undertakings made by Listed Companies, shareholders held over 5% shares, Controlling Shareholders and Ultimate Controller during or lasted to the reporting period

Background	Type	Covenanter	Content	Time and term	Whether it has a deadline for performance	Whether it is performed in a timely and strict way
Undertaking related to material asset reorganization	Eliminate land property defect	Haier Group Corporation	During the period from September 2006 to May 2007, the Company issued shares to Haier Group Corporation (referred to as “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) (referred to as “Covenantees”), Haier Group made an undertaking (referred to as “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	27 September 2006, long term	YES	YES

			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.			
Undertaking related to refinancing	Eliminate land property defect	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 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, provided that 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,	24 December 2013, long term	YES	YES

			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.			
	Eliminate land property defect	Qingdao Haier Co., Ltd.	The Company undertakes that it will eliminate the property defects of the Company and main subsidiaries within five years with reasonable business effort since 24 December 2013, so as to achieve the legality and compliance of the Company and main subsidiaries in terms of land and property. For details, please refer to the Announcement of Qingdao Haier Co., Ltd. on the Formation, Current Situation of the Defective Property, the Influence on Operation of Issuer Caused by Uncertainty of Ownership, Solution for the Defect and Guarantee Measures (L 2014-005) published by the Company on the four major securities newspapers and the website of Shanghai Stock Exchange on 29 March 2014.	24 December 2013, five years	YES	YES
Undertaking related to the Share Option Incentive Scheme	Other	Qingdao Haier Co., Ltd.	With regard to the Share Option Incentive Scheme launched by the Company, the Company has undertaken not to provide loan or any other kind of financial support to incentive object in exercising option under the Share Option Incentive Scheme or purchase of restricted shares, including providing guarantee for its loan.	11 April 2014, long term	YES	YES
Other undertakings	Asset injection	Haier Group Corporation	Inject the assets of Fisher & Paykel (FPA) to the Company or dispose such assets through other ways which accord with 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 2015-015) 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	Haier	Inject the assets of Haier Photoelectric to the Company or dispose such	December	YES	YES

	injection	Group Corporation	assets through other ways which accord with 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.	2015-June 2020		
	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 Company considered and approved the matters in relation to the acquisition of minority 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 Connected Transaction (L 2015-062) published on the four major securities newspapers and the website of Shanghai Stock Exchange on 23 December 2015	December 2015-December 2018	YES	YES
	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 Connected Transactions from the controlling shareholder Haier Group, 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	7 January 2011, five years	YES	YES
	Eliminate horizontal competition				YES	YES
	Solve connected				YES	YES

	transaction problem		Qingdao Haier to solve horizontal competition problem, reduce connected transactions, enlarge and strengthen its business by various methods including assets injection and equity restructuring within five years. As of January 2016, such undertaking had been performed, while the parts subject to performance had been considered and approved by the general meeting to adjourn. Details of performance are set out in “II. Performance on Undertakings” in “Section V Significant Events” of the annual report of the Company for the year 2015.			
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**VIII. Appointment and Dismissal of Accounting Firm**

☐Applicable ☒Not Applicable

**IX. Penalties to the Listed Company and its Directors, Supervisors, Senior Management, shareholders held over 5% shares ,Ultimate Controller, Acquirer and the Issue of Rectification**

☐Applicable ☒Not Applicable

**X. Convertible corporation bonds**

☐Applicable ☒Not Applicable

**XI. Corporate Governance**

During the reporting period, the Company had been strictly observing the Company Law, the Security Law, the Rules on the Governance of Listed Companies, as well as requirements by relevant laws and regulations, and made continuous efforts in improving the establishment of systems, regulating the operation of the Company, enhancing communication with investors and elevating the level of corporate governance.

During the reporting period, based on actual operational needs, the Company developed the new Management System for External Security to ensure the continuous improvement of corporate governance. An audit firm was engaged to issue the auditing report on internal control for the year 2015. According to the findings, the opinion of the audit firms was that, as of 31 December 2015, the Company had maintained effective internal control on financial reporting in all material aspects in compliance with General Regulations on Corporate Internal Control and relevant regulations. The Company attached great importance to the communication with investors, strengthened the interaction and communication with investors by various means, fully respected and protected the interests of investors, while making great efforts in creating harmonious and win-win situation for different parties, including the Company, our staff and investors. The Company also made concrete efforts in securing the interests of minority shareholders, and safeguarded and promoted the healthy, steady and sustainable development of the Company by continuous improvement and enhancement of the level of corporate governance. The Company has put in place established corporate governance structure which is fully compliant with the requirements as stipulated in relevant documents of CSRC.

## XII. Other Major Events

### (I) Analysis of the Board of Directors on the reasons of change of accounting policies, accounting estimates or accounting methods and effects

☒Applicable ☐Not Applicable

Due to some reasons such as the changes in the voting rights attached to the interests in Bank of Qingdao Co., Ltd. ("Bank of Qingdao"), the Company convened the 31<sup>st</sup> meeting of the 8<sup>th</sup> session of Board on 28 April 2016, on which the Resolution of Qingdao Haier Co., Ltd. on the Change to the Accounting with Respect to Bank of Qingdao Co., Ltd. was passed. The Board of the Company was of the opinion that the Company had significant influence on the decision-making on the operation of the Bank of Qingdao, therefore, it resolved to change the accounting method from available-for-sale financial assets to long-term investment in equity interest in accordance with the relevant requirements under the Standards of Corporate Accounting, and to recognize profit or loss using equity method. It's expected that such change will provide more reasonable and accurate view on the accounting of the equity investment of the Company in the Bank of Qingdao. For details, please refer to the Announcement of Qingdao Haier Co., Ltd. on the Change in the Accounting with Respect to the Accounting of Bank of Qingdao Co., Ltd. (L 2016-033) disclosed on 29 April 2016.

### (II) Analysis of the Board of Directors on the reasons of correction of important previous errors and effects

☐Applicable ☒Not Applicable

### (III) Others

During the Reporting Period, the Company disclosed the following information:

Events	Name of Newspaper and Page	Date	Published Internet Site and Search Paths
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	www.sse.com.cn
Announcement of Qingdao Haier Co., Ltd. on the Resolutions Passed at the First EGM in 2016	Securities Times page B080, Shanghai Securities News page B32, China Securities Journal page B034, Securities Daily page	8 January 2016	www.sse.com.cn

(L 2016-002)	D16		
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	www.sse.com.cn
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	www.sse.com.cn
the Summary of the 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	www.sse.com.cn
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	www.sse.com.cn
Announcement of Qingdao Haier Co., Ltd. on the Resolutions Passed at the 19th 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	www.sse.com.cn
Suggestive Announcement of Qingdao Haier Co., Ltd. on the Continuation of Suspension of Trading of 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	www.sse.com.cn
Suggestive Announcement of Qingdao Haier Co., Ltd. on the Receipt of Notice from Shareholders on Important Matters (L 2016-008)	Securities Times page B003, Shanghai Securities News page 24, China Securities Journal page A19, Securities Daily page C1	16 January 2016	www.sse.com.cn
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	www.sse.com.cn
Announcement of Qingdao Haier Co., Ltd. on the Receipt of Enquiry Letter Issued by the 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	www.sse.com.cn
Suggestive Announcement of Qingdao Haier Co., Ltd. on Resumption of Trading of Shares	Securities Times page B011, Shanghai Securities News page 33, China Securities Journal page B051, Securities Daily page C2	30 January 2016	www.sse.com.cn

(L 2016-011)			
Announcement of Qingdao Haier Co., Ltd. on the Response to the Enquiry Letter Issued by the 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	www.sse.com.cn
the Plan (revised) on the Acquisition of Major Assets by 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	www.sse.com.cn
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	www.sse.com.cn
Announcement of Qingdao Haier Co., Ltd. on the Result of Implementation of Repurchase of Shares and the Change in Shares (L 2016-014)	Securities Times page B076, Shanghai Securities News page B65, China Securities Journal page B032, Securities Daily page D23	26 February 2016	www.sse.com.cn
Announcement of Qingdao Haier Co., Ltd. on the Pass of the Anti-trust Vetting by the Authorities of the USA in Respect of Relevant Transactions of Material Asset Acquisition of the Company (L 2016-015)	Securities Times page B062, Shanghai Securities News page 72, China Securities Journal page B011, Securities Daily page C1	12 March 2016	www.sse.com.cn
Summary of the Report (Draft) on the Acquisition of Major Assets by Qingdao Haier Co., Ltd.	Securities Times page B011/012, Shanghai Securities News page 45/46, China Securities Journal page A25, Securities Daily page D5/6	15 March 2016	www.sse.com.cn
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	www.sse.com.cn
Announcement of Qingdao Haier Co., Ltd. on the Resolutions Passed at 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	www.sse.com.cn
Notice of Qingdao Haier Co., Ltd. on 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	www.sse.com.cn
Announcement of Qingdao Haier Co., Ltd. on Offering Security to	Securities Times page B011/012, Shanghai Securities News page 45/46, China Securities	15 March 2016	www.sse.com.cn

an Overseas Subsidiary (L 2016-019)	Journal page A25, Securities Daily page D5/6		
Announcement of Qingdao Haier Co., Ltd. on Offering Security to 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	www.sse.com.cn
Announcement of Qingdao Haier Co., Ltd. on Suspension on Preparation and Disclosure of Audit and Pro Forma Consolidated Financial Report of Subject Company on Accounting Standards Generally Accepted in the PRC (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	www.sse.com.cn
Announcement of Qingdao Haier regarding the Release of the 2015 Annual Results by the Holding Subsidiary Haier Electronics Group Co., Ltd. (L 2016-022)	Securities Times page B035, Shanghai Securities News page 68, China Securities Journal page B020, Securities Daily page D15	22 March 2016	www.sse.com.cn
Announcement 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	www.sse.com.cn
Announcement of Qingdao Haier Co., Ltd. on the Resolutions Passed at the 31th 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	www.sse.com.cn
Announcement of Qingdao Haier Co., Ltd. on the Resolutions Passed at the 21th 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	www.sse.com.cn
Announcement of Qingdao Haier Co., Ltd. on 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	www.sse.com.cn
Announcement of Qingdao Haier Co., Ltd. on the Signing of Framework Agreement on Ordinary Connected Transactions and Expected Ordinary Connected Transactions in 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	www.sse.com.cn

Announcement of Qingdao Haier Co., Ltd. on the Expected Security Provided for Subsidiaries 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	www.sse.com.cn
Announcement of Qingdao Haier Co., Ltd. on Election at Expiration of the 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	www.sse.com.cn
Announcement on the Cancellation of Exercise/unlocking in Respect of Certain Equity Under the Fourth Share Option Incentive Scheme of Qingdao Haier Co., Ltd. (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	www.sse.com.cn
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	www.sse.com.cn
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	www.sse.com.cn
Announcement of Qingdao Haier Co., Ltd. on Change of Accounting in Respect 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	www.sse.com.cn
Announcement of Qingdao Haier Co., Ltd. on Election at Expiration of Term of Office of Supervisor of Staff (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	www.sse.com.cn
Announcement of Qingdao Haier Co., Ltd. on Serving Notice to Creditors on Repurchase and Cancellation of Restricted Shares Under the Equity 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	www.sse.com.cn
Announcement of Qingdao Haier Co., Ltd. on the Pass of the Anti-trust Vetting by the Authorities of Mexico in Respect of Relevant Transactions of Material Asset Acquisition of the	Securities Times page B054, Shanghai Securities News page 44, China Securities Journal page B011, Securities Daily page B3	25 May 2016	www.sse.com.cn

Company (L 2016-036)			
Announcement of Qingdao Haier Co., Ltd. on the Pass of the Anti-trust Vetting by the Authorities of Mexico of the Company (L 2016-037)	Securities Times page B039, Shanghai Securities News page 60, China Securities Journal page B010, Securities Daily page D21	26 May 2016	www.sse.com.cn
Announcement of Qingdao Haier Co., Ltd. on the Resolutions Passed at the AGM for 2015 (L 2016-038)	Securities Times page B087, Shanghai Securities News page 45, China Securities Journal page A14, Securities Daily page D42	1 June 2016	www.sse.com.cn
Announcement of Qingdao Haier Co., Ltd. on the Resolution of the 1 <sup>st</sup> Meeting of the 9 <sup>th</sup> 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	www.sse.com.cn
Announcement of Qingdao Haier Co., Ltd. on the Resolution of the 1 <sup>st</sup> Meeting of the 9 <sup>th</sup> 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	www.sse.com.cn
Announcement of Qingdao Haier Co., Ltd. on the Phase Progress of Material Asset Purchase by the Company (L 2016-041)	Securities Times page B087, Shanghai Securities News page 45, China Securities Journal page A14, Securities Daily page D42	1 June 2016	www.sse.com.cn
Announcement of Qingdao Haier Co., Ltd. on the Resolution of the 1 <sup>st</sup> Meeting of the Holder Under the Phase I of Shareholding Plan form 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	www.sse.com.cn
Announcement of Qingdao Haier Co., Ltd. on the Progress of Material Asset Purchase by the Company (L 2016-043)	Securities Times page B027, Shanghai Securities News page 60, China Securities Journal page B079, Securities Daily page D25	8 June 2016	www.sse.com.cn

## SECTION VI CHANGES IN SHARE CAPITAL AND INFORMATION ABOUT SHAREHOLDERS

### I. CHANGES IN SHARE CAPITAL

#### (I) Table of Changes in Shares

##### 1. Table of Changes in Shares

Unit: share

	Prior to the change		Increase and decrease of the change (+, -)					Subsequent to the change	
	Number	Percent age (%)	New shares issued	Bonus shares	Shares converted from reserves	Others	Sub-total	Number	Percent age (%)
I. Shares subject to selling restrictions	613,687,188	10.022						613,687,188	10.052
1. State-owned shares									
2. State-owned legal person shares									
3. Other domestic shares	7,701,200	0.126						7,701,200	0.126
Including: shares held by domestic non-state-owned legal person									
Shares held by domestic natural person	7,701,200	0.126						7,701,200	0.126
4. Foreign shares	605,985,988	9.897						605,985,988	9.926
Including: shares held by	605,985,988	9.897						605,985,988	9.926

foreign legal person									
Shares held by foreign natural person									
II. Tradable shares not subject to selling restrictions	5,509,467,080	89.978				-18,050,341	-18,050,341	5,491,416,739	89.948
1. RMB ordinary shares	5,509,467,080	89.978				-18,050,341	-18,050,341	5,491,416,739	89.948
2. Domestic listed foreign shares									
3. Overseas listed foreign shares									
4. Others									
III. Total shares	6,123,154,268	100.000				-18,050,341	-18,050,341	6,105,103,927	100.000

## **2. Remarks on the changes in shares**

The first Extraordinary General Meeting of 2015 was held on 24 August 2015. The Plan of Qingdao Haier Co., Ltd. on the Repurchase of Shares by Centralized Bidding was passed on the meeting, under which the Company intended to repurchase shares of the Company through the trading system of the Shanghai Stock Exchange by centralized bidding with its own funds. As at the expiration of the term of repurchase of six months, a total of 18,050,341 shares had been repurchased by the Company. Cancellation of such shares had been completed on 26 February 2016. For details of the cancellation of shares repurchased, please refer to the Announcement on Results of the Implementation of Share Repurchase and Change in Share Capital of Qingdao Haier Co., Ltd. (L 2016-014) dated 26 February 2016.

## **3. Effect of the change in share capital during the period from the end of the reporting period to the date of disclosure of interim report on financial indicators such as earnings per share and net assets per share (if any)**

On 28 April 2016, the Resolution on the Cancellation of Exercise/unlocking in respect of part of the Equity Interest related to the Fourth Share Option Incentive Scheme of Qingdao Haier Co., Ltd. was passed on the thirty-first session of the eighth Board meeting of the Company. As the conditions for exercise/unlocking had not been satisfied, the Company intended to cancel the exercise of part of the share options related to the Fourth Share Option Incentive Scheme, and to repurchase the cancelled part of the restricted shares. In accordance with the resolution, the Company had conducted the repurchase of a total of 7,473,200 restricted shares, and cancellation of such shares had been completed on 12 July 2016. After the cancellation, the share capital of the Company changed from 6,105,103,927 shares to 6,097,630,727 shares. For details, please refer to the Announcement on Cancellation of Repurchased Restricted Share Under the Share Option Incentive Scheme of Qingdao Haier Co., Ltd. (L 2016-046) dated 12 July.

During the reporting period, net profit attributable to owners of the parent company was RMB3,315,173,171.70, and equity attributable to owners of the parent company was RMB25,516,430,198.26. Based on the 6,105,103,927 shares in the share capital as at the end of the reporting period, earnings per share for the interim period was RMB0.543, and net assets per share was

RMB4.180; based on the latest number of shares of 6,097,630,727 in the share capital of the Company, earnings per share for the interim period was RMB0.544, and net assets per share was RMB4.185.

## (II) Changes in shares subject to selling restrictions

☐Applicable    ☒Not Applicable

## II. Shareholder

### (I) Total number of shareholders:

Total number of shareholders up to the end of the reporting period	202,077
Total number of preferential shareholders with restoration of voting rights up to the end of the reporting period	0

### (II) Table of shareholdings of top ten shareholders, top ten circulation shareholders (or shareholders not subject to selling restrictions) up to the end of the reporting period

Unit: share

Shareholdings of top ten shareholders							
Name of shareholder (full name)	Increase/decrease during the reporting period	Number of shares held at the end of the period	Percentage (%)	Number of shares held subject to selling restrictions	Status of shares pledged or frozen		Nature of shareholder
					Status	Number	
Haier Electric Appliances International Co., Ltd.		1,258,684,824	20.62		Nil		Domestic non-state-owned legal person
Haier Group Corporation		1,072,610,764	17.57		Nil		Domestic non-state-owned legal person
KKR HOME INVESTMENT S.A R.L.		605,985,988	9.93	605,985,988	Nil		Foreign legal person
Hong Kong Securities Clearing Co., Ltd.		369,405,819	6.05		Unknown		Unknown

China Securities Finance Corporation Limited		163,023,503	2.67		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 person
Central Huijin Asset Management Ltd.		69,539,900	1.14		Unknown		Unknown
National social security fund, Portfolio 103		47,998,975	0.79		Unknown		Unknown
China Life Insurance Company Limited — dividend — personal dividend — 005L — FH002 Hu		47,577,450	0.78		Unknown		Unknown
GIC PRIVATE LIMITED		46,777,753	0.77		Unknown		Unknown
Shareholdings of top ten shareholders not subject to selling restrictions							
Name of shareholder	Number of shares held subject to no selling restrictions	Class and number of shares					
		Class	Number				
Haier Electric Appliances International Co., Ltd.	1,258,684,824	RMB ordinary shares	1,258,684,824				
Haier Group Corporation	1,072,610,764	RMB ordinary shares	1,072,610,764				
Hong Kong Securities Clearing Co., Ltd.	369,405,819	RMB ordinary shares	369,405,819				
China Securities Finance Corporation Limited	163,023,503	RMB ordinary shares	163,023,503				
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 shares	160,597,760				
Central Huijin Asset Management Ltd.	69,539,900	RMB ordinary shares	69,539,900				

National social security fund, Portfolio 103	47,998,975	RMB ordinary shares	47,998,975
China Life Insurance Company Limited — —dividend —personal dividend —005L— FH002 Hu	47,577,450	RMB ordinary shares	47,577,450
GIC PRIVATE LIMITED	46,777,753	RMB ordinary shares	46,777,753
National social security fund, Portfolio 104	39,188,800	RMB ordinary shares	39,188,800
Connections 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.		
Description of preferential shareholders with restoration of voting rights and their shareholdings	Not Applicable		

Number of shares held by top ten shareholders subject to selling restrictions and the selling restrictions

Unit: share

No.	Name of shareholder subject to selling restrictions	Number of shares held subject to selling restrictions	Listing status of shares subject to selling restrictions		Selling restrictions
			Eligible listing time	Number of additional shares to be listed	
1	KKR HOME INVESTMENT S.A R.L.	605,985,988	17 July 2017	0	Strategic investment
2	Natural person shareholders (target for the first grant and retained part of the Fourth Share Option Incentive of the Company)	7,321,200	20 June 2016	0	Share Option
3		228,000	26 February 2017	0	Incentive Shares
4		152,000	26 February 2016	0	subject to restrictions
Connections or parties acting in concert among the aforesaid shareholders		None			

Note: Such restricted shares in the number of 7,321,200 shares and 152,000 shares (total: 7,473,200 shares) held by shareholders who were natural persons had been repurchased and cancelled by 12 July 2016. For details, please refer to the Announcement on Cancellation of Repurchased Restricted Share Under the Incentive Scheme of Qingdao Haier Co., Ltd. (L 2016-046) dated 12 July 2016.

**(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 share-holding	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 share-holding 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 on the announcement regarding the Private Issuance of A-share Budget Proposal of Qingdao Haier Co., Ltd. (《青岛海尔股份有限公司非公开发行 A 股股票预案》) (L 2013-023) of the Company dated 8 October 2013.	

**III. Change in the controlling shareholder or the ultimate controllers**

☐Applicable ☒ Not Applicable

## **SECTION VII THE RELEVANT INFORMATION OF PREFERRED SHARES**

☐Applicable ☒Not Applicable

## SECTION VIII DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### I. CHANGES OF SHAREHOLDING

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

☐Applicable    ☒Not applicable

Note: Detail of shares held by directors, supervisors, senior management is set out in the 2015 Annual Report. During the reporting period, there is no change in their shareholdings.

#### (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 period	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	Number of share options held at the end of the period
Liang Haishan	President, general manager	2,700,000	0	0	0	0
Tan Li Xia	Vice president	1,590,000	0	0	0	0
Gong Wei	Chief financial officer, vice general manager	252,000	0	0	0	0
Ming Guozhen	Secretary to the board of directors, vice general manager	340,000	0	0	0	0
Total	/	4,882,000	0	0	0	0

Note: During the reporting period, as the annual results of the Company for the year 2015 did not satisfy the conditions for exercise, the Board approved and passed relevant resolution on the cancellation of exercise of part of the share options under the Fourth Share Option Incentive Scheme of the Company. In accordance with the resolution, parts of the share options which were held by the participants under the Fourth Share Option Incentive Scheme of the Company at the beginning of the year and had not been

exercised were expired. In particular, all share options which were held by the directors, supervisors and senior management as mentioned above and had not been exercised were expired.

Unit: share

Name	Position	Number of restricted shares held at the beginning of the period	Number of restricted shares newly granted during the reporting period	Unlocked shares	Locked shares	Number of restricted shares held at the end of the period
Liang Haishan	President, general manager	2,700,000	0	0	2,700,000	2,700,000
Tan Li Xia	Vice President	1,590,000	0	0	1,590,000	1,590,000
Gong Wei	Chief financial officer, vice general manager	168,000	0	0	168,000	168,000
Ming Guozhen	Secretary to the board of directors, vice general manager	132,000	0	0	132,000	132,000
Total	/	4,590,000	0	0	4,590,000	4,590,000

Note: During the reporting period, as the annual results of the Company for the year 2015 did not satisfy the conditions for unlocking, the Board approved and passed relevant resolution on the cancellation of unlocking of part of the share options under the Fourth Share Option Incentive Scheme of the Company. In accordance with the resolution, part of the restricted shares which were held by the participants at the beginning of the period under the Fourth Share Option Incentive Scheme of the Company and unlocked must be repurchased and cancelled. The repurchase and cancellation of such shares had been completed on 12 July 2016, and a total of 7,473,200 shares (including all the unlocked restricted shares which were held by directors, supervisors and senior management as mentioned above at the beginning/end of the period) were cancelled. For details, please refer to the Announcement on Cancellation of Repurchased Restricted Share Under the Incentive Scheme of Qingdao Haier Co., Ltd. (L 2016-046) dated 12 July 2016.

## II. Changes in Directors, Supervisors and Senior Management of the Company

☒Applicable    ☐Not applicable

Name	Position	Change	Reason for change
Wang Xiaonan	Director	Resigned	Expiry of terms of appointment, change of the board of directors
Timothy Yung Cheng Chen(陈永正)	Independent director	Resigned	Expiry of terms of appointment, change of the

			board of directors
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### III. Other explanatory

During the reporting period, the change of members of the Board of the Company had been completed. Apart from the two directors as mentioned above who were retired upon expiration of tenure, the remaining nine directors of the last (the eighth session) of the Board continued to hold office on the Board (the ninth session) of the Company. For details of the change of members of the Board, please refer to the Announcement on the Change of Members of the Board of Qingdao Haier Co., Ltd. (L 2016-029) dated 29 April 2016, and other relevant announcements in respect of the resolutions passed on the Annual General Meeting of the Company for the year 2015.

**SECTION IX RELEVANT INFORMATION ON CORPORATE BONDS**

☐APPLICABLE    ☒NOT APPLICABLE

## SECTION X FINANCIAL REPORT

### I. Auditors' Report

☐Applicable    ☒Not applicable

### II. Financial Statements

#### Consolidated Balance Sheet

30 June 2016

Prepared by: Qingdao Haier Co., Ltd.

Unit and Currency: RMB

Items	Notes	Closing balance	Opening balance
<b>Current Assets:</b>			
Monetary Capital	VII.1	21,936,677,030.27	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	562,343.01	22,069,897.04
Derivative financial assets			
Bills receivables	VII.3	10,824,493,787.57	12,673,651,612.86
Trade receivables	VII.4	13,093,193,090.44	6,046,443,252.84
Prepayments	VII.5	838,676,200.31	526,722,364.61
Premiums receivable			
Reinsurance accounts receivables			
Reinsurance contract reserves receivable			
Interests receivables	VII.6	89,753,096.80	183,731,216.46
Dividends receivables		131,393,412.47	85,826,158.26
Other receivables	VII.7	807,853,942.92	544,784,127.95
Financial assets purchased under resale agreements			
Inventories	VII.8	13,254,832,579.89	8,563,533,478.52
Assets classified as held for sale			
Non-current assets due within one year		29,198,448.95	
Other current assets	VII.9	1,441,482,050.98	1,451,065,197.30
Total current assets		62,448,115,983.61	54,854,401,454.48
<b>Non-current assets:</b>			
Loans and advances granted			
Available-for-sale financial assets	VII.10	1,548,582,371.11	2,837,318,201.20
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	VII.11	9,619,749,673.20	4,958,908,333.93
Investment properties	VII.12	11,838,505.20	12,263,821.02
Fixed assets	VII.13	15,816,115,969.52	8,424,171,471.44
Construction in progress	VII.14	1,510,845,459.71	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	7,001,122,314.06	1,454,295,538.84
Development expenses	VII.17	834,627,090.73	78,064,195.82
Goodwill	VII.18	20,231,079,222.25	392,484,932.55
Long-term deferred expenditures	VII.19	90,543,378.62	113,053,145.87
Deferred income tax assets	VII.20	1,011,667,242.38	971,104,962.70
Other non-current assets	VII.21	535,149,030.48	399,084,091.53
Total non-current assets		58,267,129,066.07	21,106,316,873.01
Total assets		120,715,245,049.68	75,960,718,327.49
<b>Current liabilities:</b>			
Short-term borrowings	VII.22	10,359,804,325.51	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	179,803,749.09	7,707,414.12
Derivative financial liabilities			
Bills payable	VII.24	11,317,002,151.14	11,596,885,346.06
Trade payables	VII.25	21,934,222,531.29	14,662,615,841.25
Payments received in advance	VII.26	2,831,753,904.34	3,143,416,387.59
Disposal of repurchased financial assets			
Handling charges and commissions payable			
Staff remuneration payable	VII.27	1,504,014,240.00	1,233,660,965.57
Taxes payable	VII.28	1,088,638,139.33	913,622,526.14
Interests payable	VII.29	84,247,370.02	15,081,416.34
Dividends payable	VII.30	286,296,730.13	133,382,009.73
Other payables	VII.31	8,153,747,154.46	6,091,623,233.28
Reinsurance accounts payable			
Deposits for insurance contracts			
Customer 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	3,351,400,414.52	72,898,028.33
Other current liabilities			
Total current liabilities		61,090,930,709.83	39,744,001,409.91
<b>Non-current liabilities:</b>			
Long-term borrowings	VII.33	19,969,889,938.66	297,241,293.20
Debentures payable	VII.34		1,107,734,516.43
Including: Preference share			
Perpetual bonds			
Long-term payable	VII.35	104,047,037.58	59,916,852.02
Long-term employee benefits payable	VII.36	1,287,581,681.41	33,209,406.02
Special payables			
Estimated liabilities	VII.37	2,157,357,717.68	1,899,543,637.19
Deferred income	VII.38	264,068,844.65	264,120,554.33
Deferred income tax liabilities	VII.20	114,228,113.68	113,330,102.11

Other non-current liabilities			
Total non-current liabilities		23,897,173,333.66	3,775,096,361.30
Total liabilities		84,988,104,043.49	43,519,097,771.21
<b>Owners' equity</b>			
Share capital	VII.39	6,105,103,927.00	6,123,154,268.00
Other equity instruments			
Including: Preference share			
Perpetual bonds			
Capital reserve	VII.40	83,383,194.51	83,383,194.51
Less: Treasury stock	VII.41	30,207,838.00	77,604,544.70
Other comprehensive income	VII.42	246,512,045.36	633,183,460.03
Special reserve			
Surplus reserve	VII.43	2,009,110,042.75	2,026,585,301.23
General risk provisions			
Undistributed profits	VII.44	17,102,528,826.64	13,944,632,981.28
Total equity attributable to owners of the parent company		25,516,430,198.26	22,733,334,660.35
Minority interests		10,210,710,807.93	9,708,285,895.93
Total owners' equity		35,727,141,006.19	32,441,620,556.28
Total liabilities and owners' equities		120,715,245,049.68	75,960,718,327.49

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

### Balance Sheet of the Parent Company

30 June 2016

Prepared by: Qingdao Haier Co., Ltd.

Unit and Currency: RMB

Items	Notes	Closing balance	Opening balance
<b>Current Assets:</b>			
Monetary Capital		1,320,044,309.67	562,827,007.96
Financial assets measured at fair value and changes of which included in current profit and loss			
Derivative financial assets			
Bills receivables			199,998,373.14
Trade receivables	XVIII.1	206,356,706.97	208,603,253.46
Prepayments		10,027,570.00	12,540,384.04
Interests receivables		18,037,500.00	
Dividends receivables		298,400,811.47	230,081,082.42
Other receivables	XVIII.2	27,292,167.29	61,344,421.55
Inventories		40,090,297.39	57,403,412.46
Assets classified as held for sale			
Non-current assets due within one year			
Other current assets			
Total current assets		1,920,249,362.79	1,332,797,935.03
<b>Non-current assets:</b>			
Available-for-sale financial assets		5,269,234.08	522,942,584.08
Held-to-maturity investments			
Long-term receivables		8,600,000,000.00	

Long-term equity investments	XVIII.3	21,293,365,956.45	14,141,733,112.49
Investment properties			
Fixed assets		122,525,782.27	127,222,054.64
Construction in progress		16,617,171.60	17,551,808.87
Construction materials			
Disposals of fixed assets			
Biological assets for production			
Fuel assets			
Intangible assets		7,342,739.02	7,679,047.68
Development expenses			
Goodwill			
Long-term deferred expenditures			
Deferred income tax assets		9,952,751.78	9,952,751.78
Other non-current assets		7,301,088.64	
Total non-current assets		30,062,374,723.84	14,827,081,359.54
Total assets		31,982,624,086.63	16,159,879,294.57
<b>Current liabilities:</b>			
Short-term borrowings			
Financial liabilities measured at fair value and changes of which included in current profit and loss			
Derivative financial liabilities			
Bills payable			
Trade payables		1,383,677,428.10	792,433,118.67
Payments received in advance		2,599,817,885.78	1,599,348.89
Staff remuneration payable		22,773,508.78	35,094,333.55
Taxes payable		7,165,885.48	29,967,928.75
Interests payable			
Dividends payable			
Other payables		15,108,042,616.51	2,597,200,912.54
Liabilities classified as held for sale			
Non-current liabilities due within one year			
Other current liabilities			
Total current liabilities		19,121,477,324.65	3,456,295,642.40
<b>Non-current liabilities:</b>			
Long-term borrowings			
Debentures payable			
Including: Preference share			
Perpetual bonds			
Long-term payable		20,000,000.00	20,000,000.00
Long-term employee remuneration payable			
Special payables			
Estimated liabilities			
Deferred income		17,700,000.00	17,700,000.00
Deferred income tax liabilities		3,187,408.20	3,325,062.74
Other non-current liabilities			
Total non-current assets		40,887,408.20	41,025,062.74
Total liabilities		19,162,364,732.85	3,497,320,705.14
<b>Owners' equity :</b>			
Share capital		6,105,103,927.00	6,123,154,268.00
Other equity instruments			
Including: Preference share			

Perpetual bonds			
Capital reserve		2,083,251,048.44	2,229,511,649.19
Less: Treasury stock		30,207,838.00	77,604,544.70
Other comprehensive income		-1,865,492.89	18,842,022.25
Special reserve			
Surplus reserve		1,332,647,187.44	1,332,647,187.44
Undistributed profits		3,331,330,521.79	3,036,008,007.25
Total owners' equity		12,820,259,353.78	12,662,558,589.43
Total liabilities and owners' equities		31,982,624,086.63	16,159,879,294.57

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

### Consolidated Income Statement

January-June 2016

Unit and Currency: RMB

Items	Notes	Current amount	Prior amount
I . Total operating revenue		48,786,606,924.87	47,313,293,035.65
Including: operating revenue	VII.45	48,786,606,924.87	47,313,293,035.65
Interest income			
Insurance premiums earned			
Handling Fee and commission income			
II . Total cost of operations		45,404,843,534.70	43,913,559,363.99
Including: operating cost	VII.45	34,675,732,074.42	34,452,549,833.31
Interest expenses			
Handling Fee and commission expenses			
Insurance withdrawal payment			
Net payment from indemnity			
Net provisions for insurance contract			
Insurance policy dividend paid			
Reinsurance cost			
Business taxes and surcharge	VII.46	171,696,918.27	195,998,366.94
Selling expenses	VII.47	6,693,076,335.80	6,149,238,598.81
Administrative expenses	VII.48	3,543,082,531.68	3,125,316,640.02
Financial expenses	VII.49	125,069,008.47	-217,283,087.33
Loss in assets impairment	VII.50	196,186,666.06	207,739,012.24
Add: income from change in fair value (losses are represented by "-")	VII.51	-182,258,158.84	-16,917,216.84
Investment income (losses are represented by "-")	VII.52	1,029,193,799.84	502,572,721.49
Including: investment income of associates and joint ventures			
Exchange gain (losses are represented by "-")			
III. Operating profit (losses are represented by "-")		4,228,699,031.17	3,885,389,176.31
Add: non-operating income	VII.53	460,324,873.14	169,218,556.68
Including: gain from disposal of non-current assets			

Less: non-operating expenses	VII.54	56,483,320.12	34,478,058.18
Including: Loss from disposal of non-current assets			
IV. Total profit (total losses are represented by “-”)		4,632,540,584.19	4,020,129,674.81
Less: income tax expense	VII.55	660,698,381.98	608,040,613.34
V. Net profit (net losses are represented by “-”)		3,971,842,202.21	3,412,089,061.47
Net profit attributable to owners of the parent company		3,315,173,171.70	2,734,979,407.70
Profit or loss attributable to minority shareholders		656,669,030.51	677,109,653.77
VI. Other comprehensive income, net of tax	VII.56	-376,650,095.76	71,252,944.53
Other comprehensive income attributable to owners of the parent company, net of tax		-386,671,414.67	74,421,357.71
(I) Other comprehensive income that will not be reclassified subsequently to profit or loss			
1. Changes in net liabilities or net assets arising from re-measurement of defined benefit plans			
2. Share of other comprehensive income of investees that cannot be reclassified to profit or loss under equity method			
(II) Other comprehensive income to be reclassified subsequently to profit or loss		-386,671,414.67	74,421,357.71
1. Share of other comprehensive income of investees that will be reclassified subsequently to profit or loss under equity method		-45,016,833.22	19,483,367.26
2. Gain or loss from change in fair value of available-for-sale financial assets		-448,305,792.02	197,866,119.50
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		106,651,210.57	-142,928,129.05
6. Others			
Other comprehensive income attributable to minority shareholders, net of tax		10,021,318.91	-3,168,413.18
VII. Total comprehensive income		3,595,192,106.45	3,483,342,006.00
Total comprehensive income attributable to the shareholders of parent company		2,928,501,757.03	2,809,400,765.41
Total comprehensive income attributable to the minority shareholders		666,690,349.42	673,941,240.59
VIII. Earnings per share:			
(I) Basic earnings per share (RMB/share)	XVIX.1	0.543	0.449
(II) Diluted earnings per share	XVIX.1	0.543	0.445

(RMB/share)

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

**Income Statement of the Parent Company**

January-June 2016

Unit and Currency: RMB

Items	Notes	Current amount	Prior amount
I. Operating revenue	XVIII.4	1,515,871,485.21	1,192,348,673.95
Less: Operation cost	XVIII.4	1,063,974,867.43	880,032,521.26
Business taxes and surcharge		6,445,399.44	7,373,231.30
Selling expenses		141,678,913.88	59,163,232.31
Administrative expenses		222,014,043.98	178,758,775.72
Financial expenses		-79,578.03	-15,832,273.01
Loss in assets impairment		-1,894,656.67	27,371,614.50
Add: income from change in fair value (losses are represented by "-")			
Investment income (losses are represented by "-")	XVIII.5	143,464,637.96	99,014,461.99
Including: investment income of associates and joint ventures			
II. Operating profit (losses are represented by "-")		227,197,133.14	154,496,033.86
Add: non-operating income		75,940,630.64	10,692,478.47
Including: gain from disposal of non-current assets			
Less: non-operating expenses		20,330.70	698,263.45
Including: Loss from disposal of non-current assets			
III. Total Profit (losses are represented by "-")		303,117,433.08	164,490,248.88
Less: income tax expense		7,794,918.54	9,916,608.30
IV. Net Profit (net losses are represented by "-")		295,322,514.54	154,573,640.58
V. Other comprehensive income, net of tax		-780,042.46	81,556,138.58
(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		-780,042.46	81,556,138.58
1. Share of other comprehensive income of investees that will be reclassified subsequently to profit or loss under equity method			
2. Gain or loss from change in fair value of available-for-sale financial assets		-780,042.46	81,556,138.58
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. Others			
VI. Total comprehensive income		294,542,472.08	236,129,779.16
VII. Earnings per share:			
(I) Basic earnings per share (RMB/share)			
(II) Diluted earnings per share (RMB/share)			

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

### Consolidated Cash Flow Statement

January-June 2016

Unit and Currency: RMB

Items	Notes	Current amount	Prior amount
<b>I . Cash flows from operating activities :</b>			
Cash received from the sale of goods and rendering of services		49,016,704,968.11	48,745,880,162.41
Net increase in customer 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		324,681,172.08	217,350,959.11
Cash received from other related operating activities	VII.57	441,762,351.22	292,381,895.12
Sub-total of cash inflows from		49,783,148,491.41	49,255,613,016.64

operating activities			
Cash paid on purchase of goods and services		31,017,533,105.36	34,646,064,354.80
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		4,555,848,831.85	4,125,519,871.42
Cash paid for all types of taxes		3,993,432,606.60	4,060,265,606.08
Cash paid to other operation related activities	VII.58	5,461,777,564.91	4,662,831,483.02
Sub-total of cash outflows from operating activities		45,028,592,108.72	47,494,681,315.32
Net cash flows from operating activities	VII.62	4,754,556,382.69	1,760,931,701.32
<b>II. Cash flows from investing activities:</b>			
Cash received from disposal of investments		537,931,064.15	513,309,065.57
Cash received from return on investments		45,278,736.34	104,630,305.74
Net cash received from the disposal of fixed assets, intangible assets and other long term assets		24,238,142.21	46,681,849.36
Net cash received from disposal of subsidiaries and other operating entities			10,500,000.00
Cash received from other investment related activities	VII.59	3,693,847.50	3,512,523.38
Sub-total of cash inflows from investing activities		611,141,790.20	678,633,744.05
Cash paid on purchase of fixed assets, intangible assets and other long term assets		1,020,054,184.72	1,032,155,540.88
Cash paid for investments		424,187,569.41	3,545,150,498.10
Net increase in secured loans			
Net cash paid on acquisition of subsidiaries and other operating entities		36,161,700,507.07	327,787,311.04
Cash paid on other investment related activities	VII.60	3,968,381.90	67,792,091.42
Sub-total of cash outflows from investing activities		37,609,910,643.10	4,972,885,441.44
Net cash flows from investing activities		-36,998,768,852.90	-4,294,251,697.39
<b>III. Cash flows from financing activities:</b>			
Cash received from investment		16,900,063.70	41,953,395.00
Including: cash received by			

subsidiaries from minority shareholders' investment			
Cash received from borrowings		31,315,006,673.29	1,130,900,461.51
Cash received from issuing bonds			
Cash received from other financing related activities			
Sub-total of cash inflows from financing activities		31,331,906,736.99	1,172,853,856.51
Cash paid on repayment of borrowings		1,636,907,891.06	1,376,660,753.82
Cash paid on distribution of dividends, profits, or interest expenses		123,970,737.14	29,454,736.88
Including: dividend, profit paid to minority shareholders by subsidiaries			
Cash paid on other financing related activities	VII.61	130,068,034.68	11,168,362.37
Sub-total of cash outflows from financing activities		1,890,946,662.88	1,417,283,853.07
Net cash flows from financing activities		29,440,960,074.11	-244,429,996.56
<b>IV. Effect of fluctuations in exchange rates on cash and cash equivalents</b>		-25,818,334.76	-31,315,933.82
<b>V. Net increase in cash and cash equivalents</b>		-2,829,070,730.86	-2,809,065,926.45
Add: balance of cash and cash equivalents at the beginning of the period	VII.63	24,724,585,700.76	31,142,992,910.13
<b>VI. Balance of cash and cash equivalents at the end of the period</b>	VII.63	21,895,514,969.90	28,333,926,983.68

Legal representative: Liang Haishan

Chief accountant: Gong Wei

Person in charge of

accounting department: Ying Ke(应珂)

**Cash Flow Statement of the Parent Company**

January-June 2016

Unit and Currency: RMB

Items	Notes	Current amount	Prior amount
<b>I . Cash flows from operating activities :</b>			
Cash received from the sale of goods and rendering of services		47,535,983.95	438,112,684.65
Refunds of taxes		11,312,294.31	7,836,186.15
Cash received from other related operating activities		5,668,199.83	60,838,312.02
Sub-total of cash inflows from operating activities		64,516,478.09	506,787,182.82
Cash paid on purchase of goods and services		175,369,512.35	308,233,390.53
Cash paid to and on behalf of		163,991,849.56	132,919,211.77

employees			
Cash paid for all types of taxes		90,115,531.59	107,595,943.49
Cash paid to other operation related activities		263,737,039.90	153,880,507.01
Sub-total of cash outflows from operating activities		693,213,933.40	702,629,052.80
Net cash flows from operating activities		-628,697,455.31	-195,841,869.98
<b>II. Cash flows from investing activities:</b>			
Cash received from disposal of investments			
Cash received from return on investments			220,624,403.60
Net cash received from the disposal of fixed assets, intangible assets and other long term assets			
Net cash received from disposal of subsidiaries and other operating entities			
Cash received from other investment related activities			
Sub-total of cash inflows from investing activities			220,624,403.60
Cash paid on purchase of fixed assets, intangible assets and other long term assets		5,209,655.94	6,968,289.67
Cash paid for investments		15,066,468,700.00	1,297,850,278.00
Net cash paid on acquisition of subsidiaries and other operating entities			
Cash paid on other investment related activities			
Sub-total of cash outflows from investing activities		15,071,678,355.94	1,304,818,567.67
Net cash flows from investing activities		-15,071,678,355.94	-1,084,194,164.07
<b>III. Cash flows from financing activities:</b>			
Cash received from investment			1,911,400.00
Cash received from borrowings			
Cash received from other financing related activities		16,570,240,137.80	
Sub-total of cash inflows from financing activities		16,570,240,137.80	1,911,400.00
Cash paid on repayment of borrowings			
Cash paid on distribution of dividends, profits, or interest expenses			
Cash paid on other financing related activities		112,647,024.84	
Sub-total of cash outflows from financing activities		112,647,024.84	
Net cash flows from		16,457,593,112.96	1,911,400.00

financing activities			
<b>IV. Effect of fluctuations in exchange rates on cash and cash equivalents</b>			-1,886,170.95
<b>V. Net increase in cash and cash equivalents</b>		757,217,301.71	-1,280,010,805.00
Add: balance of cash and cash equivalents at the beginning of the period		562,827,007.96	2,574,988,196.28
<b>VI. Balance of cash and cash equivalents at the end of the period</b>		1,320,044,309.67	1,294,977,391.28

Legal representative: Liang Haishan

Chief accountant: Gong Wei

Person in charge of

accounting department: Ying Ke(应珂)

## Consolidated Statement of Changes in Equity

January-June 2016

Unit and Currency: RMB

Items	Current period												
	Equity attributable to owners of the parent company										Minority interests	Total owners' equity	
	Share capital	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk provisions			Undistributed profits
		Preference share	Perpetual bonds	Others									
I . Closing balance for the previous year	6,123,154,268.00				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 “-”)	-18,050,341.00					-47,396,706.70	-386,671,414.67		-17,475,258.48		3,157,895,845.36	502,424,912.00	3,285,520,449.91
(I) Total comprehensive income							-386,671,414.67				3,315,173,171.70	666,690,349.42	3,595,192,106.45
(II) Capital injection and reduction by owners	-18,050,341.00					-47,396,706.70			-17,475,258.48		-157,277,326.34	1,460,835.65	-143,945,383.47
1. Ordinary shares invested by shareholders	-18,050,341.00					-160,043,731.54			-14,199,339.05		-127,794,051.49	1,460,835.65	1,460,835.65
2. Capital injected by holders of other equity instruments													

3. Amount of shares payment credited to owner's equity													
4. Others					112,647,024.84			-3,275,919.43		-29,483,274.85			-145,406,219.12
(III) Profit distribution												-165,726,273.07	-165,726,273.07
1. Appropriation to surplus reserve													
2. Provisions for general risks													
3. Distribution to owners (or shareholders)												-165,726,273.07	-165,726,273.07
4. Others													
(IV) Internal transfer of owner's equity													
1. Transfer of capital reserves into capital (or share capital)													
2. Transfer of surplus reserves into capital (or share capital)													
3. Surplus reserves used for remedying loss													
4. Others													
(V) Special reserve													
1. Appropriated for the current period													
2. Utilized for the current period													
(VI) Others													
IV. Closing balance for the current period	6,105,103,927.00				83,383,194.51	30,207,838.00	246,512,045.36		2,009,110,042.75		17,102,528,826.64	10,210,710,807.93	35,727,141,006.19

Items	Previous period										
	Equity attributable to owners of the parent company									Minority interests	Total owners' equity
	Share capital	Other equity instruments	Capital reserve	Less: Treasury	Other comprehens	Speci al	Surplus reserve	Gener al risk	Undistributed profits		

		Preference share	Perpetual bonds	Others		stock	dividend income	reserve		provisions			
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					5,000,000.00						31,367,479.30		36,367,479.30
Others													
II. Opening balance for the current year	3,045,935,134.00				5,983,787,439.45	47,160,730.00	577,613,439.63		2,024,105,532.62		13,060,554,794.01	7,314,528,029.80	31,959,363,639.51
III. Increase/decrease and change of amount for the current period (decrease is represented by "-")	190,000.00				16,792,978.85	1,911,400.00	74,421,357.71				2,734,979,407.70	1,510,540,766.90	4,335,013,111.16
(I) Total comprehensive income							74,421,357.71				2,734,979,407.70	673,941,240.59	3,483,342,006.00
(II) Capital injection and reduction by owners	190,000.00				16,792,978.85	1,911,400.00						990,981,748.49	1,006,053,327.34
1. Ordinary shares invested by shareholders	190,000.00				1,721,400.00	1,911,400.00						1,006,050,583.50	1,006,050,583.50
2. Capital injected by holders of other equity instruments													
3. Amount of shares payment credited to owner's equity					25,043,900.00								25,043,900.00
4. Others					-9,972,321.15							-15,068,835.01	-25,041,156.16
(III) Profit distribution												-154,382,222.18	-154,382,222.18
1. Appropriation to surplus reserves													
2. Provisions for general risks													
3. Distribution to owners (or shareholders)												-154,382,222.18	-154,382,222.18
4. Others													

(IV) Internal transfer of owner's equity													
1. Transfer of capital reserves into capital (or share capital)													
2. Transfer of surplus reserves into capital (or share capital)													
3. Surplus reserves used for remedying loss													
4. Others													
(V) Special reserve													
1. Appropriated for the current period													
2. Utilized for the current period													
(VI) Others													
IV. Closing balance for the current period	3,046,125,134.00				6,000,580,418.30	49,072,130.00	652,034,797.34		2,024,105,532.62		15,795,534,201.71	8,825,068,796.70	36,294,376,750.67

Legal representative: Liang Haishan

Chief accountant: Gong Wei

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

**Statement of Changes in Equity of the Parent Company**

January-June 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 the current period (decrease is represented by “-”)	-18,050,341.00				-146,260,600.75	-47,396,706.70	-20,707,515.14			295,322,514.54	157,700,764.35
(I) Total comprehensive income							-20,707,515.14			295,322,514.54	274,614,999.40
(II) Capital injection and reduction by owners	-18,050,341.00				-146,260,600.75	-47,396,706.70					-116,914,235.05
1. Ordinary shares invested by shareholders	-18,050,341.00				-141,993,390.54	-47,396,706.70					-112,647,024.84
2. Capital injected by holders of other equity instruments											
3. Amount of shares payment credited to owner's equity											
4. Others					-4,267,210.21						-4,267,210.21
(III) Profit distribution											
1. Appropriation to surplus reserves											
2. Distribution to owners (or shareholders)											
3. Others											
(IV) Internal transfer of owner's equity											
1. Transfer of capital reserves into capital (or share capital)											
2. Transfer of surplus reserves into capital (or share capital)											
3. Surplus reserves used for remedying loss											
4. Others											
(V) Special reserve											
1. Appropriated for the current period											
2. Utilized for the current period											
(VI) Others											
IV. Closing balance for the current period	6,105,103,927.00				2,083,251,048.44	30,207,838.00	-1,865,492.89		1,332,647,187.44	3,331,330,521.79	12,820,259,353.78

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				5,045,616,941.16	47,160,730.00	7,231,809.03		1,138,128,545.32	2,782,145,100.14	11,971,896,799.65
Add: changes in accounting policies											
Correction of previous errors											
Others											
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 the current period (decrease is represented by “-”)	190,000.00				5,803,699.79	190,000.00	81,556,138.58			154,573,640.58	241,933,478.95
(I) Total comprehensive income							81,556,138.58			154,573,640.58	236,129,779.16
(II) Capital injection and reduction by owners	190,000.00				5,803,699.79	190,000.00					5,803,699.79
1. Ordinary shares invested by shareholders	190,000.00					190,000.00					
2. Capital injected by holders of other equity instruments											
3. Amount of shares payment credited to owner's equity					25,043,900.00						25,043,900.00
4. Others					-19,240,200.21						-19,240,200.21
(III) Profit distribution											
1. Appropriation to surplus reserves											
2. Distribution to owners (or shareholders)											
3. Others											
(IV) Internal transfer of owner's equity											
1. Transfer of capital reserves into capital (or share capital)											
2. Transfer of surplus reserves into capital (or share capital)											
3. Surplus reserves used for remedying loss											
4. Others											
(V) Special reserve											
1. Appropriated for the current period											
2. Utilized for the current period											
(VI) Others											
IV . Closing balance for the current	3,046,125,134.00				5,051,420,640.95	47,350,730.00	88,787,947.61		1,138,128,545.32	2,936,718,740.72	12,213,830,278.60

period											
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Legal representative: Liang Haishan

Chief accountant: Gong Wei

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

### **III. General Information of the Company**

#### **1. Overview of the Company**

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 raised 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 additionally issued 50.00 million shares to the public and listed and traded 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 head office is located at the Haier Industrial Park of Laoshan District, Qingdao, Shandong Province.

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

The Company's ultimate holding parent company is Haier Group Corporation.

These financial statements have been approved for publication by the Board of the Company on 30 August 2016.

#### **2. Scope of consolidated financial statements**

For details of principal subsidiaries included in the consolidation scope during the year, please refer to note IX.

### **IV. Basis of Preparation of the Financial Statements**

#### **1. Basis of preparation**

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

Standards for Enterprises”) which issued subsequently, and in combination with the disclosure provisions of the Rules for the Information Disclosure and Compilation of Companies Publicly Issuing Securities No.15: General Provisions for Financial Report (Revised in 2014) of CSRC as well as the following significant accounting policies and accounting estimation.

## **2. Going concern**

The Company has ability to continue as a going concern 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**

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 bad debts for accounts receivable (Note V.11); the measurement of inventories (Note V.12); the depreciation and amortization of the investment properties (Note V.14); the depreciation of fixed assets (Note V.15); the amortization of intangible assets (Note V.18); the criterion for determining of long-term assets impairment (Note V.19); and the date of revenue recognition (Note V.24), etc..

### **1. Statement of compliance with enterprise accounting standards**

The financial statements prepared by the Company meet the requirements of the Accounting Standards for Enterprises; exactly and completely reflected relevant information of the financial condition as of 30 June 2016, operation result and cash flow of the Company from January to June 2016.

### **2. Accounting period**

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

### **3. Operating cycle**

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

### **4. Functional currency**

Renminbi is the functional currency of the Company.

## **5. Accounting treatments of enterprise combinations involving entities under common control and entities not under common control**

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 of the other parties on the combination date is the acquiring party, and other parties involving in the enterprise combination are the parties being acquired. The combination date is the date on which the acquiring party effectively obtains the control of 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 in the final controller's consolidated financial statements obtained as the initial investment cost of long-term equity investments as at the date of combination. For carrying value of net assets of the acquiree is negative as at the date of combination, investment cost of long-term equity investment is calculated as zero. In case the acquiree is controlled by the ultimate controller by the enterprise combination under non-common control before combination, the initial investment cost of the long-term equity investment of the acquirer includes relevant goodwill. The Company should adjust the capital reserve (capital premium or share premium) in accordance with the differences between initial investment cost of the long-term equity investment and the cash paid, the non-cash assets transferred and the carrying value of liability assumed; in case the balance of the capital reserve (capital premium or share premium) is insufficient for the elimination, then any excess shall be adjusted against retained earnings. 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, then any excess shall be adjusted against retained earnings.

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 current profit or loss in the period when they occurred. Trading expenses in direct relation to the issuance of equity instruments as the consideration for the combination is written down to the capital reserve (capital premium or share premium), where the capital reserve (capital premium or share premium) is insufficient, retained earnings should be adjusted. 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 finally realized through several transactions, in case of a package transaction, all the transactions are accounted as one transaction that has acquired the control; in case of no package transaction, the capital reserve (assets premium or share premium) is adjusted in the financial statement of the parent company by the difference between the initial investment cost and 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 (assets premium or share premium) is insufficient, the retained earnings are adjusted.

In the consolidated financial statements, the equity investment held by the acquirer before the date of acquiring control of the acquiree, 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 acquirer and the acquiree are under the common control of the same party and the date of combination, are written down to the retained earnings or current profit or loss at the beginning of the comparative reporting period, respectively.

## (2) Enterprise combinations involving entities not under common control

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

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

The cost of combination and identifiable net assets obtained by the acquirer in an enterprise combination are measured at fair value on the acquisition date. Where the cost of the combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognized as goodwill; where the cost of combination is lower than the acquirer's interest in the fair

value of the acquiree's identifiable net assets, a review of computation for the acquirees' identifiable assets, liabilities or fair value of the liabilities and combination cost is conducted, and where the combination cost is still lower than the fair value of the identifiable net assets of the acquiree obtained during the course of combination after review, 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 transactions, in the parent's financial statements, the sum of the book value of the equity investment of the acquiree held before the date of acquisition and the cost of new investment on the date of acquisition are recognized as the initial investment cost of such investment.

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

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

## **6. Preparation method of consolidated financial statements**

### **(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, date of balance sheets and accounting periods of the parent 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 parent company and subsidiaries, which offset the internal transactions incurred between the parent company and subsidiaries and within subsidiaries. The owner's equity of the subsidiaries not attributable to the parent company shall be presented as "minority equity" 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 measurement of joint operations

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 during which the Company 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 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 (the assets do not constitute a business, the same below) or purchase assets 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 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 V.

## **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**

### **(1) Foreign currency translation**

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 for financial statement**

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

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

Foreign currency cash flows are translated using the approximate rate of the spot exchange rate on

the transaction date. The impact of exchange rate changes on cash amount is reflected separately in the cash flow.

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

## **10. Financial instruments**

### **(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 through profit or loss, or included in the amount recognized initially for other financial assets and financial liabilities.

Determination of the fair value of financial assets and financial liabilities: fair value refers to the amount 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 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 financial instrument which is substantially the same, discounted cash flow analysis and option pricing models.

The effective interest method is a method of calculating the amortized cost 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.

Financial assets are classified into financial assets at fair value through current profit or loss, held-to-maturity investments, loans and receivables, and available-for-sale financial assets upon initial recognition. Classification of financial asset other than loans and 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 through current profit or loss and other

financial liabilities.

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated as at fair value through current profit or loss. All financial assets at fair value through current profit or 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 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 objective evidence of a recent pattern of short-term profit-taking; (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 through current profit or loss upon initial recognition only when one of the following conditions is satisfied: (1) such designation eliminates or significantly reduces a recognition or measurement 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; (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 through current profit or 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.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in 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 through profit or loss for the current period.

Available-for-sale financial assets include non-derivative financial assets designated as available-for-sale at initial recognition, and the financial assets other than financial assets at fair value through current profit or 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 current profit or loss, are recognized in other comprehensive income and reclassified to current 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 other comprehensive income 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.

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; (3) the financial asset has been transferred to the transferee, 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 the current profit or loss for the current period: the carrying amount and the sum of the consideration received and any accumulated gain or loss that had been recognized directly in equity. If a part of the

financial assets qualifies for derecognition, the carrying amount of the financial asset is allocated between the part that qualifies for derecognition and the part that continues to be recognized, based on the fair values of the respective parts. The difference between the following amounts is recognized in profit or loss for the period: the carrying amount of the part that qualifies for derecognition and the sum of the consideration received from derecognized part and any accumulated amount of change in fair value that had been originally recognized directly in other comprehensive income.

Financial assets and financial liabilities are offset and the 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 financial assets and settle the financial 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 the financial instruments issued as financial liabilities and equity instruments according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. Financial liabilities are classified as financial liabilities at fair value through current profit or loss and other financial liabilities at initial recognition.

Financial liabilities at fair value through current profit or loss include financial liabilities held for trading and financial liabilities designated as at fair value through current profit or loss.

Financial liabilities may be classified as financial liabilities held for trading if one of the following conditions is met: (1) the financial liability is acquired principally for the purpose of 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 objective evidence of a 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 through current profit or 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 through current profit or loss are subsequently measured at fair

value. The gain or loss arising from changes in fair value and dividend and interest expense arising from such financial liabilities are recognized in profit or loss for the current period.

**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 profit or loss.

#### (4) Impairment of financial assets

The carrying values of all financial assets except financial assets at fair value through current profit or loss should be tested for impairment. If impairment is demonstrated by objective evidences, the financial assets should be tested for impairment and the provision of impairment should be prepared according to the test result.

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 on debtor experiencing financial difficulties;
- 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 assets 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 after the overall assessment according to the public data, it was discovered that the cash flows since initial recognition of that group of financial assets decreased and become 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 of the equity instrument could not recover its investment costs;
- ⑧ There is significant or other than temporary decrease in fair value of equity instrument investment;
- 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 receivables have been impaired, the book value of the financial assets shall be written down to the current value of estimated future cash flow discounted at the original effective interest rate, and the write-down amount is recorded as impairment loss and written into profit or loss of the current period. When a financial asset based on amortized cost is impaired, if there are objective evidences showing the value of this financial asset is recovered and it is objectively related to the matters happened after the impairment loss recognition, the impairment loss recognized shall be reversed. However, the reversal shall not result in a carrying amount of the financial asset that exceeds the amortized cost that would have been 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 the current profit or loss. The cumulative loss reclassified is the difference between its acquisition cost less any principal recovered and amortized, and its current fair value, and 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 after the recognition of impairment loss on financial assets available-for-sale.

If an investment in equity instrument measured at cost 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 current profit or loss. Such impairment loss once recognized shall no longer be reversed.

For investments in equity instruments, the specific quantitative criteria 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%.
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Specific quantitative criterion on “not temporary” decrease in their fair value	Fall for 12 consecutive months.
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## 11. Receivables

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

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

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

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

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

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

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

## 12. Inventories

(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, wrappage, goods in progress, self-made semi-finished goods, finished goods (merchandise inventory) and engineering construction etc.

(2) Cost of inventories transferred out

Inventories from the Company and most of the Company's subsidiaries are calculated by weighted average method, and inventories from other subsidiaries are calculated by first in first out method.

(3) Provision for inventory impairment

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

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

contractual price; in case the amount of inventory held by the enterprise exceeds the contractual amount, the net realizable value of the excess portion of inventory is calculated using the normal saleable price.

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

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

Long-term equity investments in this section refer to the long-term 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 other long-term equity investment other than the long-term equity investment acquired from enterprise combination: the initial investment cost of the long-term equity investment acquired by payment in cash shall be the purchase price actually paid; 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 through profit or loss according to relevant requirements of Accounting Standards for 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 investment, no adjustment is made to the initial investment cost of the long-term investment. 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 investment, the difference is recognized in profit or loss for the period, and the cost of the long-term equity investment is adjusted accordingly.

Under the equity method, the Company recognizes the investment income and other comprehensive income according to its share of net profit or loss and other comprehensive income of the investee, and the carrying amount of the long-term equity investments shall be adjusted accordingly; the carrying amount of the long-term equity 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 share of the net profits or loss of the investee, the net profits 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. In addition, if the Company has to assume additional obligations on the investee, the estimated obligation assumed shall be provided for and charged to the 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 initially have no control, joint control or significant impact on the investee and that are accounted according to the financial instrument recognition and measurement criteria and 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 change 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 carrying amount and the considerations actually received of the disposed investment is recognized in the current 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. Investment properties are depreciated or amortized in accordance with the accounting policies for the fixed assets or intangible assets of the Company. When the investment properties are for self-use, relevant investment properties will be converted into fixed assets or intangible assets from the date of conversion.

#### **15. Fixed assets**

(1) Recognition criteria

Fixed assets are tangible assets that are held for production of goods, provision of services, leasing or for 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 methods 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 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, estimated net residual value and depreciation method of fixed assets are reviewed, and adjusted if there is variance with original estimates; The Company have made provisions for all of the fixed assets except for the fixed assets with full provision and used continuously.

Category of fixed assets	Service lives	Estimated rate of 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, impairment test is conducted and the recoverable amount is estimated, and impairment is provided based on the difference between the carrying value and the recoverable amount, and once the impairment loss is provided, it will not be reversed in the subsequent accounting period.

## 16. Construction in progress

(1) Construction in progress is measured at actual cost. Actual cost comprises construction cost, installation cost, borrowing cost that are eligible for capitalization and other necessary cost incurred to bring the construction in progress ready for their intended use.

### (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 production and 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 of the fixed asset is very minimal or remote;
- ④ The constructed fixed asset meets or almost meets the requirements of the design or 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 indicator of impairment and an impairment test is needed to recognize the recoverable amount when there are indicators that construction in progress may impair. The impairment provision should be the amount of the carrying value over recoverable amount and impairment loss cannot be reversed in the following accounting period once it has been accounted.

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

## **17. Borrowing costs**

(1) Recognition principles for borrowing cost capitalization:

Borrowing costs include interests incurred by the Company in connection with the borrowings, amortization of discount or premium plus auxiliary expenses, and currency translation differences from foreign currency borrowings. Borrowing cost incurred by the Company arising from special borrowings or general borrowing for fixed assets, investment properties for development or inventories that require more than one year (inclusive) to purchase or construct, shall be capitalized and credited into relevant assets cost; other borrowing costs are expensed and charged to current profit or loss when incurred.

(2) Computation of capitalized amount

Capitalization period: 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 an asset is interrupted abnormally and the interruption lasts for more than 3 months.

Computation of capitalized amount: 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 for normal borrowings used, the interest amount that should be capitalized on normal borrowings is calculated based on the weighted average of expenses of the aggregate asset exceeding the 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 term of the borrowings to adjust the interest in every period using the effective interest rates.

## **18. Intangible assets**

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

(1) Measurement method of intangible assets

Intangible assets are initially measured at costs. The actual costs of purchased intangible assets include the consideration and relevant expenses actually paid. For intangible asset contributed by investors, the actual cost is determined by the value agreed in the investment contract or agreement. 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 of the intangible assets are reviewed, and adjusted if there is any variance with original estimates; ② intangible assets with indefinite useful lives are not amortized and the useful lives are reviewed at the end of each year. If there is concrete 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) Criteria of determining infinite useful life

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

Criteria of determining intangible assets with infinite 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; ② period of future economic benefits generated by the intangible assets 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 relevant departments that use the intangible assets, using the down-to-top approach, to determine if there are changes to the indefinite useful lives.

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

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

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

(4) Basis for research and development phases 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 phase 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 using the intangible asset have 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 phase and development phase of an internal research and development project: research stage is the activities carried out for the planned investigation and search of new technology and knowledge, which has the characteristics of planning and exploration; before commercial production or other uses, the application of new technologies and new knowledge obtained from the research phase in a plan or design to produce new or improved materials, equipment and products is regarded as development phase, which has the characteristics of very probable pinpointing and forming results.

## **19. Impairment of long-term assets**

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 and an impairment loss are recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell 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 the end of each year.

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 in accordance with a reasonable basis on 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 assets or asset groups, 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 assets or asset groups. 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 assets or asset groups.

When there is an indication that the asset and asset group are prone to impair, the Company shall firstly test for impairment for asset and asset group 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 asset or the asset group including goodwill and compare the asset or asset group's recoverable amount with its carrying amount (including the carrying amount of allocated goodwill). Provision for impairment of assets shall be recognized when the recoverable amount of the asset or the asset group is lower than its carrying amount.

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

## **20. Long-term prepayments**

Long-term prepayments are expenditures which have incurred but shall be amortized over the current period and subsequent periods of more than one year (excluding one year). They are amortized evenly over the benefit period. 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. Estimated liabilities**

### **(1) Criterion for determining 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 method of estimated liability**

The best estimate of the expenditure from 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 provision 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.

## **22. Share-based payments**

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 in the current period or the specified performance is achieved, the fair value shall, based on the best estimate of the number of exercisable instruments, 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 during vesting period, on each balance sheet date within the vesting period, the services acquired in the current period shall, based on the best estimate of the number of exercisable instruments, be recognized in relevant costs or expenses and the corresponding liabilities at the fair value of the liability assumed by the Company, and the liabilities shall be adjusted correspondingly.

At each balance sheet date and the settlement date prior to the settlement of liabilities, the fair value of the liability is re-measured through profit or loss.

When there is change in 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 refers to the difference between the fair values of the modified date. If the Company modifies the exercisable conditions in such a 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 share-based payment plans to modify the terms and conditions of service, it will continue to be accounted for 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 cancelled equity instruments granted by the Company to cancel the equity instruments granted amount treated as accelerated vesting of the remaining period should be recognized immediately in profit or loss, while recognizing the capital reserve. Employees or other parties can choose to meet non-vesting conditions but are not met in the vesting period, the Company will treat it as canceled equity instruments granted.

### **23. Remuneration of employees**

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

Short-term remuneration include short-term salaries, bonus, allowance, subsidies, staff's welfare, housing provident fund, union funds and employee education funds, medical insurance fees, injury

insurance fees, maternity insurance fees, short-term paid absence, short-term profit sharing plans, etc.. During the accounting period when employees render services, short-term benefits payable that actually incurred shall be recognized as liabilities and credited into the current profit and loss or relevant assets cost on an accrual basis for the benefit objects.

Post-employment benefits mainly include the basic pension insurance, supplementary pension, etc.. In accordance with the risks and obligations undertaken by the Company, the post-employment benefits are 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. Among which, current service cost means the increase of the present value of defined benefit obligation resulted from the current period 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 the current period when recognition conditions for accrued liabilities are met.

## **24. Revenue**

### **(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, only 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 customers' orders; financial personnel review the remaining credit of the customers 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 customers' 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 in profit or loss; 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

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 grant

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

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

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

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

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

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

② Government grant shall be categorized as related to income if its usage is just subject to general statement but 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 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 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 not fulfilling the above requirements are recognized upon actual receipt of such subsidies.

## **26. Deferred income tax assets / deferred income tax liabilities**

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 law 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 future profit for the utilization of the deductible temporary difference. At the balance sheet date, if there is sufficient evidence that there would be enough future 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 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 reversed in foreseeable future and there will be sufficient future taxable profit to utilize 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).

## **27. Lease**

### **(1). Accounting treatment of Operating lease**

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 leaser bears the lease related expenses which should be undertaken by the Company, the Company shall deduct this 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 this part of expense from the total rent income, and amortize the rental payment over the lease term.

## **(2). Accounting treatment of Finance lease**

① When 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.

② When 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 the lease. 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 revenue during period of the lease.

## **28. Other significant accounting policies and accounting estimations**

### **(1). Share repurchases**

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

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

When cancelling the treasury stock, the share capital shall be cancelled against the total face value of the cancelled treasury stock; the treasury stock shall be eliminated against the book balance of the

cancelled treasury stock; the capital reserve (equity premium) shall be eliminated against the difference; if the equity premium is insufficient for elimination, the retained earnings shall be adjusted accordingly.

(2). Explanations on significant accounting estimates

Judgments, estimates and assumptions shall be made to financial statements items, which could not be measured accurately, due to the inherent uncertainties of operating activities, while applying accounting policy. Management bases its judgments, estimates and assumptions on historical experience and other various factors, these judgments 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, these uncertainties may have a difference from the current estimates of the management, and thus cause a material adjustment to the carrying amounts of assets and liabilities. The judgments, estimates and assumptions mentioned above shall be reviewed on a going concern basis. If the revisions to accounting estimates only influence the current period, relevant adjustment due to the effect shall be recognized in the current period; otherwise, 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 and estimated onerous contracts shall be recognized in 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 consideration of 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 trade 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 write-down 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 historical costs are higher than the net realizable, provision for write-down 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 write-down shall be incurred in consideration of solid evidence and the purpose of holding inventories and the effect of subsequent events and etc. The difference between the actual outcome and the previously estimated outcome will influence the carrying value of inventories and accrual or reversal of provision for write-down 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 taken into consideration that how much the fair value of the investment is lower than the cost, the financial position and short-term business projection, 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 its fair value deducted disposal expenses and the present value of expected future cash flow. The fair value deducted by disposal expenditure is determined in consideration that sale agreement regarding analogous asset, and approachable market price and relevant dispose expenditures. 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, while 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 or asset groups 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 assets or asset groups, 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 the residual value into consideration. 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 tax assets

Deferred tax asset is recognized for all the uncompensated tax losses to the extent of the amount of deductible taxable income. In order to determine the amount of deferred tax assets, the management needs to predict the timing and the amount of taxable profits in the future by taking into account the influence of tax planning.

⑨ Income tax

There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. Whether some items are non-deductible shall be approved by relevant tax authorities. Where the final tax outcome of these matters is different from the carrying amount, such differences will impact the current and deferred tax.

⑩ Returned profits from sales

The Company and its subsidiaries adopt the policy of returned profits from sales for all customers. 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 pursuant 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 balance 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

Tax type	Basis of taxation	Tax rate
Value-added tax	Taxable revenue of goods sales and taxable labor services revenue	6%, 11%, 17%
Business tax	Business tax amount payable	3%, 5%
Urban maintenance and construction tax	Turnover tax amount payable	7%

(Local) education surcharges	Turnover tax amount payable	1%, 2%, 3%
EIT	Income tax amount payable	Statutory tax rate or preferential tax rate as follows

## 2. Preferential tax

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.(青岛海尔电冰箱有限公司)	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Intelligent Electronics Co., Ltd.(青岛海尔智能电子有限公司)	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Special Refrigerator Co., Ltd.(青岛海尔特种电冰箱有限公司)	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Air-Conditioner Co., Ltd.(青岛海尔空调器有限总公司)	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Dishwasher Co., Ltd.(青岛海尔洗碗机有限公司)	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Special Freezer Co., Ltd.(青岛海尔特种电冰柜有限公司)	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.(武汉海尔电器股份有限公司)	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Wuhan Haier Freezer Co., Ltd.(武汉海尔电冰柜有限公司)	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Hefei Haier Refrigerator Co., Ltd.(合肥海尔电冰箱有限公司)	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Hefei Haier Air-conditioning Co., Ltd.(合肥海尔空调器有限公司)	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Zhengzhou Haier Air-conditioning Co., Ltd.(郑州海尔空调器有限公司)	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Chongqing Haier Air-conditioning Co., Ltd.(重庆海尔空调器有限公司)	15%	entitled to the preferential taxation policies under the Western Development initiative of the PRC

Chongqing Haier Refrigeration Appliance Co., Ltd.(重庆海尔制冷电器有限公司)	15%	entitled to the preferential taxation policies under the Western Development initiative of the PRC
Guizhou Haier Electronics Co., Ltd.(贵州海尔电器有限公司)	15%	entitled to the preferential taxation policies under the Western Development initiative of the PRC
Qingdao Haier Air-Conditioner Electronics Co., Ltd. (青岛海尔空调电子有限公司)	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Moulds Co., Ltd.(青岛海尔模具有限公司)	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Meier Plastic Powder Co., Ltd.(青岛美尔塑料粉末有限公司)	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Chongqing Haier Precision Plastic Co., Ltd.(重庆海尔精密塑料有限公司)	15%	entitled to the preferential taxation policies under the Western Development initiative of the PRC
Chongqing Haier Intelligent Electronics Co., Ltd.(重庆海尔智能电子有限公司)	15%	entitled to the preferential taxation policies under the Western Development initiative of the PRC
Qingdao Haigao Design & Manufacture Co., Ltd. (青岛海高设计制造有限公司)	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Technology Co., Ltd(青岛海尔科技有限公司)	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Hairi High Technology Molding Co., Ltd. (青岛海日高科模型有限公司)	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier (Jiaozhou) Air-Comditioner Co., Ltd. (青岛海尔(胶州)空调器有限公司)	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Beijing Haier Guangke Digital Technology Co., Ltd. (北京海尔广科数字技术有限公司)	15%	entitled to the preferential taxation policies as a hi-tech enterprise
He Fei Haier Washing Machine Co., Ltd.(合肥海尔洗衣机有限公司)	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
Fo Shan Shun de Haier Electric Appliance Co., Ltd(佛山市顺德海尔电器有限公司)	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

Wu Han Haier Water Heater Co., Ltd.( 武汉海尔热水器有限公司)	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Chongqing Goodaymart Electronics Sales Co., Ltd. (重庆日日顺电器销售有限公司)	15%	entitled to the preferential taxation policies under the Western Development initiative of the PRC
Chongqing Haier Home Appliance Sale Co., Ltd. (重庆海尔家电销售有限公司) and some branches in Western Region	15%	entitled to the preferential taxation policies under the Western Development initiative of the PRC
Chongqing New Goodaymart Electronics Sales Co., Ltd. (重庆新日日顺电器销售有限公司) and some of branch companies in Western Region	15%	entitled to the preferential taxation policies under the Western Development initiative of the PRC
Chongqing Haier Washing Machine Co., Ltd.(重庆海尔洗衣机有限公司)	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

## VII. Explanatory Notes for Items in Consolidated Financial Statements

Unless otherwise specified, the following closing balance means the amount as at 30 June 2016; opening balance means the amount as at 31 December 2015; current period means the amount incurred from 1 January to 30 June 2016, while the previous period means the amount incurred from 1 January to 30 June 2015.

### 1. Monetary funds

Unit and Currency: RMB		
Items	Closing balance	Opening balance
Treasury cash	744,340.77	448,890.79
Bank deposit	21,873,758,354.91	24,664,175,572.12
Other monetary funds	62,174,334.59	91,949,685.73
Total	21,936,677,030.27	24,756,574,148.64
Among which: total of overseas amounts	2,662,649,371.32	1,000,735,432.46

Other explanatory

An amount of RMB9,190,941,432.53 of the monetary fund was deposited in Haier Group Finance Co., Ltd. on 30 June 2016, the balance of which including a fixed term deposit of RMB387,383,009.96. The investment fund in the closing balance of other monetary fund was RMB13,164,589.80, the payment of the third party platform was RMB7,847,684.42 and the amount securing bill payable was RMB41,162,060.37.

### 2. Financial asset designated to be measured by fair value and 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	562,343.01	22,069,897.04
Total	562,343.01	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	2,161,443,941.51	2,030,726,556.43
Commercial acceptance bill	8,663,049,846.06	10,642,925,056.43
Total	10,824,493,787.57	12,673,651,612.86

(2).The pledged bills receivable of the Company at the end of the period was RMB 7,550,830,591.48.

### 4. Trade receivables

#### (1) Trade receivables disclosed by categories:

Items	Closing balance		Opening balance	
	Carrying balance	Provision for bad debts	Carrying balance	Provision for bad debts
Trade receivables that are individually significant and are subjected to provision for bad debts on individual basis				
Trade receivables that are subjected to provision for bad debts on portfolio basis	13,501,293,329.09	408,100,238.65	6,364,677,108.26	318,233,855.42
Trade receivables that are individually insignificant and are subjected to provision for bad debts on portfolio basis	76,534,650.82	76,534,650.82	124,613,269.46	124,613,269.46
Total	13,577,827,979.91	484,634,889.47	6,489,290,377.72	442,847,124.88

Trade receivables of which provision for bad debts is made according to aging analysis within the group:  
√Applicable □Not Applicable

#### (2) Trade receivables of which provision for bad debts is made within the group:

Aging	Closing balance		Opening balance	
	Carrying balance	Provision for bad debts	Carrying balance	Provision for bad debts
Within 1 year	13,213,557,416.01	393,713,443.00	6,140,288,899.35	307,014,444.99
1-2 years	226,345,753.30	11,317,287.67	177,154,723.15	8,857,736.15
2-3 years	39,728,398.83	1,986,419.94	10,733,254.50	536,662.72
Over 3 years	21,661,760.95	1,083,088.04	36,500,231.26	1,825,011.56
Total	13,501,293,329.09	408,100,238.65	6,364,677,108.26	318,233,855.42

(3) The total amount of the top 5 in the trade receivables at the end of the period was RMB4,557,923,484.41, accounting for 33.57% of the carrying balance of the trade receivables, and the amount of provision for bad debts was RMB84,941,616.69.

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

Provisions for bad debts in the amount of RMB 58,679,985.67 were made in the current period.

(5) Accounts receivable written off in the current period :

The bad debts written off in the current period amounted to RMB37,101,683.82, and there was no significant accounts receivable written off in the current period.

## 5. Prepayments

(1) Aging analysis of prepayments:

Unit and Currency: RMB

Aging	Closing balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	730,459,825.61	87.10	274,711,036.31	52.15
1-2 years	74,189,808.94	8.85	84,576,029.21	16.06
2-3 years	30,236,983.64	3.60	111,635,498.60	21.19
Over 3 years	3,789,582.12	0.45	55,799,800.49	10.60
Total	838,676,200.31	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 RMB286,903,780.68, accounting for 34.21% of the carrying balance of the prepayments.

## 6. Interest receivables

☒Applicable ☐Not Applicable

Aging	Closing balance		Opening balance	
	Carrying balance	Proportion	Carrying balance	Proportion
Within 1 year	88,210,724.56	98.28%	183,731,216.46	100.00%
1-2 years	1,542,372.24	1.72%		
Total	89,753,096.80	100.00%	183,731,216.46	100.00%

## 7. Other receivables

(1) Other receivables disclosed by categories:

Items	Closing balance		Opening balance	
	Carrying balance	Provision for bad debts	Carrying balance	Provision for bad debts
Other individual significant 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	841,900,040.22	34,046,097.30	573,456,976.78	28,672,848.83
Other individual insignificant	18,569,114.63	18,569,114.63	16,989,358.60	16,989,358.60

receivables of which provision for bad debts is made on an individual basis				
Total	860,469,154.85	52,615,211.93	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	
	Carrying balance	Provision for bad debts	Carrying balance	Provision for bad debts
Within one year	554,238,601.97	14,353,398.91	341,638,037.90	17,081,901.90
1-2 years	157,722,952.69	7,505,586.48	200,229,224.55	10,011,461.22
2-3 years	113,020,367.49	5,651,018.37	16,878,863.68	843,943.18
Over 3 years	16,918,118.07	6,536,093.54	14,710,850.65	735,542.53
Total	841,900,040.22	34,046,097.30	573,456,976.78	28,672,848.83

(3) At the end of the period, total amount of top five other receivables was RMB143,962,651.09, representing 16.73% of the carrying balance of other receivables.

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

Provisions for bad debts in the amount of RMB717,796.79 were reversed in the current period.

(5) Other receivable written off in the current period was RMB3,138,550.00.

(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	
	Carrying balance	Impairment Provision	Carrying balance	Impairment Provision
Raw materials	1,992,356,131.94	33,862,857.62	1,319,167,777.77	27,740,567.60
Work in progress	138,310,787.07		100,862,950.68	
Engineering construction	168,339,429.62		183,826,364.76	
Finished goods	11,415,337,424.39	425,648,335.51	7,269,742,978.69	282,326,025.78
Total	13,714,343,773.02	459,511,193.13	8,873,600,071.90	310,066,593.38

(2) Impairment provision of inventories:

Items	Opening balance	Increase for the current period	Decrease for the period			Closing balance
			Reversal	Write-off	Total	
Raw materials	27,740,567.60	11,148,447.06	4,494,141.37	532,015.67	5,026,157.04	33,862,857.62

Finished goods	282,326,025.78	305,550,167.89		162,227,858.16	162,227,858.16	425,648,335.51
Total	310,066,593.38	316,698,614.95	4,494,141.37	162,759,873.83	167,254,015.20	459,511,193.13

## (1) Engineering construction

Items	Total of actual contract costs		Total gross profit recognised		The settled price	
	Closing balance	Opening balance	Closing balance	Opening balance	Closing balance	Opening balance
Engineering construction	777,874,304.18	730,332,518.99	170,193,547.68	154,760,775.13	779,728,422.24	701,266,929.36

## 9. Other current assets

Unit and Currency: RMB

Items	Closing balance	Opening balance
Bank Treasury deposit	491,403,561.83	250,000,000.00
Amount of tax deductible items	693,814,322.28	962,096,326.52
Others	256,264,166.87	238,968,870.78
Total	1,441,482,050.98	1,451,065,197.30

## 10. Available-for-sale financial assets

√Applicable □Not Applicable

## (1)Description of available-for-sale financial assets

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	30,533,537.14		30,533,537.14	1,453,993,243.39		1,453,993,243.39
At cost	1,521,273,833.97	3,225,000.00	1,518,048,833.97	1,386,549,957.81	3,225,000.00	1,383,324,957.81
Total	1,551,807,371.11	3,225,000.00	1,548,582,371.11	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	21,982,104.89
Fair value	30,533,537.14
Accumulated fair value changes credited into other comprehensive income	7,323,252.88
Allowance for impairment amounts	

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

Book value	Opening balance	Increase for the period	Decrease for the period	Closing balance
(1)Book value				
Qingdao Hai Yong Cheng Certification Services Co., Ltd. (青岛海永成认证服务有限公司)	100,000.00			100,000.00
Haier Innovative Technology Service co., Ltd. (海尔创新技术服务有限公司)	25,000.00			25,000.00

Beijing Jia Wei Yi Jia Technology Co., Ltd.(北京家维亿佳科技有限公司)	300,000.00			300,000.00
Pioneer Energy (Jiangsu) Co., Ltd.	20,000,000.00			20,000,000.00
GK Shanghai Design Inc.	297,961.20			297,961.20
Wuhan Huaxin Hi-tech Co., Ltd. (武汉华信高新技术股份公司)	200,000.00			200,000.00
Wuhan Household Appliances Group Co., Ltd. (武汉家电集团公司)	1,000,000.00			1,000,000.00
Qingdao Haier Facility Management Co., Ltd. (青岛海尔设备管理有限公司)	2,000,000.00			2,000,000.00
Shenzhen Holdings Donghai Investment Co., Ltd. (深圳市控股东海投资有限公司)	1,500,000.00			1,500,000.00
Shenzhen Holdings Donghai Phase I Fund (limited partnership) (深圳市控股东海一期基金(有限合伙))	7,500,000.00	67,500,000.00		75,000,000.00
Beijing Xiaobei Technology Co., Ltd. (北京小焙科技有限公司)	1,828,125.00	10,171,875.00		12,000,000.00
Beijing Lianluo U-Home Technology Co., Ltd. (北京联络优家科技有限公司)		200,000.00		200,000.00
Wanyuan Zhongxiang Alliance Technology (Beijing) Co., Ltd. (万源众享联盟科技(北京)有限公司)		10,000.00		10,000.00
Shanghai Unilife Information Technology Co., Ltd. (上海优悦信息科技有限公司)		16,500,000.00		16,500,000.00
Foshan Kacha Information Technology Co., Ltd. (佛山市咔嚓购信息技术有限公司)		10,000,000.00		10,000,000.00
Cooperative Association MB Network(協同組合エムビーネットワーク)	514.00			514.00
ZAIKEI JUTAKU KINYU CO.,LTD. (財形住宅金融(株))	101,896.00	20,140.00		122,036.00
PARTECIPAZIONECONSORZIOECODOM	7,095.20	279.80		7,375.00
China Petrochemical Marketing Co., Ltd. (中国石化销售有限公司)	1,290,489,366.41	29,277,770.80		1,319,767,137.21
Shanghai Grand Logistics Co., Ltd. (上海广德物流有限公司)	61,200,000.00			61,200,000.00
InternationalwiregroupInc.stock		772,090.51		772,090.51
LouisvilleBANCOR		271,720.05		271,720.05
Total	1,386,549,957.81	134,723,876.16		1,521,273,833.97
(2)Provision for impairment				
Qingdao Hai Yong Cheng Certification Services Co., Ltd. (青岛海永成认证服务有限公司)				
Haier Innovative Technology Service Co., Ltd. (海尔创新技术服务有限公司)	25,000.00			25,000.00
Beijing Jia Wei Yi Jia Technology Co., Ltd.(北京家维亿佳科技有限公司)				
Pioneer Energy (Jiangsu) Co., Ltd.				
GK Shanghai Design Inc.				
Wuhan Huaxin Hi-tech Co., Ltd. (武汉华信高新技术股份公司)	200,000.00			200,000.00
Wuhan Household Appliances Group Co., Ltd. (武汉家电集团公司)	1,000,000.00			1,000,000.00
Qingdao Haier Facility Management Co., Ltd. (青岛海尔设备管理有限公司)	2,000,000.00			2,000,000.00
Shenzhen Holdings Donghai Investment Co., Ltd. (深圳市控股东海投资有限公司)				

Shenzhen Holdings Donghai Phase I Fund (limited partnership) (深圳市控股东海一期基金(有限合伙))				
Beijing Xiaobei Technology Co., Ltd. (北京小焙科技有限公司)				
Beijing Lianluo U-Home Technology Co., Ltd. (北京联络优家科技有限公司)				
Wanyuan Zhongxiang Alliance Technology (Beijing) Co., Ltd. (万源众享联盟科技(北京)有限公司)				
Shanghai Unilife Information Technology Co., Ltd. (上海优悦信息科技有限公司)				
Foshan Kacha Information Technology Co., Ltd. (佛山市咔嚓购信息技术有限公司)				
Cooperative Association MB Network(協同組合エムビーネットワーク)				
ZAIKEI JUTAKU KINYU CO.,LTD. (財形住宅金融㈱)				
PARTECIPAZIONECONSORZIOECODOM				
China Petrochemical Marketing Co., Ltd. (中国石化销售有限公司)				
Shanghai Grand Logistics Co., Ltd. (上海广德物流有限公司)				
InternationalwiregroupInc.stock				
LouisvilleBANCOR				
Total	3,225,000.00			3,225,000.00
(3)Book value				
Qingdao Hai Yong Cheng Certification Services Co., Ltd. (青岛海永成认证服务有限公司)	100,000.00			100,000.00
Haier Innovative Technology Service Co., Ltd. (海尔创新技术服务有限公司)	0.00			
Beijing Jia Wei Yi Jia Technology Co., Ltd.(北京家维亿佳科技有限公司)	300,000.00			300,000.00
Pioneer Energy (Jiangsu) Co., Ltd.	20,000,000.00			20,000,000.00
GK Shanghai Design Inc.	297,961.20			297,961.20
Wuhan Huaxin Hi-tech Co., Ltd. (武汉华信高新技术股份公司)				
Wuhan Household Appliances Group Co., Ltd. (武汉家电集团公司)				
Qingdao Haier Facility Management Co., Ltd. (青岛海尔设备管理有限公司)				
Shenzhen Holdings Donghai Investment Co., Ltd. (深圳市控股东海投资有限公司)	1,500,000.00			1,500,000.00
Shenzhen Holdings Donghai Phase I Fund (limited partnership) (深圳市控股东海一期基金 (有限合伙))	7,500,000.00			75,000,000.00
Beijing Xiaobei Technology Co., Ltd. (北京小焙科技有限公司)	1,828,125.00			12,000,000.00
Beijing Lianluo U-Home Technology Co., Ltd. (北京联络优家科技有限公司)				200,000.00
Wanyuan Zhongxiang Alliance Technology (Beijing) Co., Ltd. (万源众享联盟科技(北京)有限公司)				10,000.00
Shanghai Unilife Information Technology Co., Ltd. (上海优悦信息科技有限公司)				16,500,000.00
Foshan Kacha Information Technology Co.,				10,000,000.00

Ltd. (佛山市咔嚓购信息技术有限公司)				
Cooperative Association MB Network(協同組合エムビーネットワーク)	514.00			514.00
ZAIKEI JUTAKU KINYU CO.,LTD. (財形住宅金融株)	101,896.00			122,036.00
PARTECIPAZIONECONSORZIOECODOM	7,095.20			7,375.00
China Petrochemical Marketing Co., Ltd. (中国石化销售有限公司)	1,290,489,366.41			1,319,767,137.21
Shanghai Grand Logistics Co., Ltd. (上海广德物流有限公司)	61,200,000.00			61,200,000.00
InternationalwiregroupInc.stock				772,090.51
LouisvilleBANCOR				271,720.05
Total	1,383,324,957.81			1,518,048,833.97

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

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

## 11. Long-term equity investments

√Applicable □Not Applicable

Investees	Opening balance	Increase/decrease during the period				
		Investments increased	Investment income recognized under equity method	Adjustment in other comprehensive income	Other changes in equity	Declaration of cash dividends or profits
Associates:						
Haier Group Finance Co., Ltd.	3,604,772,753.58		269,707,873.04	-18,786,652.19		
BANK OF Qingdao Co., Ltd		1,588,915,280.20	119,461,848.98	-14,460,102.63		-76,868,939.63
Haier Medical and Laboratory Products Co., Ltd. (青岛海尔特种电器有限公司)	283,507,786.33		11,199,057.50			
Wolong Electric Zhangqiu Haier Motor Co., Ltd. (卧龙电气章丘海尔电机有限公司)	119,968,184.53		2,232,897.51			
Qingdao Haier Software Investment Co., Ltd.(青岛海尔软件投资有限公司)	17,033,872.46		-286.18			

Qingdao Haier SAIF Smart Home Industry Investment (青岛海尔赛富智慧家庭创业投资中心(有限合伙))	200,266,832.77		11,291,836.09			
Qingdao Haier Special Steel Plate Research and Development Co., Ltd. (青岛海尔特种钢板研制开发有限公司)	95,207,113.86		4,903,818.40			
Hefei Haier Special Steel Plate Research and Development Co., Ltd. (合肥海尔特种钢板研制开发有限公司)	114,000,000.00		6,614,464.61			
Beijing Mr. Hi Network Technology Company Limited (北京海狸先生网络科技有限公司)	2,606,883.28		-1,369,816.20			
Haier Tongchuang Investment Partnership (limited partnership) (海尔同创投资合伙企业(有限合伙))	160,012,400.00		-1,666,535.29			
Qingdao HSW Water Appliance Co., Ltd. (青岛海施水设备有限公司)	39,437,684.81		3,514,855.37			
Qingdao Roca Water Appliance Co., Ltd. (青岛乐家水设备有限公司)	13,300,791.62		-111,322.76			
China Shengfeng Microfinance limited in Jin'an District of Fuzhou City (福州市晋安区盛丰国融小额贷款有限公司)	78,598,195.59		1,870,587.31			
Fujian ATL-Shengfeng Logistics Co., Ltd. (福建八方盛丰物流有限公司)	12,630,535.81		139,767.95			-360,000.00
Shenzhen Storm Tongshuai Technology Co., Ltd. (深圳暴风统帅科技有限公司)	16,168,507.04		-16,717,755.24		9,691,527.77	
Wuhan Xiaoshuai Smart Technologies Co., Ltd. (武汉小帅智能科技有限公司)		5,900,000.00	-2,201,426.35			

司)						
Konan Electronic Co., Ltd. (湖南电机株式会社)	31,904,236.23		4,244,794.09	7,052,044.50		-265,495.50
HNR COMPANY (PRIVATE) LIMITED (HNR 私营有限公司)	73,342,754.13		6,734,773.16	844,563.05		
HPZ LIMITED (HPZ 有限公司)	96,149,801.89		-6,581,973.78	-19,786,881.56		
CONTROLADORA MABE S.A.deC.V.		2,748,607,967.29				
Middle East Air conditioning Company, Limited		34,374,157.46				
Total	4,958,908,333.93	4,377,797,404.95	413,267,458.21	-45,137,028.83	9,691,527.77	-77,494,435.13

## continued table

Investees	Increase/decrease during the period		Closing balance	Closing balance of provision for impairment
	Others	The disposal of the investment		
Associates:				
Haier Group Finance Co., Ltd.			3,855,693,974.43	
BANK OF Qingdao Co., Ltd.			1,617,048,086.92	
Haier Medical and Laboratory Products Co., Ltd. (青岛海尔特种电器有限公司)			294,706,843.83	
Wolong Electric Zhangqiu Haier Motor Co., Ltd. (卧龙电气章丘海尔电机有限公司)			122,201,082.04	
Qingdao Haier Software Investment Co., Ltd.(青岛海尔软件投资有限公司)			17,033,586.28	
Qingdao Haier SAIF Smart Home Industry Investment (limited partnership)(青岛海尔赛富智慧家庭创业投资中心(有限合伙))			211,558,668.86	
Qingdao Haier Special Steel Plate Research and Development Co., Ltd. (青岛海尔特种钢板研制开发有限公司)			100,110,932.26	
Hefei Haier Special Steel Plate Research and Development Co., Ltd. (合肥海尔特种钢板研制开发有限公司)			120,614,464.61	
Beijing Mr. Hi Network Technology Company Limited (北京海狸先生网络科技有限公司)			1,237,067.08	
Haier Tongchuang Investment Partnership (limited partnership) (海尔同创投资合伙企业(有限合伙))			158,345,864.72	
Qingdao HSW Water Appliance Co., Ltd. (青岛海施水设备有限公司)		-17,283,587.70	25,668,952.48	
Qingdao Roca Water Appliance Co., Ltd. (青岛乐家水设备有限公司)			13,189,468.86	
China Shengfeng Microfinance limited in Jin'an District of Fuzhou City (福州市晋安区盛丰国融小额贷款有限公司)			80,468,782.90	
Fujian ATL-Shengfeng Logistics Co., Ltd. (福建八方盛丰物流有限公司)			12,410,303.76	
Shenzhen Storm Tongshuai Technology Co., Ltd. (深圳暴风统帅科技有限公司)			9,142,279.57	
Wuhan Xiaoshuai Smart Technologies Co., Ltd.(武汉小帅智能科技有限公司)			3,698,573.65	
Konan Electronic Co., Ltd. (湖南电机株式会社)			42,935,579.32	
HNR COMPANY (PRIVATE) LIMITED (HNR 私			80,922,090.34	

营有限公司)				
HPZ LIMITED (HPZ 有限公司)			69,780,946.55	
CONTROLADORA MABE S.A.deC.V.			2,748,607,967.29	
MiddleEast Airconditioning Company, Limited			34,374,157.46	
Total		-17,283,587.70	9,619,749,673.20	

## 12. Investment properties

√Applicable □Not Applicable

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

Items	Opening balance	Increase for the period	Decrease for the period	Closing balance
(1) Total original costs for the investment property	23,925,943.88			23,925,943.88
House, buildings and land	23,925,943.88			23,925,943.88
(2) Total accumulated amortization for the investment property	11,662,122.86	425,315.82		12,087,438.68
House, buildings and land	11,662,122.86	425,315.82		12,087,438.68
(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			11,838,505.20
House, buildings and land	12,263,821.02			11,838,505.20

(2) Depreciated and amortized amount for the period was RMB425,315.82.

(3) No provision for impairment was made as the recoverable amount of investment property was not less than the book value of the Company at the end of the period.

## 13. Fixed assets

Category of fixed assets	Opening balance	Increase for the period	Decrease for the period	Translation difference for foreign currency statement	Closing balance
(1) Book value					
Buildings and structures	5,956,791,211.06	1,401,337,426.05	141,921,628.73	74,241,847.41	7,290,448,855.79
Production equipment	7,407,087,313.10	6,851,498,413.90	432,885,438.91	30,082,454.98	13,855,782,743.07
Transportation equipment	284,704,751.18	8,193,843.43	8,790,955.10	115,866.92	284,223,506.43
Office equipment	250,739,496.69	76,818,652.65	3,621,668.39	1,890,721.54	325,827,202.49
Others	643,195,223.40	23,630,462.23	134,010,267.54	17,141,071.40	549,956,489.49

Total	14,542,517,995.43	8,361,478,798.26	721,229,958.67	123,471,962.25	22,306,238,797.27
(2)Accumulated depreciation					
Buildings and structures	1,771,889,836.12	173,069,700.15	121,248,701.65	12,998,376.24	1,836,709,210.86
Production equipment	3,811,043,658.06	411,145,769.33	149,293,594.80	20,214,844.14	4,093,110,676.73
Transportation equipment	107,745,006.55	35,353,493.68	8,879,163.08	1,292,246.46	135,511,583.61
Office equipment	143,515,182.24	20,662,402.73	2,353,438.50	1,745,351.01	163,569,497.48
Others	244,566,662.47	30,716,234.80	59,834,734.62	806,532.14	216,254,694.79
Total	6,078,760,345.44	670,947,600.69	341,609,632.65	37,057,349.99	6,445,155,663.47
(3)Net book value					
Buildings and structures	4,184,901,374.94				5,453,739,644.93
Production equipment	3,596,043,655.04				9,762,672,066.34
Transportation equipment	176,959,744.63				148,711,922.82
Office equipment	107,224,314.45				162,257,705.01
Others	398,628,560.93				333,701,794.70
Total	8,463,757,649.99				15,861,083,133.80
(4)Provision for impairment					
Buildings and structures	28,151,989.00			4,779,892.58	32,931,881.58
Production equipment	9,165,877.87			190,782.50	9,356,660.37
Transportation equipment	87,171.52			89.95	87,261.47
Office equipment	2,025,655.05			275,936.77	2,301,591.82
Others	155,485.11			134,283.93	289,769.04
Total	39,586,178.55			5,380,985.73	44,967,164.28
(5)Book value					
Buildings and structures	4,156,749,385.94				5,420,807,763.35
Production equipment	3,586,877,777.17				9,753,315,405.97
Transportation equipment	176,872,573.11				148,624,661.35
Office equipment	105,198,659.40				159,956,113.19
Others	398,473,075.82				333,412,025.66
Total	8,424,171,471.44				15,816,115,969.52

(1)Total fixed asset transferred from construction-in-progress balance during the period amounted to RMB 1,274,026,624.71.

(2)Haier Group Corporation, the parent company of the Company, issued an undertaking letter to the Company, committing that it will ensure the Company and its subsidiaries using the self-establish

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' land and property.

(3)The pledged fixed assets were RMB 17,829,566.65 at the end of the period.

(4)The rental financial fixed assets:

Items	Category of fixed assets	Closing balance
(1)Book value	Transportation equipment	32,432,479.99
(2)Accumulated depreciation	Transportation equipment	14,104,190.40
(3)Net book value	Transportation equipment	18,328,289.59
(4)Provision for impairment	Transportation equipment	
(5)Book value	Transportation equipment	18,328,289.59

#### 14. Construction in progress

√Applicable □Not Applicable

Balance of Construction in progress

Projects	Opening balance	Increase for the period	Transfer to fixed assets	Other decrease	Translation difference for foreign currency statement	Closing balance	Percent age of completion	Source of fund
Chongqing Household Air Conditioner	21,786,108.58	7,851,706.74	18,109,260.33			11,528,554.99	97%	Self-financing
Hefei Refrigerator	54,559,920.12	235,187,929.11	227,707,231.58			62,040,617.65	94%	Self-financing
Qingdao Special Freezer	52,918,902.29	38,518,980.54	44,135,189.57			47,302,693.26	92%	Self-financing
Jiaozhou Air-Conditioner	74,798,978.28		13,732,845.00			61,066,133.28	85%	Self-financing
Zhengzhou Air-Conditioner	24,695,752.75	8,955,140.98	6,875,559.89			26,775,333.84	84%	Self-financing
Shenyang Refrigerator	99,181,143.50	20,783,770.89	19,468,373.83			100,496,540.56	95%	Self-financing
Qingdao Special Refrigerator	15,506,939.22	31,981,741.77	18,662,193.18			28,826,487.81	67%	Self-financing
Dalian Refrigerator	12,093,391.95	9,915,067.16	12,113,582.22			9,894,876.89	end	Self-financing

Electrical Air-Conditioner	61,707,093.72	86,133,325.73	40,203,596.04			107,636,823.41	84%	Self-financing
Qingdao Electric Water Heater	29,237,418.60	5,006,011.26	11,582,619.12			22,660,810.74	86%	Self-financing
Qingdao Haier New Energy Electric Appliance	23,015,310.12	771,774.02	23,108,237.98			678,846.16	97%	Self-financing
Qingdao Front-loading Washing Machine	45,075,066.89	7,721,754.01	312,037.12	42,658,610.76		9,826,173.02	95%	Self-financing
Gui Yang logistics	64,998,722.17	5,933,478.91				70,932,201.08	end	Self-financing
NingBo logistics	80,074,630.30	34,890,136.56	114,964,766.86				100%	Self-financing
NangChang logistics	63,106,642.78					63,106,642.78	end	Self-financing
Changchun logistics	52,722,323.09	16,562,619.07	69,284,942.16				100%	Self-financing
ChongQingWater Heater	52,699,992.28	2,693,477.61	1,507,358.96			53,886,110.93	95%	Self-financing
Japan projects	11,071,532.11	2,293,419.68	800,688.59		1,807,158.34	14,371,421.54	end	Self-financing
Russian Project	60,550,817.60	72,029,087.06	127,962,218.40		10,753,934.80	15,371,621.06	end	Self-financing
American Project	56,484,200.24	66,577,888.51	5,785,542.16		1,196,905.56	118,473,452.15	80%	Self-financing
Others	435,186,936.48	804,220,387.42	517,710,381.72	37,688,349.53	1,961,525.91	685,970,118.56		Self-financing
Total	1,391,471,823.07	1,458,027,697.03	1,274,026,624.71	80,346,960.29	15,719,524.61	1,510,845,459.71		

There was no impairment of construction in progress, so no provision for impairment loss of construction in progress.

## 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

### (1). Description of Intangible assets

Categories	Opening balance	Increase for the period	Decrease for the period	Translation difference for foreign currency statement	Closing balance
(1)Book value at cost					
Technical expertise	3,200,000.00	736,063,200.00			739,263,200.00
License use rights		4,389,854,400.00			4,389,854,400.00

Land use rights	1,350,062,847.52	97,548,366.84	722,554.74	2,409,810.85	1,449,298,470.47
Management software	105,830,376.93	340,135,374.42	54,550.22	2,683,910.55	448,595,111.68
Others	248,847,965.64	31,412,821.17	1,004,279.19	1,173,404.94	280,429,912.56
Total	1,707,941,190.09	5,595,014,162.43	1,781,384.15	6,267,126.34	7,307,441,094.71
(2)Accumulated amortization					
Technical expertise	2,960,000.00	6,293,860.00			9,253,860.00
License use rights		7,833,105.00			7,833,105.00
Land use rights	115,997,155.10	18,251,005.16		272,062.91	134,520,223.17
Management software	62,017,523.27	11,406,888.96		338,258.07	73,762,670.30
Others	72,670,972.88	7,610,604.08		667,345.22	80,948,922.18
Total	253,645,651.25	51,395,463.20		1,277,666.20	306,318,780.65
(3)Net book value					
Technical expertise	240,000.00				730,009,340.00
License use rights					4,382,021,295.00
Land use rights	1,234,065,692.42				1,314,778,247.30
Management software	43,812,853.66				374,832,441.38
Others	176,176,992.76				199,480,990.38
Total	1,454,295,538.84				7,001,122,314.06
(4)Provision for impairment					
Technical expertise					
License use rights					
Land use rights					
Management software					
Others					
Total					
(5)Bank value					
Technical expertise	240,000.00				730,009,340.00
License use rights					4,382,021,295.00
Land use rights	1,234,065,692.42				1,314,778,247.30
Management software	43,812,853.66				374,832,441.38
Others	176,176,992.76				199,480,990.38
Total	1,454,295,538.84				7,001,122,314.06

At the end of the period, the intangible assets arise from internal research and development accounting for 3.62% of the original value at the end of the period.

## 17. Development expenses

Items	Opening balance	Increase for the period	Decrease for the period		Closing balance
			Charged to profit or loss in the period	Recognized as an intangible asset	
U+ platform construction	78,064,195.82	63,068,004.18	826,500.00	80,130,200.00	60,175,500.00
91ABD.ERPITPROGRAM		761,273,867.44		876,481.97	760,397,385.47
Others		25,686,817.11		11,632,611.85	14,054,205.26
Total	78,064,195.82	850,028,688.73	826,500.00	92,639,293.82	834,627,090.73

## 18. 商誉

Items	Opening balance	Increase for the period	Decrease for the period	Closing balance
GEA		19,838,594,289.70		19,838,594,289.70
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	19,838,594,289.70		20,231,079,222.25

The Company additionally acquired RMB19.839 billion of goodwill of GEA. The subsidiaries of the Company paid cash considerations of US\$5.576 billion to acquire asset and liabilities held by GE Group and partial equity of GEA. On 6 June 2016, the fair value of the identifiable assets of the equity interest and asset was US\$2.584 billion, and the difference between the cost of business combination and the share of fair value of identifiable assets acquired is recognized as goodwill.

## 19. Long-term deferred expenditures

Items	Opening balance	Increase amount for the current period	Amortization amount for the current period	Other deductions	Translation difference for foreign currency statement	Closing balance
Renovation fee	34,688,647.05	2,044,201.62	6,223,833.03	10,402,957.69		20,106,057.95
Expenditure for reconstruction of leased plant	52,106,678.65		3,033,958.39			49,072,720.26

Others	26,257,820.17	4,059,605.40	7,156,299.77	1,809,837.70	13,312.31	21,364,600.41
Total	113,053,145.87	6,103,807.02	16,414,091.19	12,212,795.39	13,312.31	90,543,378.62

## 20. Deferred income tax assets/liabilities

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

Items	Closing balance		Opening balance	
	Temporary differences	Deferred income tax assets	Temporary differences	Deferred income tax asset
Effect on deferred income tax of temporary differences formed by provision for assets impairment	848,307,611.49	128,759,771.89	839,874,595.84	125,087,878.47
Effect on deferred income tax of temporary differences formed by liabilities	3,285,407,172.50	740,558,124.08	3,317,632,626.10	703,437,008.26
Effect on deferred income tax of temporary differences formed by government subsidies	49,279,132.78	10,916,808.20	46,004,962.52	10,002,815.63
Effect on deferred income tax of temporary differences formed by internal unrealized profit due to consolidation	930,303,973.29	168,091,301.89	973,458,143.14	176,044,215.94
Total	5,113,297,890.06	1,048,326,006.06	5,176,970,327.60	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 value	4,864,700.20	90,133,922.90
Purchase and dispose subsidiaries	31,654,138.68	33,059,596.88
Changes of accounting methods in available-for-sale financial assets	80,823,381.28	
The reserved foreign enterprise income tax	9,334,131.93	9,127,063.15
Depreciation of fixed assets and the difference of the tax laws	5,432,790.71	5,077,072.26
Others	18,777,734.56	19,399,402.52
Total	150,886,877.36	156,797,057.71

(3)The deferred income tax assets and the deferred income tax liabilities offset at the end of the period amounted to RMB36,658,763.68.

## 21. Other non-current assets

Unit and Currency: RMB

Items	Closing balance	Opening balance
Prepayments for equipment and land	461,341,741.27	316,752,155.61
Others	73,807,289.21	82,331,935.92

Total	535,149,030.48	399,084,091.53
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**22. Short-term borrowings**

√Applicable □Not Applicable

**(1). The classification of short-term borrowings**

Unit and Currency: RMB

Items	Closing balance	Opening balance
Pledged borrowings		20,000,000.00
Mortgage loan	26,625,000.00	61,509,124.60
Guaranteed borrowings	688,495,038.00	1,000,728,210.00
Credit loan	9,644,684,287.51	790,870,906.90
Total	10,359,804,325.51	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	179,803,749.09	7,707,414.12
Total	179,803,749.09	7,707,414.12

**24. Bills payable**

√Applicable □Not Applicable

Unit and Currency: RMB

Categories	Closing balance	Opening balance
Commercially acceptance bill	428,485,939.56	1,425,847,863.41
Bank acceptance bill	10,888,516,211.58	10,171,037,482.65
Total	11,317,002,151.14	11,596,885,346.06

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

**25. Trade payables****(1). Presentation of trade payables**

√Applicable □Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Trade payables	21,934,222,531.29	14,662,615,841.25
Total	21,934,222,531.29	14,662,615,841.25

**26. Payments received in advance****(1). Presentation of payments received in advance**

√Applicable □Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Payments received in advance	2,831,753,904.34	3,143,416,387.59
Total	2,831,753,904.34	3,143,416,387.59

The book balance at the end of the period was mainly the payments received in advance.

**27. Staff remuneration payables**

## (1) Presentation of staff remuneration payables

Items	Opening balance	Increase for the period	Decrease for the period	Closing balance
Short-term emolument	1,192,884,942.32	4,525,713,572.10	4,286,836,118.59	1,431,762,395.83
Post-employment benefits-defined contribution plan	20,368,536.39	265,664,930.34	224,364,337.07	61,669,129.66
Termination benefits	20,407,486.86	1,733,446.58	11,558,218.93	10,582,714.51
Other welfare due within one year				
Total	1,233,660,965.57	4,793,111,949.02	4,522,758,674.59	1,504,014,240.00

## (2) Presentation of short-term remuneration

Items	Opening balance	Increase for the period	Decrease for the period	Closing balance
(1) Salaries, bonus, allowance and benefit	707,771,527.91	3,104,173,603.51	3,172,670,765.97	639,274,365.45
(2) Employee welfare	305,567,106.06	76,425,911.24	80,699,743.83	301,293,273.47
(3) Social benefit	6,500,717.91	131,746,389.06	84,151,513.11	54,095,593.86
(4) Housing fund	6,703,084.66	84,331,331.81	87,788,382.49	3,246,033.98
(5) Labor union fee and education fee	2,727,228.80	28,164,352.34	28,930,012.81	1,961,568.33
(6) Short-term compensated leave		211,637,752.25	4,536,883.41	207,100,868.84
(7) Others	163,615,276.98	889,234,231.89	828,058,816.97	224,790,691.90
Total	1,192,884,942.32	4,525,713,572.10	4,286,836,118.59	1,431,762,395.83

## (3) Presentation of defined contribution plan

Items	Opening balance	Increase for the period	Decrease for the period	Closing balance
Basic pension insurance	15,574,176.43	240,597,137.92	198,974,716.67	57,196,597.68
Unemployment insurance	500,978.67	8,709,605.84	4,780,999.35	4,429,585.16
Enterprise annuity payment	4,293,381.29	16,358,186.58	20,608,621.05	42,946.82
Total	20,368,536.39	265,664,930.34	224,364,337.07	61,669,129.66

## (4) Presentation of termination benefits

Items	Closing balance	Opening balance
Termination compensation	10,582,714.51	20,407,486.86
Total	10,582,714.51	20,407,486.86

**28. Taxes payable**

Items	Closing balance	Opening balance
VAT	173,272,543.39	59,700,542.53
Enterprise income tax	667,744,209.34	712,033,101.06
Municipal maintenance tax	20,688,910.46	8,866,023.89
Business tax	101,963,447.18	5,888,947.72
Individual income tax	11,611,800.23	16,635,474.87
Education surcharge	8,378,593.07	3,363,149.08
The electrical and electronic products waste treatment fund	23,006,581.00	55,378,377.00

Additional taxes	81,972,054.66	51,756,909.99
Total	1,088,638,139.33	913,622,526.14

**29. Interests payable**

Items	Closing balance	Opening balance
Interest of long-term borrowings	50,214,325.74	1,131,479.67
Interest of short-term borrowings	34,033,044.28	6,199,909.01
Interest of corporate bonds		7,750,027.66
Total	84,247,370.02	15,081,416.34

**30. Dividends payable**

Name of Entity	Closing balance	Opening balance
BRAVE LION (HK) LIMITED	115,230,923.73	115,230,923.73
Other minority shareholders	171,065,806.40	18,151,086.00
Total	286,296,730.13	133,382,009.73

**31. Other payables**

Items	Closing balance	Opening balance
Other payables	8,153,747,154.46	6,091,623,233.28
Total	8,153,747,154.46	6,091,623,233.28

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

**32. Non-current liabilities due within one year**

Items	Closing balance	Opening balance
Long-term payables due within one year	11,711,553.28	10,877,261.36
Long-term borrowings due within one year	2,188,296,000.00	
Bonds payable due within one year	1,151,392,861.24	
Predicative liabilities due within one year		62,020,766.97
Total	3,351,400,414.52	72,898,028.33

**33. Long-term borrowings**

☒Applicable ☐Not Applicable

Category of borrowings	Closing balance	Opening balance
Guaranteed borrowings	19,666,350,074.26	
Credit borrowings	303,539,864.40	297,241,293.20
Total	19,969,889,938.66	297,241,293.20

The interest rate of guaranteed borrowings in the long-term bank borrowings is interest rate plus London inter-bank lending rate required by the borrowings agreement.

The interest rate of credit borrowings in the long-term bank borrowings is interest rate plus London inter-bank lending rate required by the borrowings agreement.

### 34. Bonds payable

√Applicable □Not Applicable

On 20 March 2014, Haier Electronics Group Co., Ltd., the Company's holding subsidiary, issued convertible corporate bonds of HK\$1,316,036,039 (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., were 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 for the period	Accrued bond interest for the period	Less: paid bond interest for the period	Effect of exchange rate	Reclassified to due within one year for the period	Closing balance
Convertible bonds issued in 2014	1,107,734,516.43		18,196,357.01		25,461,987.80	1,151,392,861.24	
Total	1,107,734,516.43		18,196,357.01		25,461,987.80	1,151,392,861.24	

### 35. Long-term payables

√Applicable □Not Applicable

Items	Closing balance	Opening balance
CDB development fund investment fund	93,000,000.00	43,000,000.00
Vehicle financing lease	11,047,037.58	16,916,852.02
Total	104,047,037.58	59,916,852.02

Under the Investment Contract of China Development Fund executed by the Company and its subsidiaries including Qingdao Haier Refrigerator Co., Ltd. (青岛海尔电冰箱有限公司), Qingdao Haier Air-Conditioner Co., Ltd. (青岛海尔空调器有限总公司), Qingdao Haier (Jiaozhou) Air-conditioning Co., Limited (青岛海尔(胶州)空调器有限公司) together with China Development Fund Co. Ltd. (国开发展基金有限公司) 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..

### 36. Long-term staff remuneration payables

√Applicable □Not Applicable

#### (1) Presentation of long-term staff remuneration payables

Items	Closing balance	Opening balance
I. Post-employment benefits: net liability of defined benefit plan	874,507,660.80	
II. Termination benefits	36,114,732.14	33,209,406.02
III. Work-related injury compensation provision	374,486,494.76	
III. Other long-term benefits	2,472,793.71	
Total	1,287,581,681.41	33,209,406.02

#### (2) Defined benefit plan

Some subsidiaries of the Company have set several defined benefit plans for the qualified staff. Under these plans, the employees are entitled to enjoy the retirement benefits agreed in such defined benefit plan.

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. Defined benefit plan of Haier Asia Group, which is 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	1,968,173.92
1. Current period service cost	1,968,173.92
2. Past service cost	
3. Settlement profit (loss indicated in “-”)	
4. Interest expenses	
III. Defined benefit cost in other comprehensive incomes	
1. Actuarial loss (gain indicated in “-”)	
IV. Other changes	29,068,077.89
1. Consideration paid upon settlement	
2. Prepaid benefits	-25,066,674.27
3. Exchange difference	54,134,752.16
V. Closing balance	317,255,432.77

## Fair value of plan assets

Items	Amount
I. Opening balance	292,193,640.82
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	30,059,544.21
1. Payments made by the employer	
2. Prepaid benefits	-25,066,674.27
3. Balance of exchange	55,126,218.48
V. Closing balance	322,253,185.03

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	1,968,173.92
III. Defined benefit cost in other comprehensive income	
IV. Other changes	-991,466.32
V. Closing balance	-4,997,752.26

It is estimated that the payment of RMB18,060,000.00 will be made to the defined benefit obligation in the next 12 months.

The average term for the defined benefit obligation is 14.70 years at the balance sheet date.

## ②. The defined benefit plan of the subsidiary Roper Corporation

The subsidiary Roper Corporation has established a defined benefit plan in respect of post-retirement medical benefits for eligible employees.

## Actuarial assumption used in the defined benefit plan

Items	percentage
I. Discount rate	4.25%

## Present value of defined benefit obligations

Items	Amount
I. Opening balance	
II. The consolidation of enterprises under non-common control	145,339,034.15
III. Defined benefit cost in current profit or loss	
1. Current period service cost	
2. Past service cost	
3. Settlement profit (loss indicated in“-”)	
4. Interest expenses	
IV. Defined benefit cost in other comprehensive income	
1. Actuarial loss (gain indicated in“-”)	
V. Other changes	972,563.37
1. Consideration paid upon settlement	
2. Prepaid benefits	-178,062.99
3. Exchange difference	1,150,626.36
VI. Closing balance	146,311,597.52

## Net liability (net asset) of defined benefit plan

Items	Amount
I. Opening balance	
II. The consolidation of enterprises under non-common control	145,339,034.15
III. Defined benefit cost in current profit or loss	
IV. Defined benefit cost in other comprehensive income	
V. Other changes	972,563.37
VI. Closing balance	146,311,597.52

The average period of the defined benefit obligation as at the balance sheet date is 12.14 years.

## ③. The defined benefit plan of the subsidiary GE Appliances

The subsidiary GE Appliances has established a defined benefit plan in respect of post-retirement medical benefits for eligible employees.

## Actuarial assumption used in defined benefit obligations plan

Items	Amount
I. Discount rate	3.34%

## Present value of defined benefit obligations

Items	Amount
I. Opening balance	
II. The consolidation of enterprises under non-common control	385,725,254.40

III. Defined benefit cost in current profit or loss	
1. Current period service cost	
2. Past service cost	
3. Settlement profit (loss indicated in“-”)	
4. Interest expenses	
IV. Defined benefit cost in other comprehensive incomes	
1. Actuarial loss (gain indicated in“-”)	
V. Other changes	4,700,056.54
1. Consideration paid upon settlement	
2. Prepaid benefits	
3. Exchange difference	4,700,056.54
VI. Closing balance	390,425,310.94

Net liability (net asset) of defined benefit plan

Items	Amount
I. Opening balance	
II. The consolidation of enterprises under non-common control	385,725,254.40
III. Defined benefit cost in current profit or loss	
IV. Defined benefit cost in other comprehensive incomes	
V. Other changes	4,700,056.54
VI. Closing balance	390,425,310.94

It is estimated that the payment of RMB664,923.69 will be made to the defined benefit obligation to the end of 2016.

④. The defined benefit plan of the subsidiary GE Appliances

The subsidiary GE Appliances has established a defined benefit plan in respect of post-retirement pension funds for eligible employees.

Actuarial assumption used in the defined benefit plan

Items	Percentage
I. Discount rate	4.09%

Present value of defined benefit obligations

Items	Amount
I. Opening balance	
II. The consolidation of enterprises under non-common control	341,433,031.75
III. Defined benefit cost in current profit or loss	
1. Current period service cost	
2. Past service cost	
3. Settlement profit (loss indicated in“-”)	
4. Interest expenses	
IV. Defined benefit cost in other comprehensive income	
1. Actuarial loss (gain indicated in“-”)	
V. Other changes	-3,662,279.41

1.Consideration paid upon settlement	
2.Prepaid benefits	-7,845,420.00
3.Exchange difference	4,183,140.59
VI. Closing balance	337,770,752.34

## Net liability (net asset) of defined benefit plan

Items	Amount
I. Opening balance	
II. The consolidation of enterprises under non-common control	341,433,031.75
III. Defined benefit cost in current profit or loss	
IV. Defined benefit cost in other comprehensive income	
V. Other changes	-3,662,279.41
VI. Closing balance	337,770,752.34

It is estimated that the payment of RMB7,957,440.00 will be made to the defined benefit obligation at the end of 2016.

## (3) Reserve for compensation for occupational injuries

The subsidiary GE Appliances has provided for reserve in connection with the claims for occupational injuries suffered by injured or disabled employees as a result of accidents on work since 1 January 1991. The amount of such reserve was prepared by Beecher Carlson Insurance Services, LLC. using actuarial method. The discount rate used in the actuarial process was 3.72%.

Items	Amount
I. Opening balance	
II. The consolidation of enterprises under non-common control	347,358,256.48
III. Compensation expenses included in current profit and loss	27,128,238.28
IV. Actual amount of compensation paid during the current period	
V. Other changes	
VI. Closing balance	374,486,494.76

## 37. Estimated liabilities

Items	Closing balance	Opening balance
Estimated charges of “three Guarantees” and installations	2,102,566,950.71	1,841,853,237.19
Acquirement of equity interests of minority interests	40,040,766.97	43,500,000.00
Pending action	14,750,000.00	14,190,400.00
Total	2,157,357,717.68	1,899,543,637.19

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

√Applicable □Not Applicable

Unit and Currency: RMB

Items	Opening balance	Increase for the period	Decrease for the period	Closing balance	Reason
Governmental subsidy	249,169,525.78	22,370,316.12	16,734,996.28	254,804,845.62	Government subsidies related assets
Leaseback	14,951,028.55		5,687,029.52	9,263,999.03	The differences on sales price and the book value of assets
Total	264,120,554.33	22,370,316.12	22,422,025.80	264,068,844.65	/

### 39. Share capital

Class of shares	Opening balance	Increase for the period	Decrease for the period	Closing balance
I. Restricted shares	613,687,188			613,687,188
1. State-owned shares				
2. Shares held by domestic non-state-owned legal entities				
3. Shares held by domestic natural persons	7,701,200			7,701,200
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		18,050,341	6,105,103,927

The 18,050,341 treasury stock repurchased was cancelled by the Company on 26 February 2016.

### 40. Capital reserve

Unit and Currency: RMB

Items	Opening balance	Increase for the period	Decrease for the period	Closing balance
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Capital premium (Stock premium)		180,996,090.54	180,996,090.54	
Other capital reserve	83,383,194.51			83,383,194.51
Total	83,383,194.51	180,996,090.54	180,996,090.54	83,383,194.51

The changes in the share premium were mainly attributable to: ① the non-proportional capital increase of subsidiaries during the current period, which resulted in the change in the shareholding of the parent company and an increase of share premium of RMB6,243,505.72; ② the cancellation of treasury stocks during the current period, which resulted in a decrease in share premium of RMB141,993,390.54; ③ the common control combination during the current period, which resulted in a decrease in share premium of RMB39,002,700.00; ④ the share premium for the current period was not sufficient to set off the corresponding retained income carried-forward, which resulted in an increase of share premium of RMB174,752,584.82.

#### 41. Treasury stock

√Applicable □Not Applicable

Unit and Currency: RMB

Items	Opening balance	Increase for the period	Decrease for the period	Closing balance
Restricted share certificates	30,207,838.00			30,207,838.00
Share repurchase	47,396,706.70	112,647,024.84	160,043,731.54	
Total	77,604,544.70	112,647,024.84	160,043,731.54	30,207,838.00

Main reasons for the changes in the repurchase of shares: repurchase of shares by the Company during the current period, resulting in an increase of RMB112,647,024.84; the cancellation of the treasury stock by the Company during the current period, resulting in a decrease of RMB160,043,731.54.

#### 42. Other comprehensive income

Items	Opening balance	Amounts incurred in the current period					Closing balance
		The pre-tax amount in the period	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	-45,137,028.83		-45,016,833.22	-120,195.61		5,263,662.74
b	455,598,882.88	-452,596,255.26	-254,830.95	-448,305,792.02	-4,035,632.29		7,293,090.86
c	110,598,255.79	120,828,357.38		106,651,210.57	14,177,146.81		217,249,466.36
d	16,705,825.40						16,705,825.40
Total	633,183,460.03	-376,904,926.71	-254,830.95	-386,671,414.67	10,021,318.91		246,512,045.36

Notes to the items: (1) Items “a”, “b” and “c” are other comprehensive income subject to subsequent reclassification into profit or loss, among which:

Item “a” represents share in other consolidated income which was reclassified into profit or loss after the invested units under equity method.

Item “b” represents profit or loss resulting from the changes in fair value of available-for-sale financial assets.

Item “c” represents difference arising from the translation of financial statements dominated in foreign currencies.

(2) Item “d” represents changes resulting from the re-measurement of the net liabilities or net assets of the defined benefit plan, which were not allowed to reclassified into profit or loss.

### 43. Surplus reserve

Unit and Currency: RMB

Items	Opening balance	Increase for the period	Decrease for the period	Closing balance
Statutory surplus reserve	1,978,928,499.64		17,475,258.48	1,961,453,241.16
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		17,475,258.48	2,009,110,042.75

The decrease for the period was due to the insufficient surplus of the capital reserve-share premium, which set off the retained earnings.

### 44. Undistributed profits

Items	Amount
Undistributed profits at the end of last year	13,905,774,481.88
Add: correction of accounting errors	
Implementation of ASBE reclassification	
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 parent company	3,315,173,171.70
Profit available for distribution for the year	17,259,806,152.98
Less: appropriation of statutory surplus reserve	
Appropriation of staff incentive and welfare fund	
Dividend payable for ordinary shares	
Retained earnings after deduction of combined offsetting under common control	157,277,326.34
Undistributed profits at the end of the period	17,102,528,826.64

### 45. Operating income and Operating cost

(1) Operating income

Categories	Current amount	Prior amount
------------	----------------	--------------

Principal Business	48,396,652,699.11	46,894,256,068.13
Other Business	389,954,225.76	419,036,967.52
Total	48,786,606,924.87	47,313,293,035.65

## (2) Income and cost of principle operations presented by product categories

Categories	Current amount		Prior amount	
	Income of principal business	Cost of principal business	Income of principal business	Cost of principal business
Air conditioner	9,491,972,643.18	6,519,203,423.83	10,262,003,910.89	7,204,327,944.79
Refrigerator	14,280,076,125.66	9,476,044,381.62	14,992,961,957.47	10,142,850,467.63
Kitchenware and sanitary ware	3,476,650,640.93	1,940,254,349.21	3,190,622,392.48	1,818,057,629.97
Washing machine	8,050,292,911.89	5,347,016,823.62	7,862,209,947.17	5,334,587,467.01
Equipment product	1,249,804,964.69	1,058,835,187.55	1,151,508,752.49	983,213,566.09
GEA	3,453,257,406.23	2,399,627,008.82		
Integrated channel services and others	8,394,598,006.53	7,841,537,429.00	9,434,949,107.63	8,941,275,624.80
Total	48,396,652,699.11	34,582,518,603.65	46,894,256,068.13	34,424,312,700.29

## 46. Business taxes and surcharge

Items	Current amount	Prior amount	Tax base
Business tax	5,858,432.78	12,339,070.48	Payable at 5% , 3% of the taxable turnover
City construction tax	112,850,473.17	125,018,826.22	Payable at 7% of the circulation tax
Education surcharge	48,800,232.38	53,176,618.45	Payable at 3%, 2% and 1% of the circulation tax
Others	4,187,779.94	5,463,851.79	
Total	171,696,918.27	195,998,366.94	

## 47. Expenses of sales

Unit and Currency: RMB

Items	Current amount	Prior amount
Expenses of sales	6,693,076,335.80	6,149,238,598.81
Total	6,693,076,335.80	6,149,238,598.81

Other description:

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

## 48. Management expenses

Unit and Currency: RMB

Items	Current amount	Prior amount
-------	----------------	--------------

Management expenses	3,543,082,531.68	3,125,316,640.02
Total	3,543,082,531.68	3,125,316,640.02

Other description:

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

#### 49. Financial expenses

Categories	Current amount	Prior amount
Interest expenses	197,158,970.54	71,844,425.54
Less: interest income	112,282,670.60	300,326,104.40
Exchange gain or loss	15,543,225.29	-15,836,726.35
Others	24,649,483.24	27,035,317.88
Total	125,069,008.47	-217,283,087.33

#### 50. Loss in assets impairment

Categories	Current amount	Prior amount
Bad debt loss	57,962,188.88	148,619,119.05
Loss from price drop in inventory	138,224,477.18	59,094,893.19
Impairment loss on fixed assets		
Impairment loss on construction in progress		
Impairment loss on financial assets available for sale		25,000.00
Total	196,186,666.06	207,739,012.24

#### 51. Profit of changes in fair value

Items	Current amount	Prior amount
Financial instruments measured in fair value and the changes through current profit or loss - derivative financial instruments	-182,258,158.84	-16,917,216.84
Total	-182,258,158.84	-16,917,216.84

#### 52. Investment Income

☒Applicable ☐Not Applicable

Items	Current amount	Prior amount
Long-term equity investments income calculated by the equity method	413,267,458.21	351,378,295.60
Investment income from disposal of long-term equity investments	37,414,012.10	33,472,905.85
Investment income from financial assets available for sale during the holding period	9,343,791.85	96,086,121.25
Gain on remeasurement of remaining equity by fair value upon loss of control		

Investment income from disposal of financial assets available for sale	531,765,734.66	
Investment income from disposal of financial assets at fair value and its changes through the current profit and loss	32,350,801.48	16,288,919.41
Wealth management products return	5,052,001.54	5,346,479.38
Total	1,029,193,799.84	502,572,721.49

### 53. Non-operating income

Items	Current amount	Prior amount
Gain on disposal of non-current assets	5,558,955.90	44,728,793.22
Government grants	125,842,469.31	16,502,965.20
Changes in the measurement of available-for-sale financial assets	166,840,685.70	
Others	162,082,762.23	107,986,798.26
Total	460,324,873.14	169,218,556.68

Breakdown of government grants is as follows:

Items	Current amount	Prior amount
Amortization of government grants related to assets for the period	16,734,996.28	3,199,061.41
Subsidies for profits	109,107,473.03	13,303,903.79
Total	125,842,469.31	16,502,965.20

### 54. Non-operating expenses

Items	Current amount	Prior amount
Loss on disposal of non-current assets	20,179,924.08	13,951,998.85
Charitable donation expenses	6,288,255.95	3,900,000.00
Others	30,015,140.09	16,626,059.33
Total	56,483,320.12	34,478,058.18

### 55. Income tax expense

(1)Table of income tax expense

Items	Current amount	Prior amount
Current income tax expense	615,259,241.98	721,929,043.72
Deferred income tax	45,439,140.00	-113,888,430.38
Total	660,698,381.98	608,040,613.34

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

Items	Amount
Total accounting profit	4,632,540,584.19
Income tax calculated at statutory tax rate	1,158,135,146.05
Impact from different tax rates applicable to subsidiaries	-536,587,569.93
Impact from adjustment to income tax in prior periods	-50,219,457.29
Effect from non-taxable income	-13,961,157.01

Impact from non-deductible costs, fees and losses	30,721,168.53
Impact from deductible temporary differences or losses of unrecognized deferred income taxes	72,607,803.15
Effect of write-off of deferred income taxes	1,256,611.48
Others	-1,254,163.00
Total income tax expenses	660,698,381.98

**56. Other comprehensive income**

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

**57. Cash received from other operating related activities**

Items	Amount
Deposits and securities	75,728,603.45
Government grants	109,037,699.44
Non-operating income excluding government grants	48,321,899.22
Interest income	198,853,542.36
Others	9,820,606.75
Total	441,762,351.22

**58. Cash paid to other operation related activities**

Items	Amount
Cash paid on operating expenses	3,660,521,574.83
Cash paid on management expenses	1,452,194,103.27
Cash paid on financial expenses	31,364,308.40
Non-operation expenses	9,298,663.18
Others	308,398,915.23
Total	5,461,777,564.91

**59. Cash received from other investment related activities**

Items	Amount
Government grants related to assets	3,693,847.50
Total	3,693,847.50

**60. Cash paid on other investment related activities**

Items	Amount
Cash paid on disposal of subsidiaries	3,968,381.90
Total	3,968,381.90

**61. Cash paid to other financing related activities**

Items	Amount
Cash paid on repurchasing shares	123,415,237.69

Cash paid on capital withdrawal of minority shareholders	1,040,500.00
Cash paid on financial lease	5,612,296.99
Others	
Total	130,068,034.68

## 62. Description on net profit adjusted to cash flows of operating activities

Net profit adjusted to cash flows of operating activities	Current amount	Prior amount
1. Net profit	3,971,842,202.21	3,412,089,061.47
Plus: provisions for assets impairment	196,186,666.06	207,739,012.24
Depreciation of fixed assets	671,372,916.51	470,416,752.40
Amortization of intangible assets	51,395,463.20	16,068,974.20
Amortization of long term expenses to be amortized	16,414,091.19	15,095,045.11
Loss on disposal of fixed assets, intangible assets and other long term assets	-167,680,746.72	-30,764,404.18
Loss and profit on change of fair value	182,258,158.84	16,917,216.84
Financial expenses	197,158,970.54	71,844,425.54
Loss on investments	-1,029,193,799.84	-502,572,721.49
Decrease of deferred income tax assets	-29,728,891.88	-142,023,252.27
Increase of deferred income tax liabilities	75,168,031.88	28,134,821.89
Decrease of inventories	586,856,577.31	1,011,349,845.00
Decrease of operational account receivables	24,497,917.00	-1,275,079,367.98
Increase of operational account payables	-14,090,986.86	-1,593,094,348.42
Others	22,099,813.25	54,810,640.97
Net cash flows generated from operational activities	4,754,556,382.69	1,760,931,701.32
2. Significant investment and financing activities not involving cash inflows and outflows:		
Capital transferred from debts		
Convertible corporate bonds due within 1 year		
Financial leased fixed assets		
3. Changes of cash and cash equivalents:		
Cash balance at the end of the period	21,895,514,969.90	28,333,926,983.68
Less: cash balance at the beginning of the period	24,724,585,700.76	31,142,992,910.13
Add: cash equivalents balance at the end of the period		
Less: cash equivalents balance at the beginning of the period		
Net increase of cash and cash equivalents	-2,829,070,730.86	-2,809,065,926.45

## 63. Cash and cash equivalents

Items	Closing balance	Opening balance
I. Cash	21,895,514,969.90	24,724,585,700.76
Including: cash on hand	744,340.77	448,890.79
Bank deposit available for payment at any time	21,873,758,354.91	24,664,175,572.12
Other cash fund available for payment at any time	21,012,274.22	59,961,237.85
II. Cash equivalents		

Including: bond investment due within three months		
III. Closing balance of cash and cash equivalents	21,895,514,969.90	24,724,585,700.76
Including: restricted cash and cash equivalents used by the parent company or subsidiaries of the Group		

#### 64. 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	390,862,674.47	6.6312	2,591,888,566.95	382,814,217.61	6.4936	2,485,842,403.49
Euro	37,909,838.64	7.3750	279,585,059.97	23,695,633.42	7.0952	168,125,258.25
Yen	4,353,250,863.00	0.064491	280,745,501.41	1,519,376,567.61	0.053875	81,856,412.58
Others			1,181,185,098.08			593,664,319.50
Sub-total			4,333,404,226.41			3,329,488,393.82
Receivables						
Dollar	1,024,014,464.19	6.6312	6,790,444,714.96	60,073,515.58	6.4936	390,093,380.78
Euro	77,964,924.65	7.375	574,991,319.29	78,420,140.64	7.0952	556,406,581.87
Yen	3,648,468,432.70	0.064491	235,293,377.69	5,056,219,138.00	0.053875	272,403,806.06
Others			1,798,241,284.13			1,459,452,977.77
Sub-total			9,398,970,696.07			2,678,356,746.48
Short-term borrowings						
Dollar	100,000,000.00	6.6312	663,120,000.00	29,279,006.04	6.4936	190,126,153.60
Euro				14,673,870.97	7.0952	104,114,049.31
Yen	50,006,977.72	0.064491	3,225,000.00	6,396,593,092.71	0.053875	344,616,452.87
HK Dollars	805,540,000.00	0.8547	688,495,038.00	1,194,471,484.84	0.8378	1,000,728,210.00
Others						119,091,405.25
Sub-total			1,354,840,038.00			1,758,676,271.03
Payables						
Dollar	4,598,650,531.53	6.6312	30,494,571,404.67	113,082,834.29	6.4936	734,314,692.73
Euro	12,555,721.93	7.3750	92,598,449.24	50,236,492.28	7.0952	356,437,960.06
Yen	3,423,916,619.65	0.064491	220,811,806.72	4,698,797,257.13	0.053875	253,147,702.23
Others			1,592,902,378.29			1,008,890,397.28
Sub-total			32,400,884,038.92			2,352,790,752.30
Long-term borrowings						
Dollar	2,965,730,195.78	6.6312	19,666,350,074.26			
Euro						
Yen	4,706,701,158.30	0.064491	303,539,864.40	5,517,239,780.97	0.053875	297,241,293.20
Others						
Sub-total			19,969,889,938.66			297,241,293.20

#### VIII. Changes of combination scope

##### 1. The combination of enterprises under non-common control

√Applicable □Not Applicable

**(1). The combination of enterprises under non-common control occurred in the period**

√Applicable □Not Applicable

Unit and Currency: USD

Name of acquiree	Date of equity acquisition	Cost of equity acquisition	Proportion of equity acquired (%)	Method of equity acquisition	Date of purchase	Recognition basis as at the date of purchase	Income of acquiree from the date of acquisition to the end of the period	Net profit of acquiree from the date of acquisition to the end of the period
GEA	June 2016	USD 5,576 million	100	Outsourced	6 June 2016	The relevant rights and Obligations of target interest have transferred into the Company	USD 529 million	USD 16 million

**(2). Combination costs and goodwill**

Combination costs	GEA
----- Cash	USD 5,576 million
----- Fair value of contingent considerations	
Total combination costs	USD 5,576 million
Less: share of fair value of identifiable assets	USD 2,584 million
Amount of goodwill	USD 2,992 million

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

Unit and Currency: USD

Items	GEA	
	Fair value as at the date of acquisition	Book value as at the date of acquisition
Monetary Capital	22,909,296.16	22,909,296.16
Amount receivables	850,844,090.70	842,538,397.53
Inventories	823,491,025.04	799,823,951.14
Fixed assets / Construction in progress / Intangible assets	2,030,726,046.97	1,447,606,693.65
Goodwill		369,585,836.54
Long-term equity investment	420,900,000.00	364,532,148.83
Other long-term assets	17,615,345.69	17,500,608.07
Amount payables	-1,497,908,585.48	-1,500,887,174.92
Taxes payables	-6,826,902.06	-6,822,764.86
Long-term payroll	-77,300,000.00	
Net assets	2,584,450,317.02	2,356,786,992.14

Less: minority interest		
Net assets acquired	2,584,450,317.02	2,356,786,992.14

## 2. The combination of enterprises under common control

√Applicable □Not Applicable

### (1). Enterprise combination under common control occurred in the period

√Applicable □Not Applicable

Unit and Currency: RMB

Name of the acquiree	The proportion of equity interest acquired in business combination	Base of constituting business combination under common control	Date of combination	Base of determining the combination date	Revenue of combined party from the beginning of the combined period to the date of combination	Net profit of acquiree from the beginning of the combined period to the date of combination	Revenue of acquiree in the comparison period	Net profit of acquiree in the comparison period
Haier Group (Dalian) Electrical Appliances Industry Co., Ltd. (海尔集团(大连)电器产业有限公司)	100%	Under common control of Haier Group Corporation before and after the transaction	1 January 2016	The relevant rights and obligations of target interest have transferred into the Company			27,432,639.70	303,950.43

### (2). Combination costs

Combination costs	Haier Group (Dalian) Electrical Appliances Industry Co., Ltd. (海尔集团(大连)电器产业有限公司)
----- Cash	39,002,700.00

### (3). Carrying amount of asset and liability from acquiree as at the combination date

Items	Haier Group (Dalian) Electrical Appliances Industry Co., Ltd. (海尔集团(大连)电器产业有限公司)	
	As at the combination date	At the end of last period
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 payable	645,019,939.62	645,019,939.62
Staff remuneration payable	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 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	HH Retail Shanghai Limited (瀚昂商贸(上海)有限公司)	Ji'ning Goodaymart Electrical Appliances Co., Ltd. (济宁日日顺电器有限公司)	Chengdu Haixin Goodaymart Electrical Appliances Co., Ltd. (成都海新日日顺电器有限公司)
Consideration for disposal of equity	7,145,594.94	1,010,000.00	4,990,052.82
Proportion of equity disposal	51.00%	51.00%	51.00%
Method of equity disposal	Liquidation	Disposal	Liquidation
Date of loss-of-control	1 January 2016	31 May 2016	27 May 2016
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	-3,861,037.27	-7,640,424.22	-121,286.74

## VIII. Interests in other entities

### 1. Interests in subsidiaries

√Applicable □Not Applicable

#### (1) Composition of the Group

Name of subsidiaries	Principal place of business	Registration place	Business nature	Shareholding percentage		Percentage of voting rights	Acquisition method
				Direct	Indirect		
Haier Electronics Group Co., Ltd.	Mainland of China	Bermuda	Manufacture and sale of washing machines and water heaters, and integrated channel business	14.06%	29.78%	55.89%	Combination under common control
Wonder Global (BVI) Investment Limited	America	British Virgin Islands	Household appliances production and distribution business		100.00%	100.00%	Establish
Haier Singapore Investment	Singapore	Singapore	Household appliances		100.00%	100.00%	Combination under

Holding Co., Ltd			production and distribution business				common control
Qingdao Haier Air-Conditioner Co., Ltd.(青岛海尔空调器有限总公司)	Qingdao High-tech Zone (青岛高科园)	Qingdao High-tech Zone (青岛高科园)	Manufacture and operation of household air-conditioners	99.95%		99.95%	Combination under common control
Guizhou Haier Electronics Co., Ltd.(贵州海尔电器有限公司)	Huichuan District, Zunyi City, Guizhou Province	Huichuan District, Zunyi City, Guizhou Province	Manufacture and sale of refrigerator	59.00%		59.00%	Combination under common control
Hefei Haier Air-conditioning Co., Limited (合肥海尔空调器有限公司)	Hefei Haier Industrial Park	Hefei Haier Industrial Park	Manufacture and sale of air-conditioners	100.00%		100.00%	Combination under common control
Wuhan Haier Electronics Co., Ltd.(武汉海尔电器股份有限公司)	Wuhan Haier Industrial Park	Wuhan Haier Industrial Park	Manufacture and sale of air-conditioners	60.00%		60.00%	Combination under common control
Qingdao Haier Air-Conditioner Electronics Co., Ltd. (青岛海尔空调电子有限公司)	Qingdao Development Zone	Qingdao Development Zone	Manufacture and sale of air-conditioners	100.00%		100.00%	Combination under common control
Qingdao Haier Information Plastic Development Co., Ltd.(青岛海尔信息塑料研制有限公司)	Qingdao High-tech Zone (青岛高科园)	Qingdao High-tech Zone (青岛高科园)	Manufacture of plastic products	100.00%		100.00%	Combination under common control
Dalian Haier Precision Products Co., Ltd.(大连海尔精密制品有限公司)	Dalian Export Expressing Zone	Dalian Export Expressing Zone	Manufacture and sale of precise plastics	90.00%		90.00%	Combination under common control
Hefei Haier Plastic Co., Ltd.(合肥海尔塑胶有限公司)	Hefei Economic & Technological Development Area	Hefei Economic & Technological Development Area	Manufacture and sale of plastic parts	94.12%	5.88%	100.00%	Combination under common control
Qingdao Haier Moulds Co., Ltd.(青岛海尔模具有限公司)	Qingdao High-tech Zone (青岛高科园)	Qingdao High-tech Zone (青岛高科园)	Research and manufacture of precise mould and product	75.00%	25.00%	100.00%	Combination under common control
Qingdao Meier Plastic Powder Co., Ltd.(青岛美尔塑料粉末有限公司)	Qingdao Development Zone	Qingdao Development Zone	Manufacture of plastic powder, plastic sheet and high performance coatings	40.00%	60.00%	100.00%	Combination under common control
Chongqing Haier	Jiangbei	Jiangbei	Plastic	90.00%	10.00%	100.00%	Combination

Precision Plastic Co., Ltd. (重庆海尔精密塑胶有限公司)	District, Chongqing City	District, Chongqing City	products, sheet metal work, electronics and hardware				ion under common control
Chongqing Haier Intelligent Electronics Co., Ltd.(重庆海尔智能电子有限公司)	Jiangbei District, Chongqing City	Jiangbei District, Chongqing City	Manufacture and sale of electronics and automatic control system equipment	90.00%	10.00%	100.00%	Combination under common control
Qingdao Haier Robot Co., Ltd. (青岛海尔机器人有限公司)	Qingdao High-tech Zone(青岛高科园)	Qingdao High-tech Zone(青岛高科园)	Research, development, manufacture and sale of robot	50.00%		50.00%	Combination under common control
Qingdao Haier Refrigerator Co., Ltd.(青岛海尔电冰箱有限公司)	Qingdao High-tech Zone(青岛高科园)	Qingdao High-tech Zone(青岛高科园)	Manufacture and production of fluorine-free refrigerators	100.00%		100.00%	Establish
Qingdao Haier Refrigerator (International) Co., Ltd. (青岛海尔电冰箱(国际)有限公司)	Pingdu Development Zone, Qingdao	Pingdu Development Zone, Qingdao	Manufacture and production of refrigerators	75.00%		75.00%	Establish
Qingdao Household Appliance Technology and Equipment Research Institute(青岛家电工艺装备研究所)	Qingdao High-tech Zone(青岛高科园)	Qingdao High-tech Zone(青岛高科园)	Research and development of home appliances mould and technological equipment	100.00%		100.00%	Establish
Qingdao Haier Whole Set Home Appliance Service Co., Ltd.(青岛海尔成套家电服务有限公司)	Qingdao High-tech Zone(青岛高科园)	Qingdao High-tech Zone(青岛高科园)	Research, development and sales of health series of small home appliance	98.33%		98.33%	Establish
Qingdao Haier Intelligent Electronics Co., Ltd.(青岛海尔智能电子有限公司)	Qingdao High-tech Zone(青岛高科园)	Qingdao High-tech Zone(青岛高科园)	Design and development of electronics and automatic control system	97.36%		97.36%	Establish
Qingdao Haier Special Refrigerator Co., Ltd. (青岛海尔特种电冰箱有限公司)	Qingdao Development Zone	Qingdao Development Zone	Manufacture and sales of fluorine-free refrigerators	100.00%		100.00%	Establish
Qingdao Haier Dishwasher Co., Ltd.(青岛海尔洗碗机有限公司)	Qingdao Development Zone	Qingdao Development Zone	Manufacture and production of dish washing machine and gas stove	100.00%		100.00%	Establish
Qingdao Haier Special Freezer Co., Ltd.(青岛海尔特种电冰柜有	Qingdao Development Zone	Qingdao Development Zone	Research, manufacture and sales of freezer and	96.06%		96.06%	Establish

限公司)			other refrigeration products				
Dalian Haier Air-conditioning Co., Ltd.(大连海尔空调器有限公司)	Dalian Export Expressing Zone	Dalian Export Expressing Zone	Manufacture and production of air-conditioners	90.00%		90.00%	Establish
Dalian Haier Refrigerator Co., Ltd.(大连海尔电冰箱有限公司)	Dalian Export Expressing Zone	Dalian Export Expressing Zone	Manufacture and production of refrigerators	90.00%		90.00%	Establish
Qingdao Haier Electronic Plastic Co., Ltd.(青岛海尔电子塑胶有限公司)	Qingdao Development Zone	Qingdao Development Zone	Development, assembling and sales of plastics, electronics and product	80.00%		80.00%	Establish
Wuhan Haier Freezer Co., Ltd.(武汉海尔电冰柜有限公司)	Wuhan Economic & Technological Development Zone High-tech Industrial Park	Wuhan Economic & Technological Development Zone High-tech Industrial Park	Research, manufacture and sales of freezer and other refrigeration products	95.00%	5.00%	100.00%	Establish
Qingdao Haidarui Procurement Service Co., Ltd.(青岛海达瑞采购服务有限公司)	Qingdao High-tech Zone(青岛高科园)	Qingdao High-tech Zone(青岛高科园)	Development, purchase and sales of electrical product and components	98.00%	2.00%	100.00%	Establish
Qingdao Haier Intelligent Home Appliance Technology Co., Ltd.	Qingdao High-tech Zone(青岛高科园)	Qingdao High-tech Zone(青岛高科园)	Development and application of household appliances, communication, electronics and network engineering technology	98.91%	1.09%	100.00%	Establish
Chongqing Haier Air-conditioning Co., Ltd.(重庆海尔空调器有限公司)	Jiangbei District, Chongqing City	Jiangbei District, Chongqing City	Manufacture and sales of airconditioners	76.92%	23.08%	100.00%	Establish
Qingdao Haier Precision Products Co., Ltd.(青岛海尔精密制品有限公司)	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%	70.00%	Establish
Qingdao Haier Air Conditioning Equipment Co., Ltd.	Jiaonan City, Qingdao	Jiaonan City, Qingdao	Manufacture of household appliances and electronics		70.00%	70.00%	Establish

Dalian Free Trade Zone Haier Air-conditioning Trading Co., Ltd (大连保税区海尔空调器贸易有限公司)	Dalian Export Expressing Zone	Dalian Export Expressing Zone	Domestic trade		100.00%	100.00%	Establish
Dalian Free Trade Zone Haier Refrigerator Trading Co., Ltd (大连保税区海尔电冰箱贸易有限公司)	Dalian Export Expressing Zone	Dalian Export Expressing Zone	Domestic trade		100.00%	100.00%	Establish
Qingdao Ding Xin Electronics Technology Co., Ltd.(青岛鼎新电子科技有限公司)	Qingdao Development Zone	Qingdao Development Zone	Manufacture and sale of electronic Parts.		100.00%	100.00%	Establish
Chongqing Haier Electronics Sales Co., Ltd.(重庆海尔家电销售有限公司)	Jiangbei District, Chongqing City	Jiangbei District, Chongqing City	Household appliance sales	95.00%	5.00%	100.00%	Establish
Chongqing Haier Refrigeration Appliance Co., Ltd.(重庆海尔制冷电器有限公司)	Jiangbei District, Chongqing City	Jiangbei District, Chongqing City	Manufacture and production refrigerator	84.95%	15.05%	100.00%	Establish
Hefei Haier Refrigerator Co., Ltd.(合肥海尔电冰箱有限公司)	Hefei Haier Industrial Park	Hefei Haier Industrial Park	Manufacture and production refrigerator	100.00%		100.00%	Establish
Wuhan Haier Energy and Power Co., Ltd (武汉海尔能源动力有限公司)	Wuhan Haier Industrial Park	Wuhan Haier Industrial Park	Energy service		75.00%	75.00%	Establish
Qingdao Haier HVAC Engineering Co., Ltd (青岛海尔中央空调有限公司)	Qingdao Development Zone	Qingdao Development Zone	Air-conditioning		100.00%	100.00%	Establish
Chongqing Gooddaymart Electric Appliance Sale Co., Ltd (重庆日日顺电器销售有限公司)	Jiangbei District, Chongqing City	Jiangbei District, Chongqing City	Sales of household appliances and electronics		51.00%	51.00%	Establish
Qingdao Haier (Jiaozhou) Air-conditioning Co., Limited (青岛海尔(胶州)空调器有限公司)	Jiaozhou City, Qingdao	Jiaozhou City, Qingdao	Manufacture and sale of air-conditioners		100.00%	100.00%	Establish
Qingdao Haier Component Co., Ltd (青岛海尔部品有限公司)	Jiaozhou City, Qingdao	Jiaozhou City, Qingdao	Manufacture and sales of plastic and precise sheet metal		100.00%	100.00%	Establish

			products				
Haier Shareholdings (Hong Kong) Limited	Hong Kong	Hong Kong	Investment	100.00%		100.00%	Establish
Shenyang Haier Refrigerator Co., Ltd.(沈阳海尔电冰箱有限公司)	Shenbei New Area, Shenyang City	Shenbei New Area, Shenyang City	Manufacture and sales of refrigerator	100.00%		100.00%	Establish
Foshan Haier Freezer Co., Ltd.(佛山海尔电冰柜有限公司)	Sanshui District, Foshan City	Sanshui District, Foshan City	Manufacture and sales of freezer	100.00%		100.00%	Establish
Zhengzhou Haier Air-conditioning Co., Ltd.(郑州海尔空调器有限公司)	Zhengzhou Economic and Technological Development Zone	Zhengzhou Economic and Technological Development Zone	Manufacture and sales of air conditioner	100.00%		100.00%	Establish
Qingdao Haidayuan Procurement Service Co., Ltd.(青岛海达源采购服务有限公司)	Qingdao Development Zone	Qingdao Development Zone	Development , purchase and sales of electrical product and components	100.00%		100.00%	Establish
Qingdao Haier Intelligent Technology Development Co., Ltd.(青岛海尔智能技术研发有限公司)	Qingdao High-tech Zone(青岛高科园)	Qingdao High-tech Zone(青岛高科园)	Development and research of household appliances	100.00%		100.00%	Establish
Qingdao Hai Ri High-Tech Model Co., Ltd.(青岛海日高科模型有限公司)	Qingdao High-tech Zone(青岛高科园)	Qingdao High-tech Zone(青岛高科园)	Design, manufacture and sales of product model and mould		75.00%	75.00%	Combination under common control
Qingdao Hai Gao Design and Manufacture Co., Ltd.(青岛海高设计制造有限公司)	Qingdao High-tech Zone(青岛高科园)	Qingdao High-tech Zone(青岛高科园)	Industrial design and prototype production		75.00%	75.00%	common control combination
Beijing Haier Guangke Digital Technology Co., Ltd.(北京海尔广科数字技术有限公司)	Beijing	Beijing	Development , promotion and transfer of technology		55.00%	55.00%	common control combination
Shanghai Haier Medical Technology Co., Ltd.(上海海尔医疗科技有限公司)	Shanghai	Shanghai	Wholesale and retail of medical facility		100.00%	100.00%	Establish
Qingdao Haier Technology Co., Ltd. (青岛海尔科技有限公司)	Qingdao	Qingdao	Development and sales of software and information product	100.00%		100.00%	common control combination
Qingdao Haier Technology Investment Co.,	Qingdao	Qingdao	Entrepreneurship investment	100.00%		100.00%	Establish

Ltd. (青岛海尔科技投资有限公司)			and consulting				
Qingdao Casarte Smart Living Appliances Co., Ltd. (青岛卡萨帝智能生活家电有限公司)	Qingdao	Qingdao	Development, production and sales of appliances		100.00%	100.00%	Establish
Qingdao Haichuangyuan Appliances Sales Co., Ltd. (青岛海创源家电销售有限公司)	Qingdao	Qingdao	Sales of household appliances and digital products		100.00%	100.00%	Establish
Beijing ASU Tech Co., Ltd. (北京一数科技有限公司)	Beijing	Beijing	Technical services, import and export business		100.00%	100.00%	Establish
Haiyike (Beijing) Tech Co., Ltd. (海易科(北京)科技有限公司)	Beijing	Beijing	Technical services, software development		100.00%	100.00%	Establish
Haier Overseas Electric Appliance Co., Ltd. (海尔海外电器产业有限公司)	Qingdao	Qingdao	Sales of household appliances, international freight forwarding	100.00%		100.00%	Establish
Haier Group (Dalian) Electrical Appliances Industry Co., Ltd. (海尔集团(大连)电器产业有限公司)	Dalian	Dalian	Sales of household appliances, international freight forwarding	100.00%		100.00%	Combination under common control
Qingdao Haier Central Air-conditioner Co., Ltd. (青岛海尔中央空调有限公司)	Qingdao	Qingdao	Production and sales of air conditioners and refrigeration equipment		100.00%	100.00%	Establish
Beijing Tongyuan Technology Co., Ltd. (北京通远科技有限公司)	Beijing	Beijing	Technology development, promotion and transfer of technology		100.00%	100.00%	Establish
Small companies such as Qingdao Hai Heng Feng Electrical Appliances Sale & Service Co., Ltd. (青岛海恒丰电器销售服务有限公司等小微公司)	All over the country	All over the country	Sales of household appliances				Establish

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.: in 2014, Qingdao Haier Investment and Development Co., Ltd. (hereinafter referred to as "Investment and Development") signed a Shareholder Voting Right Entrustment Agreement with the Company. Investment and Development 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 Investment and Development will not revoke the entrustment and authorization to the Company unless the Company issues a written notice of revoking trustee to Investment and Development.

(2) Significant non-wholly owned subsidiaries

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 interest at the end of the period
Haier Electronics Group Co., Ltd.	56.16%	607,890,665.50	165,690,283.07	9,622,015,889.78
Guizhou Haier Electronics Co., Ltd.(贵州海尔电器有限公司)	41.00%	5,749,697.13		107,450,552.70
Wuhan Haier Electronics Co., Ltd.(武汉海尔电器股份有限公司)	40.00%	14,029,813.28		206,772,243.48
Qingdao Haier Refrigerator (International) Co., Ltd.(青岛海尔电冰箱(国际)有限公司)	25.00%	-141,507.54		78,808,806.51

(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.	22,344,157,543.82	7,141,735,672.27	29,485,893,216.09	12,058,002,683.26	982,234,061.63	13,040,236,744.89
Guizhou Haier Electronics Co.,	308,571,033.67	39,128,440.58	347,699,474.25	85,624,955.51		85,624,955.51

Ltd.(贵州海尔电器有限公司)						
Wuhan Haier Electronics Co., Ltd.(武汉海尔电器股份有限公司)	717,802,042.43	138,451,001.09	856,253,043.52	339,322,434.83		339,322,434.83
Qingdao Haier Refrigerator (International) Co., Ltd.(青岛海尔电冰箱(国际)有限公司)	276,633,101.70	55,808,808.81	332,441,910.51	17,206,684.50		17,206,684.50

## 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.(贵州海尔电器有限公司)	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.(武汉海尔电器股份有限公司)	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.(青岛海尔电冰箱(国际)有限公司)	278,517,080.54	55,808,808.81	334,325,889.35	18,524,633.17		18,524,633.17

Name of subsidiaries	Current amount			
	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities
Haier Electronics Group Co., Ltd.	28,794,279,022.44	1,069,181,489.62	1,088,300,280.31	1,116,067,058.61
Guizhou Haier Electronics Co., Ltd.(贵州海尔电器有限公司)	463,807,588.48	14,023,651.53	14,023,651.53	-20,013,648.34
Wuhan Haier Electronics Co., Ltd.(武汉海尔电器股份有限公司)	843,507,252.40	35,074,533.19	35,016,715.42	-34,799,441.65

司)				
Qingdao Haier Refrigerator (International) Co., Ltd.(青岛海尔电冰箱(国际)有限公司)	9,090.37	-566,030.17	-566,030.17	-730,518.41

Continued

Name of subsidiaries	Prior amount			
	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities
Haier Electronics Group Co., Ltd.	31,337,627,715.28	11,025,129,90.49	1,081,930,326.47	906,388,332.52
Guizhou Haier Electronics Co., Ltd.(贵州海尔电器有限公司)	646,056,254.29	13,625,862.18	13,625,862.18	40,560,314.05
Wuhan Haier Electronics Co., Ltd.(武汉海尔电器股份有限公司)	1,107,885,650.07	28,471,549.95	28,471,549.95	56,519,947.03
Qingdao Haier Refrigerator (International) Co., Ltd.(青岛海尔电冰箱(国际)有限公司)		-10,234,899.58	-10,234,899.58	71,047,806.55

## 2. Transactions leading to the change of owners' equity in subsidiaries but not loss the control

√Applicable □Not applicable

### (1). Explanation to the change of owners' equity in subsidiaries:

The exercise or capital reduction by minority shareholders of the subsidiary during the period, Haier Electronics Group Co., Ltd., resulted in the changes in shareholding proportion held by the Company; changes in shareholding proportion were resulted from the non-proportionate capital increase in the subsidiary Beijing Tongyuan Technology Co., Ltd..

### (2). Impact of the transactions on the minority interest and the equity attributable to owners of the parent company:

Items	Haier Electronics Group Co., Ltd.	Others
Total of cost of acquisition/disposal consideration		6,850,000.00
Less: share of net assets of subsidiaries calculated with reference to the proportion of the equity acquired/disposed	6,015,846.78	7,077,658.94
The difference	6,015,846.78	227,658.94
Including: adjustment and increase to capital reserve	6,015,846.78	227,658.94

## 3. Interests in joint ventures and associates

√Applicable □Not applicable

### (1). Significant joint ventures or associates

Unit and Currency: RMB

Name of joint	Principal	Registration	Business	Shareholding	Accounting
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ventures or associates	place of business	place	nature	percentage (%)		method for the investment of joint venture or associates
				Direct	Indirect	
Haier Medical and Laboratory Products Co., Ltd.	Qingdao	Qingdao	Medical freezer	27.37		Equity method
Wolong Electric Zhangqiu Haier Motor Co., Ltd. (卧龙电气章丘海尔电机有限公司)	Zhangqiu	Zhangqiu	Electric motor manufacture	30		Equity method
Haier Group Finance Co., Ltd.	Qingdao	Qingdao	Financing		42	Equity method
Qingdao Haier Software Investment Co., Ltd. (青岛海尔软件投资有限公司)	Qingdao	Qingdao	Software development		25	Equity method
Qingdao Haier Special Steel Plate Research and Development Co., Ltd. (青岛海尔特种钢板研制开发有限公司)	Qingdao	Qingdao	Manufacture of steel plate	30		Equity method
Hefei Haier Special Steel Plate Research and Development Co., Ltd. (合肥海尔特种钢板研制开发有限公司)	Hefei	Hefei	Manufacture of steel plate	30		Equity method
Qingdao Haier SAIF Smart Home Industry Investment Center (limited partnership)(青岛海尔赛富智能家庭创业投资中心(有限合伙))	Qingdao	Qingdao	Venture capital investment	63		Equity method
Haier Tongchuang Investment Partnership (limited partnership) (海尔同创投资合伙企业(有限合伙))	Guangzhou	Guangzhou	Investment		50	Equity method
Qingdao HSW Water Appliance Co., Ltd. (青岛海施水设备有限公司)	Qingdao	Qingdao	Sales		15	Equity method
Qingdao Roca Water Appliance Co., Ltd. (青岛乐家水设备)	Qingdao	Qingdao	Sales		49	Equity method

有限公司)						
China Shengfeng Microfinance limited in Jin'an District of Fuzhou City (福州市晋安区盛丰国融小额贷款有限公司)	Fuzhou	Fuzhou	Microfinance		20	Equity method
Fujian ATL-Shengfeng Logistics Co., Ltd.(福建八方盛丰物流有限公司)	Fuzhou	Fuzhou	Logistics		40	Equity method
Shenzhen Storm Tongshuai Technology Co., Ltd.(深圳暴风统帅科技有限公司)	Shenzhen	Shenzhen	Sales		21	Equity method
Konan Electronic Co., Ltd.(湖南电机株式会社)	Hunan	Hunan	Motor Manufacturing		50	Equity method
HPZ Limited (HPZ 有限公司)	Nigeria	Nigeria	Manufacture of household appliances		25.01	Equity method
HNR Company (Private) Limited (HNR 私营有限公司)	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	Household appliance sales		49	Equity method
Bank of Qingdao Co., Ltd.	Qingdao	Qingdao	Commercial bank		9.47	Equity method
Wuhan Xiaoshuai Smart Technologies Co., Ltd.(武汉小帅智能科技有限公司)	Wuhan	Wuhan	Technology development		37	Equity method
Beijing Mr. Hi Network Technology Company Limited (北京海狸先生网络科技有限公司)	Beijing	Beijing	Technology development		25	Equity method

## (2). Important financial information of major associates

### ① Basic information of major associates:

- a. Haier Group Finance Co., Ltd. (hereinafter referred to as "Finance Company") is established by capital contribution from Haier Group Corporation and its three affiliates. Registration place and principal place of business: Qingdao High-tech Zone Haier Park (青岛市高科技工业园海尔工业园). The Company's subsidiaries hold an aggregate of 42.00%

equity interest in Finance Company.

b. CONTROLADORA MABE S.A.de C.V. (hereinafter referred to as “MABE”) was established by joint capital contribution from GE. In June 2016, a subsidiary of the Company acquired 48.42% equity interest in MABE held by GE. Registration place and principal place of business: Mexico. The Company’s subsidiaries hold an aggregate of approximately 48.42% equity interest in MABE.

c. Bank of Qingdao Co., Ltd. (hereinafter referred to as “Bank of Qingdao”) was established in November 1996, which was among the first batch of urban commercial banks in the PRC. Registration place and principal place of business: No. 68 Hongkong Middle Road, Shinan District, Qingdao, Shangdong Province. The Company and its subsidiaries hold an aggregate of approximately 9.47% equity interest in Bank of Qingdao .

②Financial information of major associates:

Items	Closing balance/Current amount	Opening balance /Prior amount
	Finance Company	Finance Company
Current assets	54,787,831,371.41	56,908,243,695.90
Non-current assets	5,335,203,940.97	4,185,942,298.04
Total assets	60,123,035,312.38	61,094,185,993.94
Current liabilities	46,765,737,829.56	48,277,090,860.06
Non-current liabilities	4,177,073,734.19	4,234,302,863.48
Total liabilities	50,942,811,563.75	52,511,393,723.54
Minority interests		
Equity interest attributable to shareholders of the parent company	9,180,223,748.63	8,582,792,270.40
Including: Share of net assets calculated based on shareholding percentage	3,855,693,974.43	3,604,772,753.58
Operating income	1,162,696,352.56	1,238,480,597.68
Net profit	642,161,602.48	759,602,909.66
Other comprehensive income	-44,730,124.25	38,466,314.28
Total comprehensive income	597,431,478.23	798,069,223.94
Dividend received from associates for the year		

Items	Closing balance/Current amount	Opening balance /Prior amount
	MABE	MABE
Current assets	5,162,386,865.16	
Non-current assets	9,539,936,426.88	
Total assets	14,702,323,292.04	
Current liabilities	5,788,976,039.60	

Non-current liabilities	6,117,743,450.03	
Total liabilities	11,906,719,489.63	
Minority interests		
Equity interest attributable to shareholders of the parent company	2,795,603,802.41	
Including: Share of net assets calculated based on shareholding percentage	1,197,636,668.95	
Operating income		
Net profit		
Other comprehensive income		
Total comprehensive income		
Dividend received from associates for the year		

Items	Closing balance/Current amount	Opening balance /Prior amount
	Bank of Qingdao	Bank of Qingdao
Current assets	202,029,030,000.00	
Non-current assets	5,037,165,000.00	
Total assets	207,066,195,000.00	
Current liabilities	156,863,244,000.00	
Non-current liabilities	33,126,776,000.00	
Total liabilities	189,990,020,000.00	
Minority interests		
Equity interest attributable to shareholders of the parent company	17,076,175,000.00	
Including: Share of net assets calculated based on shareholding percentage	1,617,048,086.92	
Operating income	2,970,628,000.00	
Net profit	1,261,528,000.00	
Other comprehensive income	-152,700,000.00	
Total comprehensive income	1,108,828,000.00	

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

Unit and Currency: RMB

	Closing balance/ Current amount	Opening balance / Prior amount
Associates:		
Haier Medical and Laboratory Products Co., Ltd.	294,706,843.83	283,507,786.33
Wolong Electric Zhangqiu Haier Motor Co., Ltd. (卧龙电气章丘海尔电机有限	122,201,082.04	119,968,184.53

公司)		
Qingdao Haier Software Investment Co., Ltd. (青岛海尔软件投资有限公司)	17,033,586.28	17,033,872.46
Qingdao Haier SAIF Smart Home Industry Investment Center (limited partnership)(青岛海尔赛富智慧家庭创业投资中心(有限合伙))	211,558,668.86	200,266,832.77
Qingdao Haier Special Steel Plate Research and Development Co., Ltd. (青岛海尔特种钢板研制开发有限公司)	100,110,932.26	95,207,113.86
Hefei Haier Special Steel Plate Research and Development Co., Ltd.(合肥海尔特种钢板研制开发有限公司)	120,614,464.61	114,000,000.00
Beijing Mr. Hi Network Technology Company Limited (北京海狸先生网络科技有限公司)	1,237,067.08	2,606,883.28
Haier Tongchuang Investment Partnership (limited partnership) (海尔同创投资合伙企业(有限合伙))	158,345,864.71	160,012,400.00
Qingdao HSW Water Appliance Co., Ltd.(青岛海施水设备有限公司)	25,668,952.48	39,437,684.81
Qingdao Roca Water Appliance Co., Ltd.(青岛乐家水设备有限公司)	13,189,468.86	13,300,791.62
China Shengfeng Microfinance limited in Jin'an District of Fuzhou City (福州市晋安区盛丰国融小额贷款有限公司)	80,468,782.90	78,598,195.59
Fujian ATL-Shengfeng Logistics Co., Ltd.(福建八方盛丰物流有限公司)	12,410,303.76	12,630,535.81
Shenzhen Storm Tongshuai Technology Co., Ltd.(深圳暴风统帅科技有限公司)	9,142,279.57	16,168,507.04
Wuhan Xiaoshuai Smart Technologies Co., Ltd.(武汉小帅智能科技有限公司)	3,698,573.65	
Konan Electronic Co., Ltd.(湖南电机株式会社)	42,935,579.32	31,904,236.23
HPZ Limited (HPZ 有限公司)	80,922,090.34	73,342,754.13
HNR Company (Private) Limited (HNR 私营有限公司)	69,780,946.55	96,149,801.89
MiddleEast Airconditioning Company,Limited	23,187,780.62	

Total book value of investment	1,387,213,267.72	1,354,135,580.35
Total amount of the following items calculated based on shareholding percentage		
-- Net profit	24,097,736.19	32,345,073.54
-- Other comprehensive income	-11,890,274.01	3,327,515.26
-- Total comprehensive income	12,207,462.18	35,672,588.80

## X. Segment Report

√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 7 business segments, including refrigerator segment, air-conditioner segment, washing machine segment, kitchenware and sanitary ware segment, equipment components segment, integrated channel services segment, other segment and GEA 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.

Integrated channel services segment and other segment include channel distribution business, logistics and after-sale services; small household appliances business and other.

The GEA segment was formed as a result of the acquisition of GEA during the period. It was temporarily managed as a separate segment.

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; profit of segment exclude profit/loss in fair value and income from investment.

#### (1) Information of segment information

##### Segment information for the period

Segment information	Air-conditioner segment	Refrigerator segment	Kitchenware and sanitary ware segment	Washing machine segment
Segment revenue	8,912,841,740.33	12,859,565,857.27	2,917,053,676.12	6,639,902,521.08
Including: revenue from external customers	2,832,607,826.77	5,562,041,684.39	596,325,821.08	2,239,447,935.74
Inter-segment revenue	6,080,233,913.55	7,297,524,172.88	2,320,727,855.04	4,400,454,585.34
Total segment cost	8,382,916,399.87	11,683,591,996.38	2,591,655,805.66	5,982,188,657.20
Segment profit	529,925,340.46	1,175,973,860.89	325,397,870.46	657,713,863.88
Total segment assets	7,990,499,724.50	13,288,896,255.09	1,842,709,206.80	4,532,959,497.96
Total segment liabilities	3,414,594,189.92	12,266,110,565.17	1,455,712,223.05	2,180,706,024.00

##### Continued

Segment information	Equipment components segment	Segment of integrated channel services and others	GEA segment	Inter-segment elimination	Total
Segment revenue	14,799,342,326.20	38,917,612,860.72	3,460,810,512.03	-39,672,010,042.59	48,835,119,451.16
Including: revenue from external customers	1,340,536,577.34	32,803,349,093.81	3,460,810,512.03	-	48,835,119,451.16
Inter-segment revenue	13,458,805,748.86	6,114,263,766.92	-	-39,672,010,042.59	-

Total segment cost	14,640,138,916.29	38,355,636,465.31	3,287,213,513.72	-39,518,498,219.73	45,404,843,534.70
Segment profit	159,203,409.91	561,976,395.41	173,596,998.31	-153,511,822.86	3,430,275,916.46
Total segment assets	18,756,458,802.91	32,185,770,295.97	24,595,502,808.11	-38,398,744,887.33	64,794,051,704.01
Total segment liabilities	19,146,141,378.36	29,220,531,141.20	21,628,999,005.17	-37,474,744,341.02	51,838,050,185.85

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	9,955,975,629.06	13,465,954,042.13	2,803,263,752.21	6,559,212,688.30
Including: revenue from external customers	3,608,384,838.09	5,883,019,944.00	663,815,391.14	2,365,359,213.35
Inter-segment revenue	6,347,590,790.97	7,582,934,098.13	2,139,448,361.07	4,193,853,474.95
Total segment cost	9,435,464,022.58	12,243,156,668.34	2,491,853,725.62	5,967,335,232.26
Segment profit	520,511,606.48	1,222,797,373.79	311,410,026.59	591,877,456.04
Total segment assets	6,107,428,454.78	6,110,718,160.02	2,130,388,494.57	4,284,563,989.36
Total segment liabilities	3,997,986,679.58	6,217,133,445.17	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	15,829,078,511.86	36,231,714,048.57	-37,531,905,636.48	47,313,293,035.65
Including: revenue from external customers	1,278,278,930.21	33,514,434,718.86	-	47,313,293,035.65
Inter-segment revenue	14,550,799,581.65	2,717,279,329.71	-37,531,905,636.48	-
Total segment cost	15,560,435,536.87	35,552,173,909.21	-37,336,859,730.89	43,913,559,363.99
Segment profit	268,642,974.99	679,540,139.36	-195,045,905.59	3,399,733,671.66
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 refer 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	Current amount	Prior amount
Mainland China	34,826,153,702.66	36,646,685,881.55
Other countries/regions	14,008,965,748.50	10,666,607,154.10
Total	48,835,119,451.16	47,313,293,035.65

Continued

Total non-current assets	Closing balance	Opening balance
Mainland China	10,965,018,891.47	10,912,571,019.52
Other countries/regions	14,891,031,665.66	1,033,929,423.11
Total	25,856,050,557.13	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

√Applicable □Not applicable

### 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
<b>Recurring fair value measurement</b>			
I. Financial asset designated to be measured by fair value and change of which is recorded in current profit and loss	562,343.01		562,343.01
II. Financial liability designated to be measured by fair value and change of which is recorded in current profit and loss	179,803,749.09		179,803,749.09
III. Available-for-sale financial assets	30,533,537.14	1,518,048,833.97	1,548,582,371.11

**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 connected transactions

### (I) Remarks on the standards of identifying related parties

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 Listed Companies (China Securities Regulatory Commission Order No. 40), in certain occasions, related legal person and natural person will be identified as related parties.

## (II) Relationship with related parties

1. Information about the parent company of the Company and persons acting in concert with the parent company

Name of enterprise	Types of entity	Registered address	Registered capital	Legal representative	Relationship with the Company	Equity interest in the Company	Voting share in the Company
Haier Group Corporation	Collectively-owned enterprise	Qingdao High-tech Zone Haier Park(青岛高科园) 海尔园	311,180,000	Zhang Ruimin	Parent company	17.57%	17.57%
Haier Electric Appliances International Co., Ltd.	Joint stock company	Qingdao High-tech Zone Haier Park(青岛高科园) 海尔园	631,930,635	Zhang Ruimin	Persons acting in concert with the parent company	20.62%	20.62%
Qingdao Haier Venture & Investment Information Co., Ltd.(青岛海尔创业投资咨询有限公司)	Limited liability company	Qingdao Free Trade Zone	30,000,000	Zhang Ruimin	Persons acting in concert with the parent company	2.63%	2.63%
Qingdao Haier Kitchen Facilities Co., Ltd. (青岛海尔厨房设施有限公司)	Limited liability company	Qingdao Economics and Technology Development Zone	105,000,000	Lu Xiaobin	Persons acting in concert with the parent company	0.19%	0.19%

2. Information about subsidiaries of the Company

Detailed information of subsidiaries is disclosed in item 1 of note IX Interests in subsidiaries.

## 3. Information about joint ventures and associates

Information about the significant joint ventures and associates of the Company are set out in item 11 of note VII and item 3 of note IX.

## 4. Related companies without controlling relationship

Name of enterprises	Relationship with the Company
FISHER&PAYKEL AUSTRALIA PTY	Subsidiary of Haier Group
FISHER & PAYKEL APPLIANCES LIMITED	Subsidiary of Haier Group
HAIER AMERICA TRADING,L.L	Subsidiary of Haier Group
HAIER INTERNATIONAL CO., LTD	Subsidiary of Haier Group
HAIER INTERNATIONAL (HK) LTD.	Subsidiary of Haier Group
HAIER RUS TRADING COMPANY	Subsidiary of Haier Group
HAIER INFORMATION APPLIANCES S.R.L.	Subsidiary of Haier Group
Dalian Haier International Trading Co., Ltd.(大连海尔国际贸易有限公司)	Subsidiary of Haier Group
Feima Electronic (Qingdao) Co., Ltd.(飞马电子(青岛)有限公司)	Subsidiary of Haier Group
Haier Group Finance Co., Ltd.(海尔集团财务有限责任公司)	Subsidiary of Haier Group
Haier Group Electric Appliance Industry Co., Ltd.(海尔集团电器产业有限公司)	Subsidiary of Haier Group
Haier Group Qingdao Condensers Factory(海尔集团青岛冷凝器厂)	Subsidiary of Haier Group
Haier Energy Power Co., Ltd.(海尔能源动力有限公司)	Subsidiary of Haier Group
Haier Brothers Animation Industry Co., Ltd.(海尔兄弟动漫产业有限公司)	Subsidiary of Haier Group
Hefei Haier Logistics Co., Limited (合肥海尔物流有限公司)	Subsidiary of Haier Group
Laiyang Haier Electrical Co. Ltd.	Subsidiary of Haier Group
Lizhu Haier Built Facilities (Qingdao) Co., Ltd.(骊住海尔住建设施(青岛)有限公司)	Subsidiary of Haier Group
Qingdao Haier Fungchoi Exquisite Indian Express Co., Ltd.	Subsidiary of Haier Group
Qingdao Haier Tooling Development and Manufacturing Co., Ltd.(青岛海尔工装研制有限公司)	Subsidiary of Haier Group
Qingdao Haier International Travel Agency Co., Ltd.(青岛海尔国际旅行社有限公司)	Subsidiary of Haier Group
Qingdao Haier International Trading Co., Ltd(青岛海尔国际贸易有限公司)	Subsidiary of Haier Group
Qingdao Haier Household Integration Co., Ltd(青岛海尔家居集成股份有限公司)	Subsidiary of Haier Group
Qingdao Haier Parts Procurement Co., Ltd.(青岛海尔零部件采购有限公司)	Subsidiary of Haier Group
Qingdao Haier Special Plastic Development Co., Ltd.(青岛海尔特种塑料研制开发有限公司)	Subsidiary of Haier Group
Qingdao Haier Investment and Development Co., Ltd.( 青岛海尔投资发展有限公司)	Subsidiary of Haier Group
Qingdao Haier Logistics Consulting Co., Ltd.(Qingdao Haier Logistics Consulting Co., Ltd.(青岛海尔物流咨询有限公司) )	Subsidiary of Haier Group

Qingdao Haier New Material Research and Development Co., Ltd.(青岛海尔新材料研发有限公司)	Subsidiary of Haier Group
Qingdao Haiyongda Property Management Co., Ltd.(青岛海永达物业管理有限公司)	Subsidiary of Haier Group
Goodaymart Electronics Co., Ltd.(日日顺电器有限公司)	Subsidiary of Haier Group
Mitsubishi Heavy Industries Haier (Qingdao) Air-conditioners Co., Ltd.(三菱重工海尔(青岛)空调机有限公司)	Subsidiary of Haier Group
Xingyang International Co., Ltd.(星洋国际有限公司)	Subsidiary of Haier Group
BRAVE LION (HK) LIMITED	Subsidiary of Haier Group
Chongqing Haier Electrical Appliances Sales Co., Ltd. (重庆海尔电器销售有限公司)	Subsidiary of Haier Group
Chongqing Haier Logistics Co., Ltd.(重庆海尔物流有限公司)	Subsidiary of Haier Group
Hefei Haier Special Steel Plate Research and Development Co., Ltd.(合肥海尔特种钢板研制开发有限公司)	Joint Venture
Haier Medical and Laboratory Products Co., Ltd. (青岛海尔特种电器有限公司)	Joint Venture
Qingdao Haier Special Steel Plate Research and Development Co., Ltd. (青岛海尔特种钢板研制开发有限公司)	Joint Venture
HNR Company (Private) Limited (HNR 私营有限公司)	Joint Venture
Qingdao Haier Software Investment Co., Ltd.(青岛海尔软件投资有限公司)	Joint Venture
Bank of Qingdao Co., Ltd.	Joint Venture
Wolong Electric Zhangqiu Haier Motor Co., Ltd. (卧龙电气章丘海尔电机有限公司)	Joint Venture

### (III) Information on transaction of related parties

1. Details about procurement of goods and services made by the Company from related parties are set out as follows:

Name of related parties	Current amount	Prior amount
Qingdao Haier Parts Procurement Co., Ltd. (青岛海尔零部件采购有限公司)	2,834,073,214.99	3,577,031,452.91
Chongqing Haier Electrical Appliances Sales Co., Ltd. (重庆海尔电器销售有限公司)	2,465,270,177.05	2,605,767,825.83
Hefei Haier Logistics Co., Limited(合肥海尔物流有限公司)	590,802,325.75	682,768,899.53
Chongqing Haier Logistics Co., Ltd.(重庆海尔物流有限公司)	585,481,049.95	684,866,010.73
HNR Company (Private) Limited (HNR 私营有限公司)	573,735,257.92	613,912,712.03
Wolong Electric Zhangqiu Haier Motor Co., Ltd. (卧龙电气章丘海尔电机有限公司)	313,371,323.79	284,834,006.82
Hefei Haier Special Steel Plate Research and Development Co., Ltd.(合肥海尔特	311,939,821.56	

种钢板研制开发有限公司)		
Qingdao Haier Special Plastic Development Co., Ltd.(青岛海尔特种塑料研制开发有限公司)	280,906,377.02	283,355,003.59
Qingdao Haier International Trading Co., Ltd(青岛海尔国际贸易有限公司)	247,965,334.09	464,070,315.42
Qingdao Haier Special Steel Plate Research and Development Co., Ltd.(青岛海尔特种钢板研制开发有限公司)	223,736,153.61	
Haier Energy Power Co., Ltd.(海尔能源动力有限公司)	177,900,502.03	177,769,429.07
Qingdao Haier Household Integration Co., Ltd(青岛海尔家居集成股份有限公司)	115,840,029.68	22,036,135.02
Qingdao Haiyongda Property Management Co., Ltd.(青岛海永达物业管理有限公司)	60,616,791.01	64,732,682.14
Haier Group Electric Appliance Industry Co., Ltd(海尔集团电器产业有限公司)	45,831,636.90	1,876,313,147.28
HAIER INTERNATIONAL CO., LTD	32,810,835.38	29,309,564.39
HAIER INTERNATIONAL(HK)LTD.	32,048,676.99	113,403,644.35
Haier Group Qingdao Condensers Factory(海尔集团青岛冷凝器厂)		197,498,935.19
Other related parties	800,792,142.85	1,192,127,454.85
Total	9,693,121,650.57	12,869,797,219.15

2. Details about selling goods to related parties by the Company are set out as follows:

Name of related parties	Current amount	Prior amount
FISHER&PAYKEL AUSTRALIA PTY	357,585,646.59	
Hefei Haier Special Steel Plate Research and Development Co., Ltd.(合肥海尔特种钢板研制开发有限公司)	353,802,132.04	
Qingdao Haier International Trading Co., Ltd(青岛海尔国际贸易有限公司)	295,668,534.02	202,610,845.44
Wolong Electric Zhangqiu Haier Motor Co., Ltd. (卧龙电气章丘海尔电机有限公司)	226,781,249.16	411,180,559.04
Qingdao Haier Special Steel Plate Research and Development Co., Ltd.(青岛海尔特种钢板研制开发有限公司)	190,369,953.69	

Qingdao Haier New Material Research and Development Co., Ltd.(青岛海尔新材料研发有限公司)	172,047,424.81	289,551,913.06
Chongqing Haier Electrical Appliances Sales Co., Ltd. (重庆海尔电器销售有限公司)	116,299,875.16	75,545,447.12
HAIER RUS TRADING COMPANY	114,274,967.19	98,465,420.85
Qingdao Haier Special Plastic Development Co., Ltd.(青岛海尔特种塑料研制开发有限公司)	70,862,710.70	87,387,913.18
Haier Group Electric Appliance Industry Co., Ltd(海尔集团电器产业有限公司)	56,831,677.83	2,476,737,614.82
Qingdao Haier Tooling Development and Manufacturing Co., Ltd.(青岛海尔工装研制有限公司)	37,237,163.70	58,098,343.50
Qingdao Haier International Travel Agency Co., Ltd.(青岛海尔国际旅行社有限公司)	15,387,386.88	48,803,945.54
HAIER AMERICA TRADING,L.L	2,385,751.90	202,249,539.39
Qingdao Haier Parts Procurement Co., Ltd.(青岛海尔零部件采购有限公司)	1,543,609.26	41,437,950.00
Chongqing Haier Logistics Co., Ltd.(重庆海尔物流有限公司)		11,504,024.36
Other related parties	171,510,783.25	233,323,753.44
Total	2,182,588,866.18	4,236,897,269.74

## 3. Unsettled items amount of related parties

Items and name of customers	Ending balance	Beginning balance
<b>Bills receivables :</b>		
Haier Group Electric Appliance Industry Co., Ltd.(海尔集团电器产业有限公司)		580,500,000.00
Other related parties	10,276,520.66	1,792,043.36
<b>Dividends receivables :</b>		
Wolong Electric Zhangqiu Haier Motor Co., Ltd.(卧龙电气章丘海尔电机有限公司)	50,000,000.00	50,000,000.00
Qingdao Haier Software Investment Co., Ltd.(青岛海尔软件投资有限公司)	4,524,472.84	4,524,472.84
Bank of Qingdao Co., Ltd.	76,868,939.63	
Qingdao Haier Special Steel Plate Research and Development Co., Ltd.(青岛海尔特种钢板研		6,301,362.54

制开发有限公司)				
<b>Amount receivable :</b>				
<b>Items and name of customers</b>	<b>Carrying balance</b>	<b>Provision for bad debts</b>	<b>Carrying balance</b>	<b>Provision for bad debts</b>
Haier Group Electric Appliance Industry Co., Ltd.(海尔集团电器产业有限公司)	200,133,980.40	10,006,699.02	174,630,258.08	8,731,512.90
HAIER RUS TRADING COMPANY	187,314,507.00	9,365,725.35	115,557,090.93	5,777,854.55
FISHER & PAYKEL APPLIANCES LIMITED	182,511,400.84	9,125,570.04	158,810,441.99	7,940,522.10
Hefei Haier Special Steel Plate Research And Development Co., Ltd.(合肥海尔特种钢板研制开发有限公司)	61,372,326.00	3,068,616.30	76,285,963.56	3,814,298.18
Qingdao Haier International Travel Agency Co., Ltd.(青岛海尔国际旅行社有限公司)	41,218,870.37	2,060,943.52	123,890,004.37	6,194,500.22
Wolong Electric Zhangqiu Haier Motor Co., Ltd.(卧龙电气章丘海尔电机有限公司)	18,322,199.73	916,109.99	110,510,547.68	5,525,527.38
Qingdao Haier Special Steel Plate Research and Development Co., Ltd.(青岛海尔特种钢板研制开发有限公司)	12,284,675.72	614,233.79	22,351,319.72	1,117,565.99
Haier Medical and Laboratory Products Co., Ltd. (青岛海尔特种电器有限公司)	11,233,912.73	561,695.64	8,419,069.02	420,953.45
Qingdao Haier New Material Research and Development Co., Ltd.(青岛海尔新材料研发有限公司)	9,143,305.67	457,165.28	47,541,824.58	2,377,091.23
Mitsubishi Heavy Industries Haier (Qingdao) Air-conditioners Co., Ltd.(Mitsubishi Heavy Industries Haier (Qingdao) Air-conditioners Co., Ltd.(三菱重工海尔(青岛)空调机有限公司))	1,382,941.77	69,147.09	29,966,338.37	1,498,316.92
HNR COMPANY (PRIVATE) LIMITED (HNR 私营有限公司)			32,073,631.86	1,603,681.59
Qingdao Haier International Trading Co., Ltd(青岛海尔国际贸易有限公司)			85,283,740.22	4,264,187.01
Other related parties	255,026,168.86	12,751,308.45	166,603,925.06	8,330,196.25
<b>Prepayments:</b>				
Qingdao Haier International Trading Co., Ltd.(青岛海尔国际贸易有限公司)		115,193,915.20		26,873,715.41
Haier Group Electric Appliance Industry Co., Ltd(海尔集团电器产业有限公司)		105,544,639.40		
Qingdao Haier Parts Procurement Co., Ltd.(青岛海尔零部件采购有限公司)		20,075,168.96		16,879,474.20
Goodaymart Electronics Co.,		15,502,034.63		12,538,028.12

Ltd.(日日顺电器有限公司)				
Mitsubishi Heavy Industries Haier (Qingdao) Air-conditioners Co., Ltd. (三菱 重工海尔(青岛)空调机有限公 司)	4,013,298.76			
Other related parties	40,779,936.58		9,556,559.99	
<b>Interests receivables:</b>				
Haier Group Finance Co., Ltd.	10,669,832.30		91,036,865.15	
<b>Other receivables:</b>				
<b>Items and name of customers</b>	<b>Carrying balance</b>	<b>Provision for bad debts</b>	<b>Carrying balance</b>	<b>Provision for bad debts</b>
Haier Group Electric Appliance Industry Co., Ltd.(海尔集团电器 产业有限公司)	12,818,833.86	640,941.69	45,013,672.34	2,250,683.62
Qingdao Haier Logistics Consulting Co., Ltd.(青岛海尔 物流咨询有限公司)	13,593,017.74	679,650.89	13,593,017.74	679,650.89
Goodaymart Electronics Co., Ltd.(日日顺电器有限公司)			6,025,082.15	301,254.11
Other related parties	47,154,610.03	2,357,730.50	35,899,361.50	1,794,968.08
<b>Bills payable:</b>				
Laiyang Haier Electrical Co. Ltd.	27,283,187.79		29,649,819.07	
Qingdao Haier Funghoi Exquisite Indian Express Co., Ltd.	35,846.06		5,910,415.02	
Other related parties	9,498,860.10		12,574,392.12	
<b>Trade payables:</b>				
Qingdao Haier Parts Procurement Co., Ltd.(青岛海尔 零部件采购有限公司)	796,408,805.24		663,349,767.52	
Chongqing Haier Electrical Appliances Sales Co., Ltd. (重庆 海尔电器销售有限公司)	479,397,326.02		759,596,919.13	
Hefei Haier Logistics Co., Limited(合肥海尔物流有限公 司)	152,553,994.38		201,205,529.62	
Qingdao Haier International Trading Co., Ltd(青岛海尔国际 贸易有限公司)	139,473,137.31		245,904,920.71	
Chongqing Haier Logistics Co., Ltd.(重庆海尔物流有限公司)	109,529,092.77		139,178,244.68	
Qingdao Haier Special Plastic Development Co., Ltd.(青岛海 尔特种塑料研制开发有限公司)	52,209,265.64		74,845,920.73	
HAIER INTERNATIONAL CO.,LTD	32,052,290.58		22,060,139.07	
HAIER INTERNATIONAL (HK)LTD.	29,721,464.36		20,541,494.39	
HAIER INFORMATION APPLIANCES S.R.L.	29,921,378.00		102,725,606.14	
Goodaymart Electronics Co., Ltd.(日日顺电器有限公司)	10,070,038.37		10,614,831.51	
Haier Group Electric Appliance	510,672.32		187,995,713.20	

Industry Co., Ltd(海尔集团电器产业有限公司)		
Feima Electronic (Qingdao) Co., Ltd.(飞马电子(青岛)有限公司)		203,253,438.63
Lizhu Haier Built Facilities (Qingdao) Co., Ltd.( 骊住海尔住建设施(青岛)有限公司)		39,063,792.08
HNR COMPANY (PRIVATE) LIMITED (HNR 私营有限公司)		83,188,898.42
Other related parties	332,116,457.02	413,585,350.71
<b>Payments received in advance:</b>		
Haier Group Electric Appliance Industry Co., Ltd(海尔集团电器产业有限公司)	29,128,010.96	18,701,475.03
HAIER INTERNATIONAL CO.,LTD	1,322,882.40	18,158.64
Other related parties	21,593,607.12	18,596,856.89
<b>Other payables:</b>		
Haier Brothers Animation Industry Co., Ltd.(海尔兄弟动漫产业有限公司)	371,757,915.12	393,253,947.83
Chongqing Haier Logistics Co., Ltd.(重庆海尔物流有限公司)	51,830,739.06	51,830,739.06
Dalian Haier International Trading Co., Ltd(大连海尔国际贸易有限公司)	21,800,000.00	
Qingdao Haier Investment and Development Co., Ltd.	21,038,859.96	
Xingyang International Co., Ltd(星洋国际有限公司)	13,885,076.40	13,885,076.40
Haier Group Electric Appliance Industry Co., Ltd(海尔集团电器产业有限公司)	11,539,560.23	27,962,633.21
Goodaymart Electronics Co., Ltd.(日日顺电器有限公司)		18,990,955.78
Other related parties	44,723,745.83	160,241,754.57
<b>Interests payable:</b>		
Haier Group Finance Co., Ltd.	32,166,261.91	5,697,476.64
<b>Dividend payable:</b>		
BRAVE LION (HK) LIMITED	115,230,923.73	115,230,923.73
Other related parties	8,513,428.44	17,051,346.99

#### 4. Other connected transactions

(1) One of the Company's subsidiaries entered into a loan contract with Haier Group Finance Co., Ltd.. The borrowed amount as of 30 June 2016 was RMB8,981 million and the accrued interest and fees payable to Haier Group Finance Co., Ltd. by the Company for the period amounted to RMB91.23 million.

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

Borrower	Borrowed amount	Guarantor
Haier Shareholdings (Hong Kong) Limited	688,495,038.00	Haier Group Corporation
HAIER US APPLIANCE SOLUTIONS, INC	21,854,646,074.26	Haier Group Corporation
Total	22,543,141,112.26	

(3) The accrued interest income from bank deposits with Haier Group Finance Co., Ltd. deposited by the Company and its subsidiaries in the period was RMB12.71 million.

(4) Qingdao Haier Goodaymart Logistic Co., Ltd.(青岛日日顺物流有限公司), a subsidiary of the Company and other companies provided logistics services to other related companies under Haier Group (海尔集团), the logistics income for the period was RMB69.83 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. (青岛海尔投资发展有限公司) and its subsidiaries	Production and operation	10,208,194.80
Subsidiary of the Company	Other companies of Haier Group (海尔集团)	Production and operation	27,037,454.91
Total			37,245,649.71

#### (IV) Pricing policy

##### 1. Connected sales

In 2015, 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 entertainment household appliances). 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.

## 2. Connected Procurements

In addition to independent procurement platform, the Company entrusted Haier Group Corporation and its subsidiaries for procurements of part of raw materials and distribution of goods and materials. The 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.

Connected procurements among Haier Electronics Group Co., Ltd. (hereinafter referred to as “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 Materials Procurement Agreement and Production and Experimental Equipment Procurement Agreement entered into among parties.

## 3. Connected Transactions of Financial and Logistics Services

The price of financial services provided by Haier Group Corporation and its subsidiaries such as deposits/loans are 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 Finance Company with the knowledge of the price prevailing on the market and in combination with their own interests. While performing the agreement, the Company could also require other financial service institutions to provide related financial services basing on actual situation.

Connected transactions of financial services among Haier Electronics, Haier Group Finance Co., Ltd., 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 renewed 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 expend 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. (卧龙电气章丘海尔电机有限公司) and other companies. Pursuant to which, the vendors 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. (青岛海尔特种钢板研制开发有限公司) and Hefei Haier Special Steel Plate Research and Development Co., Ltd. (合肥海尔特种钢板研制开发有限公司). Under which, it is agreed that the vendors shall supply goods to the Company on terms which are not less favorable than terms offered by other suppliers.

### XIII. Share-based Payments

Items	Current period
1 · Total equity instruments granted during the period	Nil

2 · Total equity instruments exercised during the period	Nil
3 · Total equity instruments lapsed during the period	Nil
4 · Range of exercise price	Nil
5 · The remaining term of contract	Nil
6 · Share option outstanding at the end of the period	Nil
7 · Total expense recognized for share-based payments	Nil
8 · Total amount of employee services as a result of the share-based payments	Nil
9 · Total amount of other services as a result of the share-based payments	Nil

#### **XIV. Contingencies**

##### **1. Contingencies**

☐Applicable ☒Not applicable

As of 30 June 2016, the Company has no material contingencies that need to be disclosed.

#### **XV. Events Subsequent to the Balance Sheet Date**

1. On 25 July 2016, cash dividend of RMB2.12 (including tax) for every 10 shares had been distributed to all shareholders of the Company based on the number of 6,097,630,727 shares as registered at China Securities Depository and Clearing Corporation Limited Shanghai Branch. Cash dividend in a total amount of RMB1,292,697,714.12 (before tax) was distributed.

2. The Company has no other material events after the balance sheet date that need to be disclosed.

#### **XVI. Financial Instruments Related Risks**

The Company's financial assets include notes receivables, receivables and etc., and the Company's financial liabilities include bills payable, payables, long- and short- term borrowings and etc. Please refer to relevant items in Note VII for detailed descriptions of various financial instruments. Risks relating to these financial instruments and the risk management policies the Company adopts to mitigate these risks are summarized below. The Company's management manages and monitors these risk exposures in order to ensure these risks are well within their respective risk limits.

##### **1. Credit risk**

The credit risk the Company exposed to mainly comes from bank deposits, notes receivables, accounts receivable, 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 customers 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 refund, recurrent loans and reserves. The Company strengthened the management of these receivables and corresponding business activities based on their historical reasons of occurrence, and continue to monitor such receivables, so as to ensure the Company's significant risk of bad debts are controllable and to further reduce such risk.

## 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 principle operations are based in mainland China and are settled in RMB. However, the Company's overseas assets and liabilities denominated in foreign currencies as well as transactions settled in foreign currencies in the future still 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 borrowings 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 need to be disclosed.

**XVIII Notes to Main Items of Financial Statements of the Parent Company****1. Trade receivables**

(1) Disclosure of trade receivables by customer categories is set out as follows:

Items	Closing balance		Opening balance	
	Carrying Balance	Provision for bad debts	Carrying Balance	Provision for bad debts
Individual significant trade receivables of which provision for bad debts is made on an individual basis				
Trade receivables of which provision for bad debts is made on a group basis	217,217,586.28	10,860,879.31	219,582,372.06	10,979,118.60
Individual insignificant trade receivables of which provision for bad debts is made on an individual basis				
Total	217,217,586.28	10,860,879.31	219,582,372.06	10,979,118.60

(2) Trade receivables of which provision for bad debts is made on a group basis:

Aging	Closing balance		Opening balance	
	Carrying balance	Provision for bad debts	Carrying balance	Provision for bad debts
Within one year	217,217,586.28	10,860,879.31	208,577,829.57	10,428,891.47
One to two years			914,539.56	45,726.98
More than two years			10,090,002.93	504,500.15
Total	217,217,586.28	10,860,879.31	219,582,372.06	10,979,118.60

(3) The total debt amount of the top 5 debtors in the closing trade receivables amounted to RMB215,048,284.03, representing 99.00% of the carrying balance of the trade receivables.

**2. Other receivables**

(1) Disclosure of other receivables by customer categories is set out as follows:

Items	Closing balance		Opening balance	
	Carrying balance	Provision for bad debts	Carrying balance	Provision for bad debts

Other individual significant 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	28,728,597.15	1,436,429.86	64,573,075.32	3,228,653.77
Other individual insignificant receivables of which provision for bad debts is made on an individual basis				
<b>Total</b>	<b>28,728,597.15</b>	<b>1,436,429.86</b>	<b>64,573,075.32</b>	<b>3,228,653.77</b>

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

Aging	Closing balance		Opening balance	
	Carrying balance	Provision for bad debts	Carrying balance	Provision for bad debts
Within one year	28,728,597.15	1,436,429.86	64,573,075.32	3,228,653.77
<b>Total</b>	<b>28,728,597.15</b>	<b>1,436,429.86</b>	<b>64,573,075.32</b>	<b>3,228,653.77</b>

(3) The total debt amount of the top 5 debtors in the closing trade receivables amounted to RMB28,728,597.15, representing 100.00% of the carrying balance of the trade receivables.

### 3. Long-term equity investments

√Applicable □Not applicable

(1) Details of long-term equity investments:

Items	Closing balance		Opening balance	
	Carrying balance	Impairment provision	Carrying balance	Impairment provision
Long-term equity investments				
Including: long-term equity investments to subsidiaries	20,028,604,813.36	7,100,000.00	13,506,982,541.50	7,100,000.00
Long-term equity investments to associates	1,271,861,143.09		641,850,570.99	
<b>Total</b>	<b>21,300,465,956.45</b>	<b>7,100,000.00</b>	<b>14,148,833,112.49</b>	<b>7,100,000.00</b>

(2) Long-term equity investments to subsidiaries

Name of Investee Companies	Opening balance	Changes for the Period	Closing balance	Closing balance of impairment provision
<b>I. Subsidiaries:</b>				
Chongqing Haier Electronics Sales Co., Ltd.(重庆海尔家电销售有限公司)	9,500,000.00		9,500,000.00	
Qingdao Haier Refrigerator Co., Ltd.(青岛海尔电冰箱有限公司)	402,667,504.64		402,667,504.64	
Qingdao Haier Special Refrigerator Co., Ltd.(青岛海尔特种电冰箱有限公司)	329,832,047.28		329,832,047.28	

Qingdao Haier Information Plastic Development Co., Ltd.(青岛海尔信息塑胶研制有限公司)	102,888,407.30		102,888,407.30	
Dalian Haier Precision Products Co., Ltd.(大连海尔精密制品有限公司)	41,836,159.33		41,836,159.33	
Hefei Haier Plastic Co., Ltd.(合肥海尔塑料有限公司)	42,660,583.21		42,660,583.21	
Qingdao Haier Moulds Co., Ltd.(青岛海尔模具有限公司)	273,980,796.30		273,980,796.30	
Qingdao Haier Intelligent Electronics Co., Ltd.(青岛海尔智能电子有限公司)	271,380,000.00		271,380,000.00	
Qingdao Household Appliance Technology and Equipment Research Institute(青岛家电工艺装备研究所)	66,778,810.80		66,778,810.80	
Qingdao Meier Plastic Powder Co., Ltd.(青岛美尔塑料粉末有限公司)	24,327,257.77		24,327,257.77	
Chongqing Haier Precision Plastic Co., Ltd. (重庆海尔精密塑胶有限公司)	47,811,283.24		47,811,283.24	
Chongqing Haier Intelligent Electronics Co., Ltd.(重庆海尔智能电子有限公司)	11,870,511.98		11,870,511.98	
Qingdao Haier Electronic Plastic Co., Ltd.(青岛海尔电子塑料有限公司)	48,000,000.00		48,000,000.00	
Dalian Haier Refrigerator Co., Ltd.(大连海尔电冰箱有限公司)	99,000,000.00		99,000,000.00	
Dalian Haier Air-conditioning Co., Ltd.(大连海尔空调器有限公司)	99,000,000.00		99,000,000.00	
Guizhou Haier Electronics Co., Ltd.(贵州海尔电器有限公司)	96,904,371.71		96,904,371.71	
Hefei Haier Air-conditioning Co., Limited (合肥海尔空调器有限公司)	67,110,323.85		67,110,323.85	
Qingdao Haier Refrigerator (International) Co., Ltd. (青岛海尔电冰箱(国际)有限公司)	158,387,576.48		158,387,576.48	
Qingdao Haier Robot Co., Ltd. (青岛海尔机器人有限公司)	3,149,188.69		3,149,188.69	
Qingdao Haier Air-Conditioner Electronics Co., Ltd. (青岛海尔空调电子有限公司)	1,113,433,044.51		1,113,433,044.51	
Qingdao Haier Air-Conditioner Co., Ltd.(青岛海尔空调器有限总公司)	218,245,822.50		218,245,822.50	
Qingdao Haier Special Freezer Co., Ltd.(青岛海尔特种电冰柜有限公司)	442,684,262.76		442,684,262.76	
Qingdao Haier Dishwasher Co., Ltd.(青岛海尔洗碗机有限公司)	206,594,292.82		206,594,292.82	
Wuhan Haier Freezer Co., Ltd.(武汉海尔电冰柜有限公司)	47,310,000.00		47,310,000.00	
Wuhan Haier Electronics Co., Ltd.(武汉海尔电器股份有限公司)	100,715,445.04		100,715,445.04	
Chongqing Haier Air-conditioning Co., Ltd.(重庆海尔空调器有限公司)	100,000,000.00		100,000,000.00	
Hefei Haier Refrigerator Co., Ltd.(合肥海尔电冰箱有限公司)	49,000,000.00		49,000,000.00	
Qingdao Haier Whole Set Home Appliance Service Co., Ltd.(青岛海尔成套家电服务有限公司)	118,000,000.00		118,000,000.00	
Chongqing Haier Refrigeration Appliance Co., Ltd.(重庆海尔制冷电器有限公司)	91,750,000.00		91,750,000.00	
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.(沈阳海尔电冰箱有限公司)	100,000,000.00		100,000,000.00	
Foshan Haier Freezer Co., Ltd.(佛山海尔电冰柜有限公司)	100,000,000.00		100,000,000.00	
Zhengzhou Haier Air-conditioning Co., Ltd.(郑州海尔空调器有限公司)	100,000,000.00		100,000,000.00	
Qingdao Haidayuan Procurement Service Co., Ltd.(青岛海达源采购服务有限公司)	20,000,000.00		20,000,000.00	
Qingdao Haier Intelligent Technology Development Co., Ltd.(青岛海尔智能技术研发有限公司)	130,000,000.00		130,000,000.00	
Haier Electronics Group Co., Ltd.	669,830,769.26		669,830,769.26	7,100,000.00
Qingdao Haidarui Procurement Service Co., Ltd.(青岛海达瑞采购服务有限公司)	107,800,000.00		107,800,000.00	
Qingdao Haier Intelligent Household Appliances Co., Ltd.(青岛海尔智能家电有限公司)	326,400,000.00		326,400,000.00	
Haier (Shanghai) Electrical Appliances Co., Ltd.(海尔(上海)电器有限公司)		7,000,000.00	7,000,000.00	
Haier Group (Dalian) Electrical Appliances Industry Co., Ltd.(海尔集团大连电器产业有限公司)		34,735,489.79	34,735,489.79	
Qingdao Haier Technology Investment Co., Ltd.(青岛海尔科技投资有限公司)	120,000,000.00		120,000,000.00	
Qingdao Casarte Smart Living Appliances Co., Ltd. (青岛卡萨帝智慧生活家电有限公司)	10,000,000.00		10,000,000.00	
Qingdao Casarte Smart Living Appliances Co., Ltd. (海尔海外电器产业有限公司)	40,000,000.00		40,000,000.00	
Qingdao Haier Technology Co., Ltd. (青岛海尔科技有限公司)	16,817,162.03		16,817,162.03	
Total	13,506,982,541.50	6,521,622,271.86	20,028,604,813.36	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. (青岛海尔特种电器有限公司)	164,103,659.92		15,471,193.85		179,574,853.77	
Wolong Electric Zhangqiu Haier Motor Co., Ltd.(卧龙电气章丘海尔电机有限公司)	100,464,869.11		4,123,838.65		104,588,707.76	
Qingdao Haier Special Steel Plate Research and Development Co., Ltd.(青岛海尔特种钢板研制开发有限公司)	95,207,113.86		4,903,818.40		100,110,932.26	
Hefei Haier Special Steel Plate Research	81,808,095.33		6,614,464.61		88,422,559.94	

And Development Co., Ltd.(合肥海尔特种钢板研制开发有限公司)						
Qingdao Haier SAIF Smart Home Industry Investment Center (Limited Partnership) (青岛海尔赛富智慧家庭创业投资中心(有限合伙))	200,266,832.77		11,291,836.09		211,558,668.86	
Bank of Qingdao Co., Ltd.		577,382,477.93	43,410,230.39	-33,187,287.82	587,605,420.50	
Total	641,850,570.99	577,382,477.93	85,815,381.99	-33,187,287.82	1,271,861,143.09	

#### 4. Operation Income and Operation Cost:

Unit and Currency: RMB

Items	Current amount		Prior amount	
	Income	Cost	Income	Cost
Principal Business	1,508,462,660.45	1,061,570,975.96	1,189,486,963.03	879,952,168.39
Other Business	7,408,824.76	2,403,891.47	2,861,710.92	80,352.87
Total	1,515,871,485.21	1,063,974,867.43	1,192,348,673.95	880,032,521.26

#### 5. Investment Income

Items	Current amount	Prior amount
Long-term equity investments income calculated by the equity method	85,815,381.99	30,776,059.14
Investment income from disposal of long-term equity investments	17,262,280.41	
Long-term equity investments income calculated by cost method	40,386,975.56	33,322,480.35
Investment income from financial assets available for sale during the holding period		34,915,922.50
Total	143,464,637.96	99,014,461.99

### XIX. Supplementary Information

#### 1. Basic and diluted earnings per share

Items	Current amount			Prior amount		
	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 parent company	13.78%	0.543	0.543	10.49%	0.449	0.445
Net profit attributable to ordinary shareholders of the parent company after	11.49%	0.453	0.453	10.58%	0.413	0.411

deduction of non-recurring gain or loss						
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**2. Non-recurring profit or loss**

Items	Current amount	Prior amount
Net profit attributable to ordinary shareholders of parent company	3,315,173,171.70	2,734,979,407.70
Less: non-recurring profit or loss	549,749,414.48	225,289,997.13
Net profit attributable to ordinary shareholders of the parent company after deduction of non-recurring gain or loss	2,765,423,757.22	2,509,689,410.57

## Breakdown of non-recurring profit or loss in the current period

Items of non-recurring profit or loss	Current amount
Gains or losses from disposal of non-current assets	152,219,717.52
Government grants credited to profit or loss in the period	77,329,943.02
Other non-operating net income and expenses other than the aforementioned items	125,779,366.19
Gain from disposal of long-term equity investment	37,414,012.10
Income from disposal of financial assets available for sale	531,765,734.66
Gains and losses of the changes in fair value	-182,258,158.84
Investment income obtained from disposal of derivative instrument measured at fair value and its change through current profits and losses	32,350,801.48
Deduction of the effect of minority shareholders	-101,052,567.67
Effects of income tax on non-recurring profit and loss attributable to the parent company	-123,799,433.98
Amount of affected consolidated profits for the company under common control (attributable to the parent company)	
Total	549,749,414.48

**SECTION XI DOCUMENTS AVAILABLE FOR INSPECTION**

Documents Available for Inspection	I. The 2016 Interim Report of Qingdao Haier Co., Ltd. with the signature of the legal representative .
	II. Financial statements with the signatures or seals of the person in charge of the Company, chief accountant and person in charge of accounting department.
	III. All documents which have been publicly disclosed on China Securities Journal, Shanghai Securities News, Securities Daily, Securities Times and the website of the Shanghai Stock Exchange ( <a href="http://www.sse.com.cn">www.sse.com.cn</a> ) during the reporting period.

Chairman: Liang Haishan

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