

Stock Code: 600690

Short Name: Qingdao Haier

Qingdao Haier Co., Ltd.

2015 Annual Report

Stock Code: 600690

Important Notice

- I. The Board, the supervisory committee and directors, supervisors and senior management of the Company hereby assure that the content set out in the annual 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. Information of Directors absent from Meeting

Position of director absent from meeting	Name of director absent from meeting	Reason for the absence of director from meeting	Name of proxy
Director	Peng Jianfeng	Personal affair	Wu Changqi
Independent Director	Chen Yongzheng	Personal affair	Wu Cheng

- III. Shandong Hexin Certified Public Accountants (special general partnership) has issued a standard and unqualified audited report for the Company.**

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

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

Proposal of profit distribution and proposal of capitalizing capital reserves for the reporting period examined and reviewed by the Board: to declare a cash dividend of RMB2.12 per 10 shares (tax inclusive) based on the total number of shares as at the registration date in respect of future proposal for profit distribution.

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 shareholders and their related parties for non-operational purposes?**

No

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

No

IX. Important Risk Warnings

For the contents of risk which the Company may be subject to, please refer to the relevant information set out in the section of Management Discussion and Analysis in this report.

Chairman: Liang Haishan

Qingdao Haier Co., Ltd.

28 April 2016

Contents

SECTION I	DEFINITIONS.....	5
SECTION II	GENERAL INFORMATION OF THE COMPANY AND FINANCIAL INDICATORS	7
SECTION III	SUMMARY OF THE COMPANY’S BUSINESS	13
SECTION IV	Management Discussion and Analysis	21
SECTION V	SIGNIFICANT EVENTS	47
SECTION VI	CHANGES IN SHARE CAPITAL OF ORDINARY SHARES AND INFORMATION ABOUT SHAREHOLDERS	75
SECTION VII	THE RELEVANT INFORMATION OF PREFERRED SHARES	87
SECTION VIII	DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES	88
SECTION IX	CORPORATE GOVERNANCE	101
SECTION X	RELEVANT INFORMATION ON CORPORATE BONDS	110
SECTION XI	FINANCIAL REPORT	111
SECTION XII	DOCUMENTS AVAILABLE FOR INSPECTION	239

SECTION I DEFINITIONS

I. Definitions

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

Definition of frequently used terms	
CSRC	China Securities Regulatory Commission
MOFCOM	Ministry of Commerce of the PRC
SSE	Shanghai Stock Exchange
CSDCCL	China Securities Depository and Clearing Corporation Limited Shanghai Branch (the “CSDCCL”)
The Company, Qingdao Haier	Qingdao Haier Co., Ltd.
Four Major Securities Newspapers	China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily
KKR (GROUP)	KKR & Co. L.P. and its subsidiary, KKR & Co. L.P., is a limited partnership incorporated and existed in accordance with the laws of the state of Delaware, USA. KKR & Co. L.P. is listed on the New York Stock Exchange (short name and stock code: KKR)
KKR, (Luxembourg)	KKR Home Investment S.à.r.l., a wholly owned subsidiary of KKR China Growth Fund L.P., is a project company incorporated in Luxembourg in accordance with international practices for the sole purpose of strategic investment in the Company
Haier Electrics, 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.
DCS	high-end kitchen electronic brand under FPA
CMM	China Market Monitor Co., Ltd., established in 1994, has been focusing on research on retail sales in Chinese consumption market for a long term and is the nationally recognized market research institute in terms of appliance

		area.
Euromonitor		Euromonitor, established in 1972, is the leading strategic market information supplier and owns over 40-years' experience in respect of publishing market report, commercial reference data and on-line database. Data and analysis offered by it involve the whole world and cover thousands of product/service kinds.

SECTION II GENERAL INFORMATION OF THE COMPANY AND FINANCIAL INDICATORS

I. Information of the Company

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

II. Contact Person and Contact Information

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

III. General Information

Place of incorporation	Haier Industrial Park, Laoshan District, Qingdao City
Zip code of place of incorporation	266101
Place of office	Haier Information Industrial Park, Laoshan District, Qingdao City
Zip code of place of office	266101
Website	http://www.haier.net/cn/
Email	9999@haier.com

IV. Place for Disclosure and Deposit of Information

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

V. Summarized Information of Shares of the Company

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

VI. Other Related Information

Accounting firm engaged by the Company (domestic)	Name	Shandong Hexin Certified Public Accountants (special general partnership)
---	------	---

	Place of office	26 – 27 Floor, Century Building, No.39 Donghai Road West, Qingdao City
	Name of signing accountant	Zhao Bo, Wang Lin
Sponsor responsible for continuing supervision during the reporting period	Name	China International Capital Corporation Limited
	Place of office	27 and 28 Floor, China World Towers 2, No.1 Jianguomenwai Avenue, Chaoyang District, Beijing
	Name of signing representative of sponsor	Sun Lei, Chen Jingjing (note)
	Period of continuing supervision	17 July 2014 --31 December 2015

Note: On 24 October 2015, the Company issued the Announcement on Replacing Representative of Sponsor Responsible for Continuing Supervision on Non-Public Issuance of A Shares in 2013 from Qingdao Haier Co., Ltd., the Company received the Report on Job Change of Representative of Sponsor Liu Shulin and Replacement of Representative of Sponsor Responsible for Continuing Supervision on Non-Public Issuance of A Shares in 2013 of Qingdao Haier Co., Ltd. delivered by China International Capital Corporation Limited (“CICC”), the sponsor of the Company, whereby the original representative of sponsor Mr. Liu Shulin ceased to be the representative of sponsor responsible for continuing supervision on non-public issuance of A shares in 2013 due to his job change. In order to assure the operation of continuing supervision, CICC decided to designate the representative of sponsor Ms. Chen Jingjing to replace Mr. Liu Shulin to perform continuing supervision.

VII. Major accounting data and financial indicators of the Company for the recent three years**(I) Major accounting data**

Unit and Currency: RMB

Major accounting data	2015	2014		Increase/decrease for the period compared with the corresponding period of last year (%)	2013
		After adjustment	Before adjustment		
Operating revenue	89,748,320,410.91	96,929,763,894.36	88,775,444,479.11	-7.41	86,605,646,350.15
Net profits attributable to shareholders of listed companies	4,300,760,542.82	5,337,541,039.32	4,991,557,360.87	-19.42	4,174,017,416.61
Net profits after deduction of non-recurring profit or loss attributable to shareholders of listed companies	3,674,952,510.15	4,324,036,509.60	4,324,036,509.60	-15.01	3,759,087,361.58
Net cash flows from operating activities	5,579,600,612.93	6,769,361,298.35	7,006,580,362.98	-17.58	6,511,435,468.47
	As at the end of 2015	As at the end of 2014		Increase/decrease as at the end of the period compared with the corresponding period of last year (%)	As at the end of 2013
		After adjustment	Before adjustment		
Net assets attributable to shareholders of listed companies	22,693,976,160.95	24,608,468,130.41	21,840,024,641.14	-7.78	14,494,163,523.45
Total assets	75,960,672,801.38	82,348,719,644.44	75,006,457,051.45	-7.76	61,092,788,947.70
Total share capital as at the end of the period	6,123,154,268.00	3,045,935,134.00	3,045,935,134.00	101.03	2,720,835,940.00

(II) Major financial indicators

Major financial indicators	2015	2014		Increase/decrease for the period compared with the corresponding period of last year (%)	2013
		After adjustment	Before adjustment		

Basic earnings per share (RMB per share)	0.705	0.933	1.740	-24.44	1.534
Diluted earnings per share (RMB per share)	0.705	0.932	1.738	-24.36	1.532
Basic earnings per share after deducting non-recurring profit or loss (RMB per share)	0.603	0.754	1.508	-20.03	1.382
Weighted average return on net assets (%)	16.22	29.34	27.58	Decreased by 13.12 pct. pt.	32.88
Weighted average return on net assets after deducting non-recurring profit or loss (%)	13.86	23.89	23.89	Decreased by 10.03 pct. pt.	29.62

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

① During the reporting period, the Company completed acquisition of overseas white goods assets of Haier Group, which resulted in the merger of enterprises under the same control. In accordance with the accounting standards for business enterprise, the Company restated respective financial data of 2014.

②Zhangqiu Haier Electrical Engineering Co., Ltd. and Haier Medical and Laboratory Products Co., Ltd. were not included in the consolidated statements of the Company for the period, and the adjustment to business model for equipment products affected revenue of the Company. The revenue of the Company for the reporting period would decrease by about 4.5% as compared to the corresponding period of last year when excluding above factors.

VIII. Differences of accounting data under domestic and overseas accounting standards

(I) Differences of net profit and net asset attributable to shareholders of listed company in financial report disclosed simultaneously according to international accounting standards and according to accounting standards generally accepted in the PRC

☐ Applicable ☒ Not Applicable

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

☐ Applicable ☒ Not Applicable

IX. Major financial data of 2015 in quarters

Unit and Currency: RMB

	The first Quarter (January-March)	The Second Quarter (April-June)	The Third Quarter (July-September)	The Fourth Quarter (October-December)
Operating revenue	24,241,302,156.92	23,044,558,239.03	23,632,762,187.91	18,829,697,827.05
Net profits attributable to shareholders of listed companies	1,082,457,346.59	1,649,550,850.32	857,206,581.52	711,545,764.39
Net profits after deduction of non-recurring profit or loss attributable to shareholders of listed companies	939,292,861.15	1,570,396,549.42	642,186,945.81	523,076,153.77
Net cash flows from operating activities	1,765,299,717.34	80,454,058.21	-641,305,603.84	4,375,152,441.22

Explanation of difference between quarterly data and disclosed regular reporting data

☒ Applicable ☐ Not Applicable

During the reporting period, the Company completed the acquisition of overseas white goods assets from Haier Group, which resulted in the merger of enterprises under the same control. Under the relevant requirements of Accounting Standards for Business Enterprises, the Company restated the financial data for each quarter.

X. Non-recurring Profit or Loss Items and Amount

☒ Applicable ☐ Not Applicable

Unit and Currency: RMB

Non-recurring profit or loss items	Amount of 2015
Losses and profits from disposal of non-current assets	13,327,370.03
Government grants included in current profit or loss, except that	95,078,644.93

closely related to the normal operating business, complied with requirements of the national policies, continued to be granted with the amount and quantity determined under certain standards	
Current net profit and loss of subsidiaries occurred as a result of merger of enterprises under the same control from the beginning of the period up to the date of merger	223,063,608.99
Other non-operating net income and expenses other than the aforementioned items	205,936,250.61
Gain from disposal of long-term equity investment	338,388,556.06
Gain from disposal of financial assets available for sale	54,535,164.73
Profit of remaining equity occurred from re-measurement at fair value after loss of control	49,201,148.46
Amount of minority shareholders' equity effect	-257,738,419.70
Amount of income tax effect	-95,984,291.44
Total	625,808,032.67

XI. Items Measured through Fair Value

Unit and Currency: RMB

Name of item	Opening balance	Closing balance	Change for the current period	Amount of current profit affected
Forward foreign currency contract	103,626,200.86	14,362,482.92	-89,263,717.94	-40,519,146.53
Available-for-sale financial assets	1,394,842,730.44	1,453,993,243.39	59,150,512.95	96,453,929.29
Total	1,498,468,931.30	1,468,355,726.31	-30,113,204.99	55,934,782.76

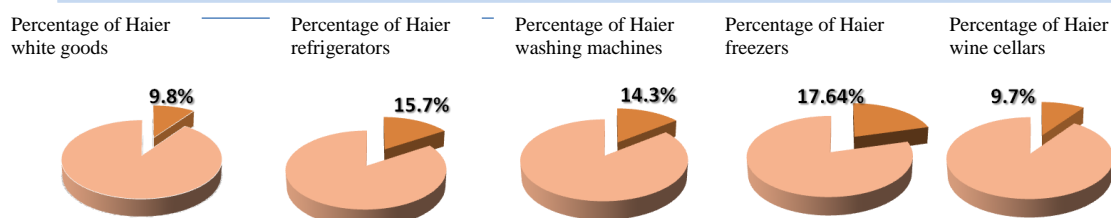
SECTION III SUMMARY OF THE COMPANY'S BUSINESS

I. Explanation of Major Business, Operating Mode and Information of Industry Where the Company Engaged in during the Reporting Period

(I) Major Business of the Company

The Company mainly engages in research, development, production and sales of white home appliances with product portfolios covering refrigerators/freezers, washing machines, air-conditioners, water heaters, kitchen appliances products, small home appliances, U-home smart home business, etc., which enable the Company to offer integrated solutions for smart homes to our consumers. Channel integration service business includes logistics, after sale, home appliances and other products distribution business. Since its establishment, the Company has been always upholding the concept of “taking the user as right and ourselves as wrong”. Through continuing strategic transformation and constant creation and innovation, the Company has become the leading white home appliances company of the world. According to the retail sales statistics on the large home appliances for the year 2015 published by Euromonitor, an internationally recognized market research institute, in 2015, sales of Haier's large home appliances represented a global market share of 9.8%, ranked first in the world for the seventh time. Meanwhile, global sales of Haier's refrigerators, washing machines, wine cellars and freezers continued to rank first in the world.

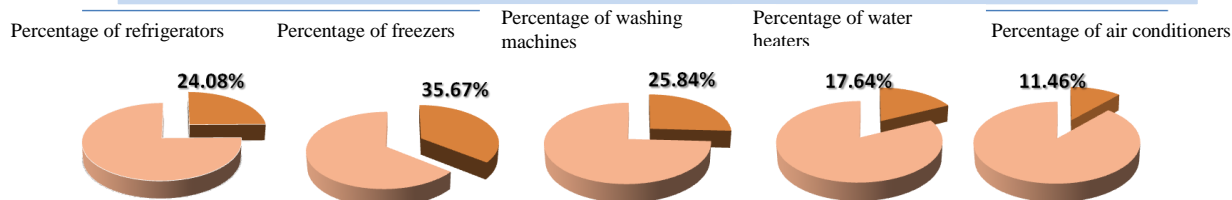
Global market shares represented by the Company's products



Source: Euromonitor, data on retail volume shares of 2015

For domestic market, the Company's products of refrigerator, freezer, washing machine and water heater captured the largest market shares while products of home air conditioner ranked the third.

Chinese market shares represented by the Company's products



Source: China Market Monitor (CMM), data on retail volume shares of 2015

For overseas markets, the Company remained committed to brand creation strategy, promoted multi-brands operation, improved operation capacity through localization of R&D, manufacture and

marketing and also actively seized development opportunities and acquired white appliances assets of original Sanyo Asia Pacific, managed FPA, integrated GE home appliance business to enhance competitiveness in the global market.

Facing to the opportunities and challenges brought by the Internet era, the Company built an external U+ Smart Life platform and an internal smart connected factory ecosystem platform, and explored and practiced the transformation to the platform-type enterprise providing smart life integrated solutions. U+ Smart Life platform established of scene business ecosystem and built diversified profit model by exploration and practice of business model of “Internet appliance + application + service + platform”, while smart-connected factory focused on providing the best customized experience in overall procedure of users need, innovation, experience, pre-sale, smart manufacture, iteration, independently researched and developed the leading smart-connected factory cloud platform of COSMO in the world, integrated fragmented needs under the Internet era with <http://diy.haier.com/> as interactive window, implemented large-scale customization to meet individual need of users.

(II) Industry Situation Description

1. Global white appliances markets: global economy went through profound adjustment, industry growth suffered pressure in 2015 and regional differentiation was obvious.

In 2015, affected by profound adjustment of global economy, weak recovery, substantial fluctuation in financial and commodity market, geopolitical risks, the whole global white appliances market showed a decline trend. According to the statistics offered by Euromonitor, global retail sales of refrigerators, washing machines and home air conditioners in 2015 respectively recorded a year-on-year decline by 2%, 4% and 3%. For major areas, Europe, Latin America and Central & Eastern Africa markets showed negative growth. Only America market maintained relatively rapid growth, in which, retail sales of refrigerators, washing machines and home air conditioners respectively recorded a year-on-year increase by 5%, 4% and 2%. Asia Pacific market overall maintained stable, and retail sales of refrigerators, washing machines recorded a slight year-on-year increase by 2% and 1% respectively, while retail sales of home air conditioners recorded a year-on-year decline by 3%.

2. Domestic white appliances market: affected by higher penetration rate, slow economic growth and sluggish real estate market, white appliances sector in 2015 experienced weak growth.

(1) After over 30 years of rapid development, domestic white home appliances showed a higher penetration rate, updating needs became dominant, the industry went into a stage of stable growth, and the driving factor for industry growth changed from sales increase to structural improvement with consumption upgrade. Since the macro economy entered into phase of new norm, affected by factors including slow economic growth and sluggish real estate market in 2015, the industry showed a weak growth. For subsectors, ①Air conditioner market experienced an extremely depressed demand due to reasons including relatively cool summer. According to the data released by CMM, in 2015, industry-wide retail sales and retail volume of air-conditioners decreased by 4.8% and 1.1% respectively

compared with the corresponding period of last year. For output from factories, according to the China Industry Online data, in 2015, volume in domestic market decreased by 10.39% compared with the corresponding period of last year. A number of reasons, such as the increasing industry-wide channel inventory compared with 2014, sluggish demand and price competition, all substantially weakened dealers' willingness to restock. ②Industry-wide retail sales of refrigerators and washing machines respectively recorded slight decline and slight growth. Benefiting from improved average price as result of structural upgrade of products, retail sales of refrigerators and washing machines achieved better retail sales than retail volume. According to the data released by CMM, in 2015, industry-wide retail sales and retail volume of refrigerators decreased by 1.2% and 4.9% compared with the corresponding period of last year, while the retail sales and retail volume of washing machines increased by 4.0% and 0.6% compared with the corresponding period of last year.

Given that the industry went through short-term weakness, to most extent, growth is driven largely by seizing market shares, which led to increasingly tense competition, especially in mid-end and low-end markets where the products were highly commoditized, air conditioners sector, in particular experienced several price wars as a results of inventory building up.

(2) Domestic product mix upgraded significantly, mid-end and high-end products maintained rapid growth. Increased percentage of update demand, life concept change brought by the emerging middle class, increasing attention on quality, design, function, brand, all drove the improvement of product mix with strong potential of long-term industrial upgrading. For example, in 2015, multi-door refrigerator was gaining popularity and the industry-wide retail sales of multi-door refrigerators topped to a percentage of 27.1%, representing a year-on-year increase of 8.4 pct. pt. In washing machine industry, front-loading and high-capacity type trend was obvious and the industry-wide retail sales of front-loading washing machines topped to a percentage of 41.8%, representing a year-on-year increase of 5.1 pct. pt. High-capacity inverter washing machines maintained rapid growth. In air conditioner industry, artistic, high-efficiency and intelligent (WIFI) type trend was obvious, such as the retail sales of artistic air conditioners topped to a percentage of 40.3%, representing a year-on-year increase of 14 pct. pt. For the water heater sector, gas water heaters showed a relatively favorable growth with a year-on-year increase of 13.4%.

(3) Rapid development of Internet technology led to industrial transformation and upgrading and reestablishment of business mode. The rapid development and application of the mobile Internet, IOT, big data, cloud platform technologies deeply changed people's living and consumption habit, and also would reestablish the operating mode and profit mode of white appliance sector, and forced the corporate strategy, operation and structure to go through transformation and upgrading. ①In respect of products, in 2015, white appliances became more intelligent. Appliance companies strengthened the intelligence of products. More and more Internet companies provided intelligent hardware. Cross sector cooperation became popular, and smart home appliance industry was accelerated on base of resources integration. With the improvement of smart home appliance industry,

profit mode was expected to transform from simple hardware sales income mode to “hardware +content +service” diversified income mode, injecting new energy into the industrial development. ②For channels, e-commerce marks the rise of multi-channel strategy, where e-commerce channel maintained rapid growth and O2O transformation was actively promoted offline to keep up with the new era. ③For supply chain, Made in China 2025 plan would deeply promote the extensive integration of information and industrialization, accelerate the industry-wide transformation of smart manufacture, advance home appliance to transform from large-scale manufacture to large-scale customization and personalized C2B custom pattern to raise added value of products.

Industry Outlook:

In 2016, domestic white appliance industry still faces relatively high challenge, white appliances market maintains a strong potential in structural upgrading in the middle and long term. In 2016, the whole economy of China is going into new growth stage and structural adjustment period, factors including high market inventory and weak demand brings challenges for the growth of white appliance industry, while recovered sales and declined inventory in real estate market are expected to reduce some adverse factors and promote the industry to go back to normal status.

In the medium and long term, domestic white appliances market still maintains relatively large space in industrial upgrading. ①Domestic white appliances market keeps large potential in structural upgrading compared with developed countries. Under the promotion of factors including consumption concept change and resident income improvement, high-end oriented product trend remains unchanged and the average price and added value of products are accordingly increased. ②New business mode is expected to be established due to rapid development of smart home and increase of maturity of relevant industry chain, bringing new growth space for the industry. ③Resident consumption focus transforms from material to spirit, which will accelerate the release of individual and diversified demand for products. Individual customization will raise the added value of single product. Large-scale customization era may come and promote the improvement of industrial value. ④As integration in the industry is accelerated, and enterprises which lack innovation and hold highly homogenized products will be eliminated. Technologic innovation will become a core and competitive factor. Positive leading companies obtain more shares, which will improve their influence and power and right in the industry.

Competitiveness of Chinese leading white appliance companies in global market continues to improve, bringing room for the development in overseas. After over 30 years of development, on the base of large Chinese market, competitiveness of Chinese leading white appliance companies in global market continues to improve. Excellent companies further improves their competitiveness and industrial position through internal productiveness construction and external merger, which does good

to the global resources integration and market expansion and helps to bring room for the development of Chinese enterprises in foreign market.

II. Explanation on significant change on major assets of the Company during the reporting period

During the reporting period, the Company completed its acquisition of overseas white appliance assets in Haier Group. As of 31 December 2015, the overseas assets of the Company were RMB 8,059,495,169.77, representing 10.61% of the total assets.

III. Analysis on core competitiveness during the reporting period

Since the foundation of the Company in 1984, it always adhered to the principle of driving the sustainable and healthy development with innovation system centered on the needs of users, and it has successfully turned itself from a debt-burdened collective small factory which was on the verge of shutdown into one of the largest home appliances manufacturers in the world. The Company is committed to realizing sustainable development across different cycles through continued innovations on development strategy and operating mode, brand, research and development, 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 Leader brands, in which, Casarte has become the first choice among high-end home appliance brands for 3 successive years. In markets of different overseas areas, the Company promotes dual-brands operating strategy to comprehensively cover markets of different levels. Currently, Haier has expanded its brand popularity in overseas markets to over 60%, while in Pakistan and Nigeria, Haier popularity tops at 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 emergence of e-commerce.

(II) R&D competitiveness: Stick to the open innovative strategy of "The world is my R&D department", focus on consumers' needs to promote innovation, reform conventional R&D to iteration R&D, meanwhile, establish 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 as well as creative resources and support to produce revolutionary solutions. ①On-line open innovation platform, HOPE, could realize matching between innovation sources and resources in the course of innovation transformation and continuously produce cross sector and revolutionary creative results. It has become a leading domestic open innovation platform. Currently, this platform could connect

3,200,000 leading resources of the world with 370,000 registered resources and on average produce over 6,000 innovative ideas every year. R&D matching period has been shortened to six weeks from previous eight weeks. ②the Company has built five top R&D centers in the world, which are located in Qingdao, Kyoto & Kumagaya, Nuremburg, Evansville, New Zealand Auckland & Dunedin, established global open innovation resources network and realized off-line interaction and products transformation and iteration. The Company constantly keeps its technology, products and innovation ability advanced and competitive and it has accumulatively obtained 90 international design awards and 14 national science and technology awards. In addition, the Company led the establishment of the first work team for international standards of refrigerator, which was first such team in domestic refrigerator area. Patents application which represents the Company's innovation ability maintains 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. The Company has 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 it to offer integrated solutions for smart homes to consumers. The Company has continuously launched innovative products to lead the development of the industry with the consumer's complaints and new pain points of needs in mind. These products include Haier Tianzhun air-conditioners, Haier self-cleaning air-conditioners, Haier maglev central air-conditioners, Haier clean-free washing machines, Casarte Gemini washing machines, Casarte Yunzhen refrigerators and Casarte Legend water heaters, etc. The core of its products' competitiveness lies in the precise targeting of the pain point of consumers against the backdrop of the trend towards high-end, customized and diversified products. Over the years, the Company ranked the first in terms of market shares in refrigerator, freezer, washing machine and water heater business, and the Company ranked the third in the industry in terms of the market share of air-conditioning products.

(IV)Network competitiveness: establishment of diversified channel system: maintain long-term favourable strategic cooperation with channels including Gome, Suning and regional home appliance chain stores. In respect of its own channels, Haier has established more than 8,000 county-level stores, and more than 30,000 stores within town and country-level network. 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 of more than 20,000 service providers is always available for service, which enable the Company 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 manufacture capability and process technologies to provide consumers with high-quality home appliance products. Facing with challenges bring by Internet era, the Company initiatively promotes large-scale customization transformation to satisfy consumers' increasing personal and customized needs for products. 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 seven connected factories and establish connecting factory system to realize direct delivery of orders from users to factory and direct delivery of products from factory to users. ③Establish an open platform called Haidayuan 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 competitiveness: Stick to own brand development strategy and develop competitive advantages based on localization, low cost and high-quality service via a localization mode of integrated design, 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 successfully been introduced to top 10 retail chains while significant effort has been put into expanding home appliance franchised stores in developing countries. In view of channel transformation opportunities brought 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.

(VII) Cultural competitiveness: Credibility culture based on quality and service is the core driver of Haier's growth, and is also the essential reason of constant success of Haier. Leveraging on credibility culture of "user-oriented" and "persistent honesty", Haier has turned itself from a small collective factory which was on the verge of shutdown into one of the largest white goods manufacturers in the world, while keeping leading position in world-wide innovation in Internet era. Haier upholds the concept of "always take the users as right and ourselves as wrong". This concept stimulates the spirit of innovation, revolution and entrepreneurship of Haier and motivates it to follow the times and continuously improve and challenge itself, so as to always seize development opportunities. The win-win model of combining individual and goal is the assurance of sustainable operation of Haier. In

exploring the “individual-goal combination 2.0, Co-create and Win-win ecosystem”, Haier endeavors to build win-win ecosystem based on user value interaction in new stage of e-commerce era to make every employee his/her own CEO and realize their own value while creating value for users, so as to achieve win-win situation which is critical to parties in system.

SECTION IV Management Discussion and Analysis

I. Management Discussion and Analysis

There are no successful enterprises but only the enterprises of the time. Flexible adjustment of strategic orientation based on the change of time is essential for long-term sustainable development. At present, the Company is operating at the network strategic stage and endeavoring to transform into a real Internet enterprise, overturn the self-contained and closed system of traditional enterprises to become a node in the network interconnection, interconnect and exchange various resources, and build the win-win ecosystem in the post e-commerce time based on the user value interaction, so as to provide smart home appliance solution for consumers and realize win-win appreciation for all parties concerned. In 2015, the Company carried out transformation of “platformisation, maker culture among the staff and user personalization”; thus the Company was no longer the self-closed system but comprehensively integrated into the Internet, made access to global high-quality resources without boundary to share interests and risks with related parties and jointly create the win-win Internet platform. Staff became the “makers” for entrepreneurship and innovation as well as partners growing up with the enterprise rather than those being led. A large number of consumers and users became the prosumers who participated in the whole process of production and innovation rather than passive commodity purchasers.

In 2015, the Company’s principle operating activities were as follows: ① The Company constantly made strategic investment in the construction of U+ Smart Life platform and its industrial ecological cycle, connecting factories and customized platform of Creative Convergence, exploration of business development mode in the era of Internet to expand the business growth space; ② In the domestic market, the Company pushed forward the rapid development of product leading strategy and brand Casarte, accelerated the product, brand and channel layout in the mid-end and high-end markets with great growth potential, and grasped the industrial development trend; in order to enhance the retail competitiveness of market terminal, the Company positively adjusted the operating mechanism to improve the consumer confidence, reputation among users and organizational efficiency; ③ the Company steadily propelled the overseas market development, adhered to its own brand strategy, and promoted the localization operating mode integrated with R&D, manufacturing and sales; it took the opportunity to initiate the integration of GE home appliance business, improved and upgraded the global market layout.

In 2015, the Company recorded revenue of RMB89.7 billion, representing a decrease of 7.41% as compared to the corresponding period of last year (revenue of the Company was affected by the fact that Zhangqiu Haier Electrical Engineering Co., Ltd. and Qingdao Haier Special Electrical Appliance Co., Ltd. were excluded from consolidated statements during the reporting period and the distribution mode of partial equipment components business was adjusted; if excluding the above influencing factors, the Company’s revenue in the whole year was decreased by around 4.50% year-on-year. During the reporting period, revenue was affected to some extent by constant industrial downturn and positive

adjustment made by the Company. On a quarterly basis, driven by the gradual reflection of adjustment effect, revenue growth in Q4 improved as compared to the last quarter and revenue for the single quarter increased by 1.3%. If the Company strengthened its market terminal competitiveness and gained growth through launching the cost-effective Jin Chu air-cooling refrigerators while the Company's refrigerator business maintained its leading position in the mid-end and high-end market for the fourth quarter of 2015, the domestic revenue for the fourth quarter would gain double-digit growth as compared with the same period of last year.

The gross profit margin increased by 0.35 pct. pt. to 27.96% compared with the corresponding period of last year. During the reporting period, the sales expense increased by 4.15% compared with the corresponding period of last year. An increase in sales expense was attributable to the Company's consolidated construction of high-end brand Casarte and channels, and increased investment in market user interaction based on the change of market competitive environment.

According to data released by the third statistical institution CMM, the market share of refrigerators and washing machines of the Company in 2015 were continuously improved. Specifically, the share of retail sales of refrigerators was 27.4%, increased by 1.4 pct. pt. year-on-year; the share of retail sales of washing machines was 26.5%, increased by 0.33 pct. pt. year-on-year; and the share of retail sales of air conditioners was 12.01%, slightly decreased by 0.30 pct. pt. year-on-year and basically maintained stable.

II. Principle operating conditions during the reporting period

The principle operating activities during the reporting period were as follows:

1. Enhancing R&D and setting up standards: Depending on the global leading R&D system, the Company maintained investment in R&D, possessed leading industrial technologies and standards, supported the upgrading of product structure, and continuously led the industrial development.

Refrigerator business: The Company made breakthrough and innovation through the main technologies of intelligence, health, energy conservation and frostless feature, led the ultimate freshness and spatial art, and defined the manufacturing standard for high-end refrigerators. In the first quarter of 2015, the Company launched the world's first refrigerator with air-suspending oil-free power refrigerating system to create the new energy-saving and spatial utilization solution in the industry and provides the experience of "cell-level freshness" under zero temperature difference. Compared with common frequency-converter refrigerators, such refrigerator saved more than 30% energy, and the effective volume was increased 10-20L. With the unique calculus smart control technology, the temperature fluctuation scope was controlled within $\pm 0.05^{\circ}\text{C}$ to approach the constant temperature state, so as to preserve food under accurate, stable and constant refrigeration with constant temperature.

Promoting upgrade of industrial standard. In the first quarter of 2015, the Company launched the world's first refrigerator with separate storage for dry and wet items, and led to formulate the standards

of frostless refrigerator with separate storage for dry and wet items. The plant fiber characteristics of HCS transparent and wet film initiated by technology of separate storage for dry and wet items maintained the relative humidity of high wet zone at 90-95% for a long term without drops of water, so as to preserve fruits and vegetables against decomposition. In the valuable food dry zone, the relative humidity was maintained at around 45% stably through change of saturated air pressure, to satisfy the user's demand for dry food storage. In March 2015, the standards for frostless and separate storage for dry and wet items which were formulated under the leadership of Haier Refrigerators were released in Beijing. In December 2015, the international refrigerator preservation standards which were formulated under the leadership of Haier Refrigerators were officially established under the witness of international authoritative standard institutions such as IEC, VDE, UL, and BVQI and industrial experts, and the Company became the first Chinese home appliance enterprise which led to nominate and formulate international standards and successfully set up the project. In the fourth quarter of 2015, the application of technology of separate storage for dry and wet items on refrigerators was awarded the first scientific and technological progress prize by Home Appliance Association, and was identified as international pioneered technology by the expert team in the science and technology achievement appraisal of the Ministry of Light Industry.

Haier refrigerator was respectively granted 2015 Germany IF Design Award, Germany Plus X “2015 Most Innovative Brand Award” and other authoritative international awards depending on its excellent innovative design and product quality. In the Chinese Smart Home Conference and Wisenjoy Annual Awards Ceremony for 2015 organized by CHEARI, the first launched Internet refrigerator Xinchu was awarded the “Best Smart Refrigerator of China in 2015”. Meanwhile, Haier Xinchu refrigerator and Casarte Dingji Yunzhen refrigerator was also awarded “Annual Best Refrigerator”, and Haier became the unique enterprise obtaining 3 prizes in the industry.

Home air-conditioner business: Based on the users' demand, the Company gradually attached attention from energy conservation, refrigeration and heating, noise and other basic performance to health and comfort, and the smart and personalized customization became the key factors that affected the purchase. Haier initiated the comfortable and smart air-conditioner research in the industry and originally created 8 core technologies that filled in the gap of the industry, including air jet technology, PMV human thermal comfort technology and smart control technology based on 3 major innovative concepts of comfort, energy saving, and smart to drive the technical progress of air-conditioning industry. The Company also brought ultimate smart air-conditioning experience to users based on smart air-conditioning hardware through APP software operation and introduction of third-party service related to air. On 8 January 2016, in the National Awards for Science and Technology, Haier Refrigerators was granted the National Science and Technology Progress Award depending on the project of “air-conditioner comfortable and smart control technology research and industrialization”, and became the unique awarded enterprise in the home appliance industry this time. **In 2015, Haier captured higher market share in the smart air-conditioner industry.** According to the statistics of

national home appliance website, Haier smart air-conditioner captured market share of 70.31% as of December 2015.

Under the industrial environment of high inventory and fierce price war in 2015, the Company insisted on leading technology to create differential consumption experience and differential core competitiveness and focused on the launch of efficient, healthy and smart new products: (1) the Company launched new products with self-cleaning and air purification function in the healthy sub-sectors: ① The new Jinbo wall-mounted air conditioner launched in 2015 firstly adopted self-cleaning function of patented cold expansion technology, patented condensation technology, patented sapphire coating and patented antibiosis technology to effectively remove the dirt accumulated on the heat exchanger of air-conditioner for a long term and prevent the secondary pollution of interior air; ② The new Dizun packaged air conditioner adopted air purification integrated design, realized real-time monitoring of air condition, positively recorded the use habit and positively started up the purification function through Haier smart cloud service. Air purification and regulating function could be used independently or jointly, and the purification ability card value reached 397.8m³/h. Such product also was equipped with the gesture control switch, self-cleaning and low-frequency noise function, and its properties and technology kept ahead of similar products in the industry. (2) For comfortable air-conditioning field, the Company created the unique fourth generation air-conditioner in the industry, Tianzun packaged air-conditioner, which settled the “air-conditioner disease” that has disturbed the industry and users over a hundred years through innovative application of healthy and constant air technology; in 2015, to satisfy user’s comfortable demand for bedroom-used air-conditioner, the Company launched Tianbo air-conditioner with healthy and constant air function used for bedroom. Its innovative design was granted Germany IF Design Award and Appliance Prize.

Central air-conditioner business: Based on energy conservation and intelligence, the Company realized maglev leading iteration and released innovative MX wireless multi-split machines through sharing resources. The Company’s key technology and industrialization of large-scale energy-saving and environmental maglev centrifugal central air-conditioners were awarded the First Prize of Shandong Scientific and Technological Progress in 2015.

In the energy-saving field, maglev continuously led and iterated. The Company launched the industry’s first large-volume and full falling-film maglev air-conditioner. With the highest IPLV of 13.18 in the industry, it became the most energy-saving product in the central air-conditioning industry. With the largest cooling capacity of single machine, it effectively expanded the service field of maglev air-conditioners. The Company cooperated with the National Energy Conservation Center to release the white paper on the development of maglev, which caused the industrial imitation. To resolve consumers’ complaint about large occupying area and high energy consumption of common central air-conditioners, it launched Y-shaped module machine, which saved half occupying area and the EER reached 3.39, which is the highest level among similar products in the industry.

Regarding intelligence, the new generation of MX wireless multi-split machine was released, which promote the multi-split machine to transmit from cabled era to wireless era. Meanwhile, the innovative business development mode - Haier central air-conditioning cloud service was upgraded to 2.0 generation, realized central air-conditioning networking and set up the first big data platform of the industry, to provide real-time monitoring, fault early warning, smart maintenance, energy-saving report, and other value-added services for users and realized real-time interaction with the third-party resources. Thanks to the continuous product innovation, the Company's central air-conditioner business grew 5% compared with 10% decline of the industry, which was 15 pct. pt. higher than the industry.

Washing machine business: In order to meet consumers' upgrading demand for health, clothes care and separate washing, the Company made breakthrough in the key technology of washing machines with reference to global first-class technical resources and launched washing-free smart ball solution and solution of washing clothes in different zones to push forward the industrial development. In the test on international first-class washing machine brands conducted by STIWA, a Germany authoritative commodity test institution, Haier washing machine gained the highest scores in the indicators of energy consumption, water consumption and noise test, and its service life had reached the international first-class brand level. In 2015, the Company's roller washing machines captured higher domestic market share than Germany brands and ranked top in the industry, which had broken the market pattern of foreign brands leading the roller washing machine industry.

- ① The Company researched and developed the first double-cylinder partition washing machine in the world, which was called Casarte Gemini Ella washing machine. As the first double-layer partition washing machine in the world, Casarte Gemini Ella split-cylinder washing machine could wash clothes in the upper and lower cylinders separately; the upper layer had 12 professional washing modes designed for infant's clothes, silky underwear and other small clothes and softly cared for the luxurious fabrics; the lower layer had 18 procedures for cleaning of daily cotton and linen clothes and large clothes. Such product had excellent performance on energy conservation and noise reduction, and realized 45DB low noise and 60% energy conservation. For the fashionable aspect, Casarte Gemini Ella washing machine had obtained two IF design awards, and became the first product that obtained two IF awards in the industrial record. The product also obtained the "Product Innovation Award" in IFA. After this product was launched in the market, the Company's market share of roller washing machine priced more than RMB10,000 increased more than 10 pct. pt. year-on-year, and the share exceeded 50%;
- ② The Company upgraded the crystal roller washing machine product platform, and developed the roller washing machine with the largest inner cylinder diameter of global standard dimension, which was called crystal generation II. Its ultra-thin design and large volume resolved the problem of insufficient space for placing roller washing machine. After such product was successfully launched in the market, Haier roller washing machine continuously maintained its leading position among products of the high-end price.
- ③ The

launch of clean-free washing machine increased the share of Haier pulsator washing machine priced more than RMB3,000 from 25.3% to 52.6%, which also increased the market share at such price from the original 10% to 21% in the industry. ④ The Company created smart washing. In order to meet the demand for washing clothes, the Company, based on users' demand and U+ platform, conducted research and integrated all washing related fields from clothes, washing machine and washing supplies, such as cloth materials, stain, water quality, laundry detergent and user's laundry habit to realize the development from washing machine to clothes washing. Haier Washing Machine cooperated with P&G, Unilever and other global wash supplies leading brands in the research and development of the special laundry detergent. It developed campus laundry APP to conduct remote reservation, setting, regulation and payment for the required laundry service through a mobile APP, and established the comprehensive application system integrated with Internet of Things technology and Internet to provide opportunities for college students to start up business on the platform.

Water heater business: For the purpose of safety, health, intelligence and energy conservation, the Company continuously sustained technical advantage in electric water heater field, accelerated the development of gas water heater business, and arranged for new growth from heat pump.

- ① For electric water heaters featuring safe, healthy and intelligence, the Company successfully researched and developed the first product with the "washing in clean water" technology in the industry, which may effectively remove more than 90% residual chlorine and sediment and impurity with diameter larger than 0.12 MM to meet users' demand for healthy bath. With scientific and technological elements, the Company developed the Bluetooth music water heater with the singing and calling function, voice water heater with voice interaction control, heat storage and water purification all-in-one machine for kitchen, and a series of high-end differential products. The newly researched water volume customized technology was identified to reach international leading level. ② For gas water heaters, the Company launched high air-resisting technology for users living in high floor and having the problem of using hot water in the heavy wind weather. The Company researched and developed smart home technology to customize water temperature and water flow according to users' demand for hot water, and also customize demand for hot water in different scenarios; it researched and developed double safety technology as the first company that may apply double-air safety monitoring technology in the heating stove industry; it launched two offline major series products: T1S series with high wind load resistance (windforce 10) and Smart Home E2S series. The self-developed NOCO technology and smart gas control system were identified to reach the international leading level. NOCO technology was granted the Light Industry Scientific and Technological Progress Award, and smart gas control system technology was granted Qingdao Scientific and Technological Progress Award. ③ For heat pump products, to resolve users'

limited space for use of the product, the Company developed the integrated wall-mounted product. It was the first time to increase the energy efficiency of wall-mounted heat pump to more than 3.4 in the industry to enable it to become the real heat pump water heater. The self-developed CO₂ trans-critical circulation ventilation control technology was identified to reach the international leading level and awarded the Third Prize for Home Appliance Scientific and Technological Progress. ④ Smart bathroom product was launched to create smart bath life for users, which led the industrial trend after being displayed in the home expo, and abstracted several real estate enterprises to engage in cross-border resource cooperation.

Kitchen appliance business: Fast upgrading through product research and development to gain better feedback from market.

Smoke exhauster: The Company developed self-cleaning smoke exhauster star products for better cleaning of kitchen, promoted Casarte Nebula and Yundian smoke exhausters, Haier MINI deep cavity/WIFI deep cavity/ C390 movable side-draught products and other mid-end and high-end products to drive the growth of market share. For stove, the Company vigorously promoted mid-end and high-end products with low-to-high prices. It launched smart anti-dry stove to enhance the safety of kitchen. In the first month of the release of new product, the product ranked No. 1 in the CMM new product ranking list. For oven, the Company launched Lechu oven, steamer and microwave oven, leading the industry with 3D heating, high temperature steaming and evenly hearing technologies. The Company launched Casarte high-temperature self-cleaning oven to realize product leadership, and launched air fryer and other new products. For disinfection cabinet, in 2015, Haier was the first company to launch smart disinfection cabinet series products featured remote control, process monitoring and smart remind. In the meantime, the Company conducted joint development with leading resources to launch the even light wave disinfection cabinet and realize 360 °sterilization without dead band.

2. Leading and making high-end arrangement: In the high-end home appliance market with continuous growth potential, the Company fully, continuously and rapidly improved competitiveness and led revolution of high-end lifestyle. Casarte brand home appliance revenue increased by 27% year-on-year.

Surrounding Casarte brand connotation of “technology, delicacy and art”, the Company enhanced the target users’ recognition of Casarte brand through resource focus and accurate marketing communication: Became the first sponsor brand in home and kitchen appliance industry through strategic cooperation with The 12 Front of ZJTV, and improved brand reputation and popularity through Casarte family run, tennis challenge match of Business School. According to Nilson Report, in 2015, Casarte brand popularity was increased by 41% and 33% in the first-tier and second-tier cities, respectively. The brand popularity reached 58%, and brand reputation reached 95%. The users’ satisfaction to the product was at the highest level in the industry.

The Company propelled Casarte store construction for user experience to lead the revolution of high-end lifestyle: In 2015, the Company set up 1,440 stores, including 153 large-scale experience stores and the entire network fully covered the primary and secondary markets; it provided the differential products to satisfy users' demand, established professional smart manufacturing factory, and set up quality and service system to satisfy high-end users' demand.

The Company launched Casarte Yunzhen refrigerator, Casarte Ella washing machine, Casarte Legend and Linglong Legend gas water heater and other innovative products. The share of Casarte refrigerators increased from 3.7% to 5.1%, of which multi-door refrigerator priced more than RMB20,000 accounted for 27.7% as industrial leader; the share of Casarte washing machines increased from 2.3% to 4.8%, of which roller washing machines priced more than RMB10,000 accounted for 57.3%, ranking No. 1 in the industry; the share of Casarte wine cabinets accounted for 40%, ranking No. 1 in the industry; the share of Casarte ice bar accounted for 62%, ranking No. 1 in the industry; Casarte Legend and Linglong Legend and other high-end gas water heaters achieved good sales with significant increase. The sales of high-end products priced more than RMB3,600, with an increase of up to 55%.

3. Optimizing mechanism in the domestic market: The Company deepened offline channel cooperation mode, improved marketing terminal competitiveness, and accelerated the development of e-commerce channels.

Offline channel construction: innovative mode of cooperation and improvement of business development: (1) The Company made intensive and innovative cooperation with Gome, Suning and other KA channels in the aspects of smart retail construction, secondary market expansion, and big data information sharing, differentiated product customization, co-marketing and Haier brand festival to maintain and improve the advantage in share. (2) Self-channel: At the end of 2015, the Company held New Year "Great Event" marketing activity across the country to stimulate terminal retail and improve distributors' confidence. It optimized and integrated internal organizational system and operating mechanism to realize uniform team objective and resource focus, and improve operating efficiency. (3) Comprehensive store channel: The Company established V90 consumer club for core consumers and established special model customized platform; it deeply integrated consumer resources and conducted a complete set of marketing and innovative activities to improve the retail performance.

In response to industrial trend, the Company accelerated the construction of emerging channels, such as e-commercial channel to gain rapid development. In 2015, the revenue from e-commerce channel increased by nearly 50%. In Tmall November 11 activity held in 2015, the Company's retail sales reached RMB1.17 billion, which ranked top among major appliance brands. (1) Channel construction: the Company newly established official flagship stores for refrigerator, washing machine and air-conditioner in Tmall; it entered into 300 stations of Egou service, promoted Haier cloud store to realize O2O transformation of self-channel, and established 500 flagship stores. (2) Operation: ①The Company set up excellent sales-oriented consumer service team, and improved the shopping experience through unifying standard and regulation and optimizing process; ② Delivery: The Company forced

product distribution in the principle of “salary paid by users”, improved comprehensive after-sale service, and improved ultimate experience and gained reputation; ③ Technology: Through data direct connection and establishment of sales data model, the Company realized data precipitation and protected efficient operation.

4. Building brand in the global market. ①Based on the global brand strategy in the local market, the Company improved the localized operation integrated with regional market, R&D and manufacturing; ② the Company acquired GE home appliance business to expand its global layout.

Affected by the constantly sluggish global home appliance market, in 2015, sales revenue in the overseas market amounted to RMB18.65 billion, representing a slight decrease of 0.2% as compared with the corresponding period of last year.



The Company implemented Haier and Fisher & Paykel dual-brand strategy in the Australian market. Both parties made win-win cooperation in several aspects, such as R&D, manufacturing and marketing, to intensively realize localization and internationalization. In 2015, the market share of Crystal roller washing machines was improved from “0” to 22% after it was launched, and became the first brand among local washing machines.

The Company positively promoted Haier and AQUA dual-brand strategy in Japanese and Southeast Asian markets. In the Japanese market, the shares of refrigerator and washing machine of the Company have been ranked No. 3 and No. 4 respectively. For the market share of washing machine below 6kg, the total shares of Haier and AQUA reached more than 30% and ranked No. 1 in the market.

The Company promoted Haier and DCS by Fisher & Paykel dual-brand strategy in American market. Haier home appliance has successfully entered into top ten main chain sales channels in the US. Haier home air-conditioners ranked No. 2 in the American market with 20% market share, of which mobile air-conditioner and window air-conditioner respectively ranked No. 1 and No. 2 with 26% and

16% market share. DCS Dishdrawer was positioned as high-end kitchen ware and has obtained good market performance.

The Company positively responded to the national development strategy of “One Belt and One Road”. In the European market, the Company invested in the establishment of refrigerator factory in Russia, and adopted the operation mode integrated with local design, manufacturing and sale. In Pune, India, the Company established an industrial zone covering an area of 160,000 square meters to accelerate the distribution in the markets of India and South Asia.

During the reporting period, the Company started to acquire GE home appliance. As the second largest white appliance company in the US, GE home appliance has strong brand influence and higher market share in American market. According to the statistics published by Euromonitor, in 2015, GE home appliance ranked No. 2 among American home appliance brands with nearly 20% market share. It was seen from product segmentation that, kitchen appliance, refrigerating product and dish-washing machine of GE home appliance were deeply recognized and trusted by consumers; the market share of kitchen appliances ranked No. 1 in the US; refrigerators and dish-washing machines ranked No. 2 in the US; and washing machine ranked No. 4 in the US. This acquisition would help the Company enter and expand American market, and provide the full series of brands for low, mid-end and high-end consumers. Meanwhile, the Company improved its three-in-one layout in the Latin American market through holding minority interests in Mabe, constantly promoted and optimized the global strategic layout of the Company to further consolidate the leading position of the Company in global home appliance industry. After the completion of this acquisition, both parties would complement each other's advantages in sales, production, R&D, procurement and supply chain, realize revenue synergies through network complementation, sub-sector expansion, new product development and improvement of bargaining ability, and realize cost synergies through advantage in procurement scale, improvement of quality and productivity, to lay a solid foundation for becoming the global leader of home appliance industry in eastern and western hemispheres. Meanwhile, this acquisition would also create more abundant and superior products and services for global consumers.

5. Making transformation to embrace the future — U+ platform to expand the base and to live a smart life. The Company accelerated the transition of white goods towards “Internet appliance”, promoted U+ APP of Haier and improved the coverage of hardware and interaction. The Company deeply built the basic capacities of U+ platform to support the implementation of the seven smart ecological cycles such as food, air, washing and other ecological cycle, shifted from the pattern of simple sales of hardware to the pattern of Internet “appliance + interaction + service + platform” to give community users the best experiences.

2.1 million smart white goods of Haier were sold in 2015, an increase of 169% compared to last year. Since U+ APP of Haier was officially launched in April 2015, the number of users exceeded 10 million with the number of active users surpassing 1 million.

U+ cloud platform has achieved interconnectivity by Apple Homekit, Allseen, Google Brillo/Weave, Huawei hilink and other protocols and the variety of accessible intelligent hardware exceeded 120. The Company completed the construction of basic structure of cloud platform and uploaded 100 million pieces of equipment data messages every day based on which the abilities such as big data analysis and interactive processing of artificial intelligence were formed to promote the optimization of products and the improvement of user experience. Over 120 third-party resources were introduced into the resources of the ecological cycle. Strategic and business cooperation were made with Microsoft, Huawei, Meizu and other enterprises by hardware, software and service interface. More than 100,000 makers were gathered and over 800 entrepreneurship and innovation programmes were formed by maker competition. Investment and resources of the ecological cycle were put into over 50 programmes around O2O services, artificial intelligence, sensor, big data and other areas. The income of the ecological cycle surpassed 600% as compared to last year.

Bases on U+ platform, the Company actively pushed forward the construction of food, air, washing, water and other ecological cycle and explored the transformation of the business model from simple sales of hardware to the pattern of “Internet application + application + service + platform”. The Company launched a brand new Internet refrigerator Haier Xinchu refrigerator in October 2015. The refrigerator brought people new experience of control by its 10.1-inch TFT touch screen and body sensor module. And its exclusive functions such as food DIY, food material management, video entertainment and farm to table and the gather of Suning, DouguoRecipe, IQiyi, QingtingFM and many other resource suppliers brought people new experience of smart kitchen. Xinchu refrigerator became new entry of social contact because of its more convenient services and safer products. Many resource suppliers could interact with consumers by Xinchu refrigerator that became the entry of electronic commerce, media and O2O community service of thousands of households.

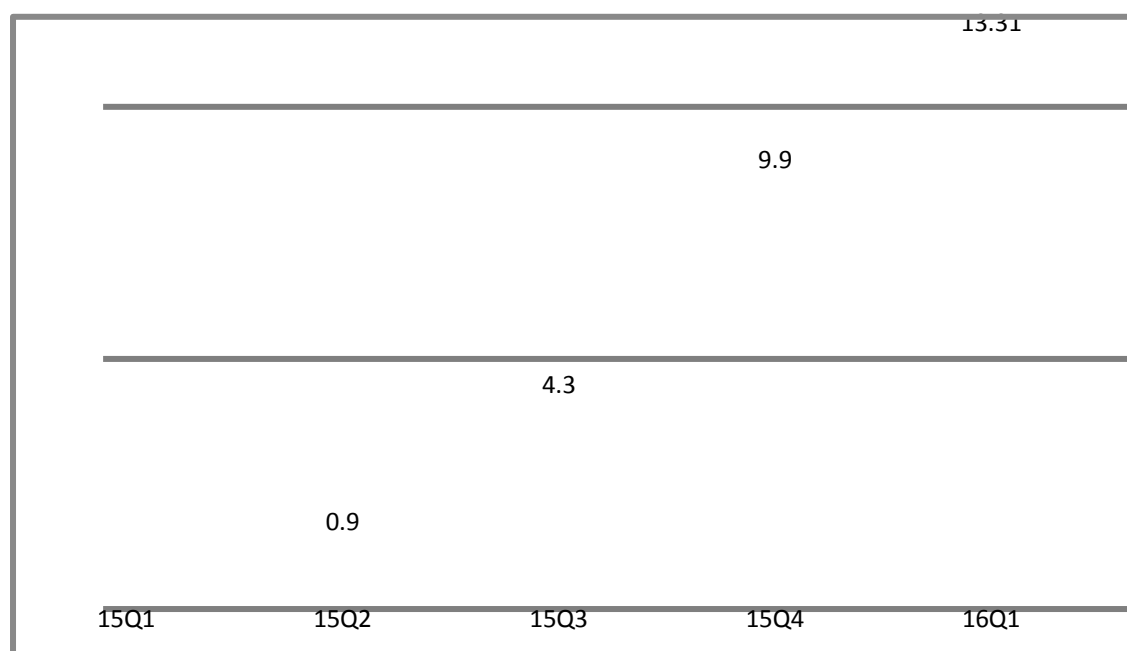


6. Making transformation to embrace the future - interconnected factories led the industry and customized products grew quickly. The ecological system of interconnected industries was built and transformation was made from mass manufacturing to mass customization to meet consumers' personalized demands and to upgrade the industry.

The Company was the first to push forward the intelligence transformation of supply chains in the industry and established nearly 70 unmanned lines with nearly 2,000 robots in the whole-machine factories. The system of interconnected factories was preliminarily established and 7 interconnected factories were built including five whole-machine factories: Shenyang Refrigerator, Foshan Roller Washing Machine, Zhengzhou Air-Conditioner, Jiaozhou Air Conditioner and Qingdao Water Heater, and two modular factories: Qingdao Mould and Qingdao FPA Electrical Machine that achieved "seamless process, visualization and transparency". The interconnected factories of the Company were chosen as the comprehensive demonstration project of smart manufacturing pilot of the Ministry of Industry and Information Technology in 2015; it was the only enterprise in the white goods industry. The interconnected factories were the first to be selected as standard special projects of smart manufacturing of the Ministry of Industry and Information Technology in 2015 and participated in the formulation of standards of China's smart manufacturing system.

The Company launched its first user community experience platform of interaction and customization of the industry - Creative Convergence (<http://diy.haier.com/>) in 2015. The platform provided users with over 100 customized products and solutions by module customization, Creative Convergence customization, exclusive customization and other modes. The 1.0 version of the APP was released online and launched at Appliance World Expo in March 2015. It was officially launched in PC and mobile phone M station in the fourth quarter of 2015. After the launch, its monthly average flow increased obviously from about 2,000 in October to 350,000 in December. While the functions of the platform were upgraded and extensive products were provided, the user flow and customized orders synchronously increased, and the orders of customized products reached 150,000 in 2015. By using open community mode, Creative Convergence created a platform for face-to-face communication among users, designers and suppliers and transformed the product demands and ideas of users into product programs. From the demand end to the manufacturing end, Creative Convergence of Haier created customized experience of visualization in the whole process based on the interconnected factories system to realize interconnection between users and interconnected factories. Users were turned from simple demanders into idea initiators, design participants and decision makers, participating in the whole process of product customization and releasing their potential creativity by the unique and new experience.

Quarterly sales trend of customized products in Q1 of 2015 and 2016 (unit: 10k sets)



7. Logistics and fast growth: the Company expanded the logistics of the industries such as household appliance, furniture and cold chain and constantly improved the distribution capacity of storage, artery and last mile to support the fast growth of business.

Goodaymart Logistics efficiently completed most of large home appliance orders in Tmall.com depending on its quick distribution and installation capacities. Its delivery timeliness hit record high to greatly improve the E-commerce user experience and push forward the rapid growth of E-commerce logistics. Based on the great development of home appliance and e-commerce logistics business, the Company vigorously expanded the e-commerce logistics business of other large-format products including furniture, bathroom fixture and fitness equipment.

The basic capacities were reinforced to constantly secure the leading position of logistics business of large-format products. Six warehouse constructions were newly built and put into use in 2015 and 21 warehouse constructions were accumulatively finished. The third and fourth tier markets continuously sank. HUB layout was quickly extended to further raise the speed of distribution from the third and fourth tier markets to villages and households. Goodaymart Logistics kept its leading position in the platform at the third-level DC deep Internet layout of large-format products logistics. The fusion of acquired resources: Seamless connection capacity of distribution service from artery to districts and last mile distribution was improved and the network of regular bus nationwide was built to provide one-stop direct user service of the dry warehouse distribution. The upgrading of platform network and core abilities led to the upgrading of solutions of large-format products logistics. The change of new business model at the user demand end was taken into full account and integrated SCM solution of the whole process was first proposed and put into practice.

8. Keeping promises. Capital market commitments were fulfilled. The Company acquired the overseas assets of Haier Group and minority interests held in Mitsubishi and Carrier Joint Venture in cash to promote global development and increase shareholder value.

The Announcement of Qingdao Haier Co., Ltd. on the Acquisition of Shares of Haier Singapore Investment Holding Pte Ltd. and Connected Transactions and related matters were passed at the 2014 Annual General Meeting of the Company held on 10 June, 2015. After the transactions were completed, the system of combination of the research and development of overseas white goods, manufacturing and sale of Haier Group in main countries and regions of the world such as Asia, Europe, America and Africa would be incorporated into the system of the listed company. It would help the Company to further integrate global resources of research and development, manufacturing and sale and to create a global brand by its resources to become a global leader of the appliance industry with influence of first-class brand and comprehensive service strength.

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 was passed at the 28th meeting of the 8th session of the Board of Directors of the Company held on 22 December, 2015 to acquire 49% of the equity of Qingdao Haier Carrier Refrigeration Equipment Co., Ltd. and 45% of the equity of Mitsubishi Heavy Industries Haier (Qingdao) Air-conditioners Co., Limited. The acquisition further enriched the product lines of the Company, strengthened the coordination of the R&D technology system of the Company, and provided a platform for the ongoing deep cooperation between the Company and the world's leading household appliance manufacturing companies. The acquisition was made in cash, which was helpful for improving profitability and capital utilization efficiency of the Company.

Since 2011 listed companies have accumulatively used RMB9.7 billion to acquire high quality appliance assets of Haier Group in cash to establish listed flagship company, to fulfill capital commitments and to increase shareholder value.

(I) Analysis of principal business

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

Unit and Currency: RMB

Items	Current period	Corresponding period of last year	Change (%)
Operating revenue	89,748,320,410.91	96,929,763,894.36	-7.41
Operating cost	64,658,463,207.53	70,170,401,158.93	-7.86
Sales expense	13,101,282,436.95	12,579,781,619.54	4.15
Administrative expenses	6,549,193,839.44	6,813,114,797.83	-3.87
Financial expenses	-498,120,405.83	-256,648,580.46	-94.09
Net cash flows generating from operating activities	5,579,600,612.93	6,769,361,298.35	-17.58

Net cash flows generating from investing activities	-10,273,403,690.47	-3,639,278,256.98	-182.29
Net cash flows generating from financing activities	-1,895,610,696.23	7,153,737,060.71	-126.50
Research and development expense	2,461,440,962	2,331,312,280.00	5.58
Loss of impairment on assets	318,011,645.05	223,184,511.75	42.49
Interests of changes on fair value	-90,223,059.50	112,363,366.12	-180.30
Non-operating income	618,457,263.82	378,335,366.09	63.47
Income tax expense	1,052,769,417.97	1,527,486,745.62	-31.08
Other comprehensive income, net of tax	73,297,094.11	511,746,848.93	-85.68
Effect of change of exchange rate on cash and cash equivalent	151,920,567.09	-137,950,662.95	210.13

Presentation of significant changes:

- 1) Loss in assets impairment increased by 42.49% compared with the corresponding period of last year, which was mainly attributable to the increase of loss from price drop in inventory;
- 2) Income from change in fair value decreased by 180.30% 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) Non-business income increased by 63.47% compared with the corresponding period of last year, which was mainly attributable to the increase of government subsidies of the current period;
- 4) Income tax expense decreased by 31.08% compared with the corresponding period of last year, which was mainly attributable to the decrease of pretax profit;
- 5) Other comprehensive income, net of tax decreased by 85.68% compared with the corresponding period of last year, which was mainly attributable to the decrease of income from change in fair value of available-for-sale financial assets compared with the corresponding period of last year;
- 6) The influence of fluctuation in exchange rate on cash and cash equivalents increased by 210.13% compared with the corresponding period of last year, which was mainly attributable to influence of fluctuation in exchange rate.

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

Unit: RMB0'000

Principle operating activities by products						
Product	Operating revenue	Operating cost	Gross profit margin (%)	Operating revenue increased/decreased when compared with last year (%)	Operating cost increased/decreased when compared with last year (%)	Gross profit margin increased/decreased when compared with last year (%)
Air-conditioners	1,625,089	1,166,236	28.24	-20.62	-16.47	Decreased by 3.56 pct. pt.

Refrigerators	2,758,853	1,861,059	32.54	-2.40	-2.58	Increased by 0.13 pct. pt.
Kitchenware and sanitary ware	662,060	373,080	43.65	1.87	1.22	Increased by 0.36 pct. pt.
Washing machines	1,746,985	1,147,257	34.33	1.22	0.63	Increased by 0.38 pct. pt.
Equipment components	181,804	157,667	13.28	-58.18	-61.02	Increased by 6.33 pct. pt.
Channel integrated services business and others	1,942,099	1,748,079	9.99	0.33	-1.17	Increased by 1.37 pct. pt.
Principle operating activities by regions						
Region	Operating revenue	Operating cost	Gross profit margin (%)	Revenue increased/decreased when compared with last year (%)	Operating cost increased/decreased when compared with last year (%)	Gross profit margin increased/decreased when compared with last year (%)
Domestic market	7,051,844	4,910,852	30.36	-9.01	-9.16	Increased by 0.11 pct. pt.
International market	1,865,046	1,542,526	17.29	-0.24	-2.51	Increased by 1.92 pct. pt.

(2). Analysis of production and sales

Unit: 10k units / set

Main products	Production	Sales volume	Inventory	Production increased/decreased when compared with last year (%)	Sales volume increased/decreased when compared with last year (%)	Inventory increased/decreased when compared with last year (%)
Home appliance	4550, 10k units / set	5517, 10k units / set	477, 10k units / set	-1.57	-0.75	1.32

(3). Cost analysis table

Unit: RMB0'000

Industry							
Sub-industry	Component of cost	Current amount	Proportion over total cost for	Corresponding period of	Proportion over total cost	Changes in current amount	Remarks

			the current period (%)	last year	for correspon ding period of last year (%)	over the same period of last year (%)	
Household electric appliance industry	Raw materials	4,040,052	88.84	4,321,500	89.75	-6.51	
	Labor	148,587	3.27	147,239	3.06	0.92	
	Depreciation	54,300	1.19	35,585	0.74	52.59	
	Energy	39,694	0.87	36,908	0.77	7.55	
	Others	264,999	5.83	273,984	5.69	-3.28	

1. Expense

(1) Financial expenses decreased by 94.09% as compared with the corresponding period of last year, which was mainly attributable to increase of interest income in the current period.

2. R&D expenditure

Table of R&D expenditure

Unit: RMB

R&D expenditure for the period	2,344,436,742
Capitalised R&D expenditure for the period	117,004,220
Total R&D expenditure	2,461,440,962
Percentage of total R&D expenditure over operating revenue (%)	2.7
Number of R&D staffs in the Company	10,097
Number of R&D staffs over the total number in the Company (%)	15.8
Proportion of capitalization of R&D expenditure (%)	4.8

The direction of R&D investment of the Company: 1. User demands and research of core technology were focused on. The medium and long term technology and product competitiveness of the whole category industry were improved to keep the leading position of products; 2. Online open innovative platform was established and upgraded where all kinds of global innovation resources were gathered including universities, R&D institutions, top 500 companies, Internet enterprises, top innovation institutions, experts and geeks in the sub-sectors; 3. Innovation ability of five R&D centers was improved. Haier set up R&D centers in China, America, Asia, Europe and Australia. Each center was an open platform attracting resources and user interaction and thus an innovation resource network worldwide was formed.

3. Cash flows

(1) Net cash flows from investing activities decreased by 182.29% compared with the corresponding period of last year, which was mainly attributable to the performance of capital commitment, the acquisition of overseas home appliance assets of Haier Group, the increase of payment

in cash for investment activities including investment in Sinopec Marketing Co., Ltd. and the acquisition of Fujian Shengfeng Logistics Group Co. Ltd;

(2) Net cash flows from financing activities decreased by 126.50% compared with the corresponding period of last year, which was mainly attributable to the investment of Alibaba in Haier Electronics Group Co. Ltd, the Company's holding subsidiary;

(3) The influence of fluctuation in exchange rate on cash and cash equivalents increased by 210.13% compared with the corresponding period of last year, which was mainly attributable to the influence of exchange rate fluctuation.

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

☐Applicable ☒Not Applicable

(III) Analysis of assets and liabilities

Unit: RMB

Name of project	At the end of current period	Percentage of the amount at the end of current period over total assets (%)	At the end of previous period	Percentage of the amount at the end of previous period over total assets (%)	Change in the amount at the end of current period over that at the end of previous period (%)
Financial assets at fair value and change of which included in the current profit or loss	22,069,897.04	0.03	103,668,887.71	0.13	-78.71
Prepayments	556,872,003.39	0.73	836,083,992.96	1.02	-33.40
Dividends receivables	85,826,158.26	0.11	54,524,472.84	0.07	57.41
Other current assets	1,451,065,197.30	1.91	791,018,741.65	0.96	83.44
Available-for-sale financial assets	2,837,318,201.20	3.74	1,430,621,348.35	1.74	98.33
Long-term equity investments	4,958,908,333.93	6.53	3,582,596,477.92	4.35	38.42
Investment properties	3,449,331.95	0.00	30,582,852.72	0.04	-88.72
Disposals of fixed assets	74,096,355.04	0.10	31,624,205.58	0.04	134.30
Intangible assets	1,453,470,715.09	1.91	1,008,290,734.35	1.22	44.15
Goodwill	392,484,932.55	0.52	74,530,241.86	0.09	426.61
Financial liabilities at fair value and change of which included in the current profit or loss	7,707,414.12	0.01	42,686.85	0.00	17,955.71
Tax payable	909,937,816.09	1.20	1,531,384,978.58	1.86	-40.58
Interests payable	15,081,416.34	0.02	7,921,318.87	0.01	90.39
Non-current	72,898,028.33	0.10			

liabilities due within one year					
Long-term borrowing	297,241,293.20	0.39			
Debentures payable	1,107,734,516.43	1.46	1,800,700,630.05	2.19	-38.48
Long-term Payables	59,916,852.02	0.08			
Long-term payables for staff's remuneration	33,209,406.02	0.04	24,531,136.34	0.03	35.38
Deferred income	264,120,554.33	0.35	135,707,501.91	0.16	94.62
Share capital	6,123,154,268.00	8.06	3,045,935,134.00	3.70	101.03
Capital reserve	83,383,194.51	0.11	5,978,787,439.45	7.26	-98.61
Treasury stock	77,604,544.70	0.10	47,160,730.00	0.06	64.55
Minority interests	9,708,285,895.93	12.78	7,314,528,029.80	8.88	32.73

Explanation of changes:

- 1) Financial assets measured at fair value and changes of which included in current profit and loss decreased by 78.71% 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;
- 2) Prepaid amount decreased by 33.40% from the beginning of the period, which was mainly attributable to the decrease of prepayment to supplier;
- 3) Dividend receivable increased by 57.41% from the beginning of the period, which was mainly attributable to the increase of the declaration of unpaid dividend by participating companies.
- 4) Other current assets increased by 83.44% from the beginning of the period, which was mainly due to the increase of taxes to be deducted at the end of the period;
- 5) Available-for-sale financial assets increased by 98.33% from the beginning of the period, which was mainly due to the increase of investment such as the investment of China Petrochemical Marketing Co. Ltd;
- 6) Long-term equity investments increased by 38.42% from the beginning of the period, which was mainly due to the increase of investment in many associated companies including Haier Tongchuang Investment Partnership (Limited Partnership) and the increase of profits of associated companies using equity method;
- 7) Investment properties decreased by 88.72% from the beginning of the period, which was mainly due to the turn of some investment properties into disposals of fixed assets;
- 8) Disposals of fixed assets increased by 134.30% from the beginning of the period, which was mainly due to the turn of some investment properties into disposals of fixed assets;
- 9) Intangible assets increased by 44.15% from the beginning of the period, which was mainly due to the increase of land use right acquired in the period;
- 10) Goodwill increased by 426.61% from the beginning of the end, which was mainly due to the acquisition of the subsidiary of the Company, Fujian Shengfeng Logistics Group Co., Ltd under different controlling parties;
- 11) Financial liability measured at fair value and changes of which included in current profit and loss increased by 17955.71% from the beginning of the period, which was mainly due to the influence of change in fair value of derivative financial instruments such as future exchange;

-
- 12) Taxes payable decreased by 40.58% from the beginning of the period, which was mainly due to the decrease of value added tax payable at the end of the period;
 - 13) Interests payable increased by 90.39% from the beginning of the period, which was mainly due to the increase of unpaid loan interest;
 - 14) Non-current liabilities due within one year increased by 100% from the beginning of the period, which was mainly due to the increase of payments due within one year because of the acquisition of equity interests of minority interests;
 - 15) Long-term borrowings increased by 100% from the beginning of the period, which was mainly due to the increase of long-term borrowings of subsidiaries;
 - 16) Debentures payable decreased by 38.48% from the beginning of the period, which was mainly due to the turn of some convertible bonds issued by subsidiaries into equities;
 - 17) Long-term payable increased by 100% from the beginning of the period, which was mainly due to the fund investment of China Development Bank in subsidiaries;
 - 18) Long-term employee benefits payable increased by 35.38% from the beginning of the period, which was mainly due to the increase of long-term termination benefits of some overseas subsidiaries;
 - 19) Deferred income increased by 94.62% from the beginning of the period, which was mainly due to the increase of government grant programs related to assets;
 - 20) Share capitals increased by 101.03% from the beginning of the period, which was mainly due to the conversion of capital reserve into the increase in share capital;
 - 21) Capital reserve decreased by 98.61% from the beginning of the period, which was mainly due to the conversion of capital reserve into the increase in share capital and the elimination of share premium by enterprise combinations under common control;
 - 22) Treasury stock increased by 64.55% from the beginning of the period, which was mainly due to the repurchase of stock of the Company from the open market;
 - 23) Minority interest increased by 32.73% from the beginning of the period, which was mainly due to the increase in profit or loss attributable to minority shareholders.

(IV) Analysis on Investment**1. Overall analysis on external equity investment**

During the reporting period, the external equity investment of the Company amounted to RMB6,130.26 million.

Name of company invested	Principle operating activities	Percentage of the equity interest of the company invested (%)	Remark	Amount of investment (RMB0'000)	Amounted invested (RMB0'000)
Haier Singapore Investment Holding Pte Ltd.	Investment Holding	100	For more details, please refer to the Announcement of Qingdao Haier Co., Ltd. on the Acquisition of Shares of Haier Singapore Investment Holding Pte. Ltd and Connected Transactions (No.: L 2015-014) published on four major securities newspapers and the Shanghai Stock Exchange website on 26 May 2015 and other related announcements published on the same day.	487,370	487,370
Shenzhen MTC Co., Ltd.	Electronic product manufacturing, etc.	1.61	For more details, please refer to the Suggestive Announcement of Qingdao Haier Co., Ltd. on the Subscription of Non-public Offering of Shares by Shenzhen MTC Co., Ltd. (No.: L 2015-023) and Suggestive Announcement of Qingdao Haier Co., Ltd. on the Adjustment to the Plan of Non-public Offering of Shares by Shenzhen MTC Co., Ltd. (No.: L 2015-036) published on four major securities newspapers and the Shanghai Stock Exchange website on June 19 and 19 August 2015 respectively.	37,078	0
Mitsubishi Heavy Industries Haier (Qingdao) Air-conditioners Company Limited (Referred to as "Mitsubishi Heavy Industries")	Manufacturing of air conditioner and its parts and components, etc.	45	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 four major securities newspapers and the Shanghai Stock Exchange website on 23 December 2015.	54,334	0
Qingdao Haier Carrier Refrigeration Equipment Co., Ltd. (Referred to as "Carrier Equipment")	Design, manufacturing and installation of units	49		34,244	0

Notes:

(1) Relevant motions on the acquisition of all shares of Haier Singapore Investment Holding Pte. Ltd held by Haier (Hong Kong) Investment Co., Ltd. were considered and approved at Board of

Directors and general meeting of stockholders on 26 May 2015 and 10 June 2015. According to the meeting resolutions, the total consideration paid by the Company to Haier (Hong Kong) Investment Co. Ltd for the equity interest transfer will be RMB4.8737 billion. The transfer has been finished up to as at the end of the reporting period.

(2) On 18 June 2015, general manager office meeting of the Company considered and approved the participation in acquiring 30 million non-public offering of shares by Shenzhen MTC Co., Ltd with self-owned funds of RMB370.78 million as a consideration. The acquisition has not been finished up to the end of the reporting period.

(3) Relevant motions of the acquisition of minority shares of Mitsubishi Heavy Industries Haier (Qingdao) Air-conditioners Co., Limited and Qingdao Haier Carrier Refrigeration Equipment Co., Ltd. were considered and approved at Board of Directors and general meeting of stockholders on 22 December 2015 and 7 January 2016. According to the meeting resolutions, the total consideration paid by the Company to Haier Group for the equity interest transfer was RMB841.492 million. The transfer has not been finished as of the end of the reporting period.

(1) Significant equity investment

See “1. Overall analysis on external equity investment” for the equity investment of the Company during the reporting period.

(2) Significant non-equity investment

None

(3) Financial assets measured at fair value

Financial assets measured at fair value	Initial cost of investment	Sources of funds	Purchase / sale during the reporting period	Investment income during the reporting period	Changes in fair value during the reporting period
Bank of Communications (601328)	1,803,769.50	Own funds		367,808.04	-490,410.72
BAILIAN (600827)	154,770.00	Own funds			-787.76
Eastsoft (300183)	18,713,562.84	Own funds			2,368,508.58
Bank of Qingdao (003866)	890,308,859.84	Own funds		96,086,121.25	38,434,448.50
Others	1,041,212.42	Own funds	121,165.41		8,415.70
Derivative financial instruments				49,201,148.46	-90,223,059.50
Total	912,022,174.60		121,165.41	145,655,077.75	-49,902,885.20

(V) Material Assets and Equity Disposal

During the reporting period, to improve the cost competitiveness of special steel plate of the Company and promote the strategy transformation from mass manufacturing to mass customization, the

Company and its wholly-owned subsidiary Haier Shareholdings (Hong Kong) Limited (hereinafter referred to as “Haier Hong Kong”) signed agreement with Qingdao Hebei Iron & Steel New Material Technology Co. Ltd (hereinafter referred to as “Hebei Iron & Steel Technology”), a subsidiary of Hebei Iron & Steel Group Co. Ltd (hereinafter referred to as “Hebei Iron & Steel Group”) on 29 September 2015 to transfer 70% of the equity of Qingdao Special Steel and 70% of the equity of Hefei Special Steel jointly held by the Company and Haier Hong Kong to Hebei Iron & Steel Technology (the foregoing transaction collectively referred to as the “Transaction”). The amount of the Transaction was RMB490 million. After the completion of the Transaction, the Company still held 30% of the equity of Qingdao Special Steel and Hefei Special Steel. For details, please refer to Suggestive Announcement of Qingdao Haier Co. Ltd. on the Transfer of Controlling Equities in Subsidiaries (L 2015-045) disclosed on 1 October 2015.

(VI) Analysis on Major Controlling Companies

Unit and Currency: RMB

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	0	3,006,424	1,564,730	282,129
Qingdao Haier Air Conditioner Gen Corp., Ltd	Air conditioner manufacturing	21835.5	351,592	319,388	40,796
Qingdao Haier Special Refrigerator Co., Ltd.	The refrigerator manufacturing	USD20.00 million	113,162	67,932	25,588
Chong Qing Haier Air-Conditioner Co., Ltd	Air conditioner manufacturing	13000	197,843	155,996	23,481
Hefei Haier Refrigerator Co., Ltd.	The refrigerator manufacturing	4900	150,193	97,776	20,732
Qingdao Haier Air-Conditioner Electronics Co., Ltd.	Air conditioner manufacturing	USD11.96 million	336,678	254,817	20,539

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

(VII) Information on the Main Structure Controlled by the Company

Nil

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

(I) Development Strategy of the Company

The Company's transformation strategic direction: the Company will transform from the traditional enterprise manufacturing home appliance products to the platform incubating maker to the whole society, which will commit to become the Internet enterprise, thus it will overturn the closed system that traditional enterprises establish for themselves into the node in network interconnection, and

then the Company will achieve the connectivity of various resources, create the co-creation and win-win ecological cycle based on users' value interaction in the post-electric business time, thus it will provide intelligent household solutions for consumers, so as to achieve the win-win and value increase of all the parties.

In 2016, the Company will continue to promote the transformation and implementation of Internet enterprises, according to the development topic of “new state of interconnection and interworking, new platform of co-creation and win-win”, the Company deeply will promote the change, focus on U+ Smart Life platform and interconnected factory and personalized customization platform, so as to establish the co-creation and win-win platform of business experience in intelligent life scene. Then the Company will construct the interconnected factory ecological system, achieve the seamless, transparency and visualization of users' experience, thus it will promote the implementation and development of new mode; the Company will continue to implement product leading strategy, promote structure upgrading, and depend on the advantages in technology, scale and cost to extend the market share; the Company will promote to form the operation system and mechanism construction in domestic market with focusing users' praise and improving consumers' value as the guidance, so as to enhance market efficiency and respond ability; the Company will focus on creating local competitiveness in overseas market, and promote the unified listing of global leading product platform; it will promote to integrate with GE's home appliance products, thus it will smoothly complete project delivery and business cooperation.

(II) Operation Plan

The Company will insist on product leading, fully depend on the leading technology, the Company design advantage in the world, then it will continue to increase the high-end market share, and keep on promoting the business development of Casarte; the Company will actively master the upgrading trend of industry, enrich the product category layout of T-type multi-door refrigerator, roller washing machine and other products with rapid growth rate; as for middle and low end market. The Company will depend on the advantages of technology and scale to enhance cost competitiveness and market competitiveness; then it will keep and enlarge the scale advantage and share advantage in the industry.

Domestic market: according to users' experience improvement and consumers' value addition, the Company will change the operation system and mechanism, through strengthening market terminal staff training, upgrading the on-site standard and display, promoting precision market and many other methods to improve the market competitiveness in first-line. The Company will keep the industry position of KA and other traditional advantage pipelines; then it will enrich the product layout of electricity pipelines and improve the competitiveness in comprehensive shop and boutique; in its own pipeline: ① the Company will insist on the concept of “honesty forever” of Haier, “serving consumers and satisfying the users”, thus the Company will promote the upgrading and reaching standard work of service provider, strengthen the service ability on county and town of service provider; ② the Company will comprehensively promote and launch the E-Store3.0 system,

through the informationization means to put pressure on the terminal retail transformation; ③ Haier's mobile terminal e-commerce platform "Shunguang" will achieve integration to construct the first home appliance mobile terminal E-commerce platform in China.

Overseas market: the Company will focus on creating local team with competitiveness, promote the implementation of localization mechanism by connecting the sales force with their orders; it will strengthen the global planning of differentiation products and resources, implement the unified listing of global leading refrigerator and washing machine product platforms, and then the Company will enhance the terminal market image. The Company will smoothly achieve the delivery and business cooperation with the home appliance business of GE, and then it will fully release the potential of cooperation.

U+ Smart Life platform – implementation of U+ Smart Life 2.0 strategy focusing on scenario business. The Company will strengthen the construction five platforms including united cloud platform, Haier U+ APP user interaction, U+ Smart Life brain, and source open platform: then it will achieve the infinite loop of the four dimensions including entrance, scenario, community and data; the Company will focus on the three key duties to enhance users' experience, and then it will optimize the diversified business model: ① it will use Internet appliance ecology to bring the full implementation of new business model – from selling product to selling service / content; ② it will use the new service mode – the first smart life personalized customization platform (to provide home appliances management, electronic warranty card, whole scene visual service process for users) brought by Haier U+ APP 2.0, thus it will make the whole process service and smart interaction platform; ③ U+ Smart Life brain will bring the ability of new smart interaction for the home appliances– to initiatively understand the requirement of users and initiatively provide service.

In the aspect of interconnected factory system establishment and personalized customization: (1) the Company will continue to promote updating and reforming of interconnected factory; it will launch interconnected factory COSMO (Cloud of Smart Manufacturing Operation) platform to achieve the zero distance interaction between users and interconnected factory and enable users to participate in the whole process of customization; the Company will establish "Haier Industrial Smart Research Institute", accumulate the Company's interconnected factory modes, standards and methodologies, and upgrade the industrial smart cloud service platform and provide the overall solutions. (2) Personalized customization: it will conduct technology and structure upgrade, big data platform access and virtual reality access, apply big data analysis, and implement the accurate marketing based on the user attributes of each channel / entrance, enhance order conversion rate; it will continue to improve platform experience, deeply satisfy all kinds of customization demands; pay attention to the establishment of users' platform experience and interaction of community fans, so as to create zero distance and zero cost communication mechanism among users, interconnected factories and designers and build the win-win customized ecological cycle.

Logistics business: based on the great development of Goodaymart Logistics in home appliances logistics field, it will greatly expand the delivery of non-home appliances category. By applying the established national delivery network, especially the "last mile" service network, Goodaymart Logistics

will set up market dominating position in furniture, sanitary ware, fitness equipment, electric vehicle and other large items, and make great effort to develop cold chain logistics industry.

(III) Funds Required for Maintaining Current Business and Completing Project under Construction

In 2016, the Company's funds will be used for the normal production and operation of the Company, the construction of smart interconnected factories and U+ platform, small entrepreneurial incubation and acquisition of GE home appliance assets. The required funds will be implemented upon review by decision-making organization in accordance with the Company's strategies and operations. The Company will establish the capital structure with multi-channel and multi-level to fully utilize the financial leverage and its own funds to rationally allocate the resources.

(IV) Potential risks

1. Risk of sluggish market demand due to slowdown in growth of macro economy. As white home appliance products fall into the category of consumer electronic products, the income level and expectation on future income growth will have an effect on the purchase of white goods. In the event of slowdown in the growth of the macro economy resulting in the decrease in the purchasing power of consumers, growth of the industry will be adversely affected. In addition, uncertainties on the property market will have some negative effect on market demand, which will in turn have some indirect demand for home appliance products.

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

3. The smart trend of white home appliance will fuzzy the boundaries of industries and intensify industry competition; Internet companies will enter into the field of smart home appliance, which will intensify the industry competition and overturn the current profit model of the industry.

4. Risk of rise in price of raw materials. Bulk raw materials such as copper, aluminum, steel plate, and oil-related plastic particles and foam materials account for a large proportion in the costs of white goods production. The surge in the price of bulk raw material will increase the cost pressure, and therefore have negative effect on the performance of enterprises.

IV. Explanation of failure to disclose in accordance with the standards and reasons due to not applicable to rules and regulations or special reasons

☐Applicable ☒Not Applicable

SECTION V SIGNIFICANT EVENTS

I. Proposal for Profit Distribution or Capital Reserve Conversion of Ordinary Shares

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

The Company's 2014 profit distribution plan was passed on the 2014 Annual General Meeting of the Company held in June 2015: based on the share capital of 3,046,125,134 shares at the time of distributing, distribute RMB4.92 (tax inclusive) for every 10 shares and convert to 10 shares to all shareholders, with a total amount of dividend before tax of RMB1,498,693,565.93 and the total share capital after the implementation of 6,092,250,268 shares. The plan has been implemented and completed in July 2015. Details are set out in the Announcement of Qingdao Haier Co., Ltd. on the Implementation of Profit Distribution and Capital Reserve Conversion for 2014 (L 2015-025) published by the Company on the four major securities newspapers and the website of Shanghai Stock Exchange on 10 July 2015.

The Company has always applied the continuous and stable profit distribution policy. 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)". 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. The procedures and mechanisms for decision-making such as Articles of Association and planning system of return of shareholders were complete and in compliance with laws and regulations. The process was open and transparent, the standard and ratio of dividends was clear. Responsibilities of independent directors were clear during the policy-making process, and independent directors were given the opportunities to play their roles. Minority shareholders were also given the opportunity to fully express their views and demands, and the legitimate interests of minority shareholders were adequately protected.

The dividend distribution plan of 2015 of the Company: on the basis of the total share capital as at the date of profit distribution, distribute cash dividend of RMB2.12 per 10 shares (tax inclusive) with expected cash dividend of RMB1,292,697,714.12. The remaining reserved profits were carried forward to the next year. The amount of this distribution accounts for 30% of the net profit attributable to parent company of the Company in 2015. All dividend of bonus scheme is paid in cash.

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

Unit and Currency: RMB

Year of distribution	Number of bonus share for	Amount of dividend	Number of shares converted	Amount of cash dividend (tax inclusive)	Net profits attributable to shareholders of	Percentage of the net profit
----------------------	---------------------------	--------------------	----------------------------	---	---	------------------------------

	every 10 shares (share)	for every 10 shares (RMB) (tax inclusive)	for every 10 shares (share)		listed companies in the consolidated financial statement during the year of distribution	attributable to the shareholders of the listed companies in the consolidated financial statement (%)
2015	0	2.12	0	1,340,094,420.82	4,300,760,542.82	31.16
2014	0	4.92	10	1,498,693,565.93	4,991,557,360.87	30.02
2013	0	4.60	0	1,251,584,532.40	4,168,152,892.92	30.03

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

Unit and Currency: RMB

	Amount of cash dividends	Percentage (%)
2015	47,396,706.70	3.54

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

☐Applicable ☒Not applicable

II. Performance on Undertakings

√Applicable □Not applicable

(I) Undertakings made by companies, shareholders, actual controlling shareholders, purchasers, directors, supervisors, senior management or other related parties during or lasted to the reporting period

Background	Type	Covenant r	Content	Time and term	Whet her it has a deadl ine for perfo rman ce	Wheth er it is perfor med 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 (“Haier Group”) to purchase the controlling equity in its four subsidiaries, namely Qingdao Haier Air-Conditioner Electronics Co., Ltd., Hefei Haier Air-conditioning Co., Limited, Wuhan Haier Electronics Co., Ltd., Guizhou Haier Electronics Co., Ltd.. With regard to the land and property required in the operation of Qingdao Haier Air-Conditioner Electronics Co., Ltd., Hefei Haier Air-conditioning Co., Limited, Wuhan Haier Electronics Co., Ltd. (the “Covenantees”), Haier Group made an undertaking (the “2006 Undertaking”). According to the content of 2006 Undertaking and current condition of each Covenantee, Haier Group will constantly assure that Covenantees will lease the land and property owned by Haier Group for free. Haier Group will make compensation in the event that the Covenantees suffer loss due to the unavailability of such land and property.	27 September 2006, long term	YES	YES
Undertaking related to refinancing	Eliminate land	Haier Group	Haier Group Corporation undertakes that it will assure Qingdao Haier and its subsidiaries of the constant, stable and unobstructed	24 December 2013, long term	YES	YES

	property defect	Corporation	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, 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.			
Undertaking related to refinancing	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,	24 December 2013, five years	YES	YES

			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.			
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 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 (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
Other undertakings	Asset injection	Haier Group Corporation	Inject the assets of Haier Photoelectric 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 2015-063) published on the four major securities newspapers and the website of Shanghai Stock Exchange on 23 December 2015.	December 2015-June 2020	YES	YES
Other undertakings	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	December 2015-December 2018	YES	YES

			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			
Other Undertakings (note)	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 Corporation (“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 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. For details, please refer to the Announcement of Qingdao Haier on the Further Support of Development of Qingdao Haier, Solutions of Horizontal Competition and Decrease of Connected transactions by Controlling Shareholder (L2011-001) published by the Company on the four major securities newspapers and the website of Shanghai Stock Exchange on 8 January 2011 and the Announcement of Qingdao Haier Co., Ltd. on the Content of Undertaking in respect of Solving Horizontal Competition Problem, Status of Performed Matters, Performance Plan on Matters Not Yet Completed and Performance Guarantee Measures (L 2014-003), the Announcement of Qingdao Haier Co., Ltd. on Decision-making Procedure and Information Disclosure of Major Connected Transaction in the Reporting Period and Measures on Reducing Connected Transactions (L 2014-004) published on 29 March 2014.	7 January 2011, five years	YES	YES
	Eliminate horizontal competition				YES	YES
	Solve connected transaction problem				YES	YES

Note: As of 7 January 2016, Haier Group Corporation has implemented the commitments on “further Supporting Qingdao Haier Development to Resolve Horizontal Competition and Reduce Connected Transactions” in five years made in January 2011. The remaining parts that were not implemented have been extended after the deliberation of the shareholders' meeting. The contents of commitments and its implementing are as follows:

Content I of the commitment: to inject the assets, businesses and related equity of the white goods of Haier Group and to comprehensively resolve the problem of horizontal competition

(1) **To acquire the assets of oversea white goods:** on 25 May 2015, the 22th meeting of the 8th session of the Board of Directors of the Company considered and passed the motion to acquire the entire shares of Haier Singapore Investment Holding Pte Ltd held by the subsidy of Haier Group at a consideration of RMB4.874 billion. After the completion of this acquisition, except for the related assets of Fisher&Paykel (since it was still in the integration period and its financial performance did not reach the expectation of the Company), the Company will obtain and possess other overseas white goods assets of Haier Group. Besides, the Group has presented commitment to the Fisher&Paykel assets that it will inject the assets of Fisher&Paykel to the Company or dispose such assets through other ways which accord with the requirements of the domestic supervision before June 2020 and authorize the assets to the Company for management. For more details, please refer to the Announcement of Qingdao Haier Co., Ltd. on the Acquisition of Shares of Haier Singapore Investment Holding Pte. Ltd and Connected Transactions (L 2015-014) and Announcement of Qingdao Haier Co., Ltd. on the Changes of Funding Commitment (L 2015-015) announced on 26 May 2015 and Announcement of Qingdao Haier Co., Ltd. on the Resolutions Passed at the AGM for 2015 (L 2015-021) announced on 11 June 2015 as well as other related announcements. Until the end of the reporting period, this event has been approved by the shareholders' meeting of the Company and the competent supervision authority.

(2) **To acquire the minority interests of Mitsubishi and Carrier:** on 22 December 2015, the 28th meeting of the 8th session of the Board of Directors of the Company considered and passed the motion to acquire 49% equity of Qingdao Haier Carrier Refrigeration Equipment Co., Ltd. and 45% equity of Mitsubishi Heavy Industries (Qingdao) Haier Air Conditioner Co., Ltd. held by Haier Group at a consideration of RMB841 million. 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) announced on 23 December 2015 and Announcement of Qingdao Haier Co., Ltd. on the Resolutions Passed at the First EGM in 2016 (L 2016-002) announced on 8 January 2016 as well as related announcements. Until now, this event has been approved by passed the shareholders' meeting. The procedure of the change of equity is still under transacting.

Above all, the related contents under this commitment have been fulfilled.

Content II of commitment: to inject upstream assets and businesses of household appliance, to decrease connected transactions and to promote the integrated development of the upstream and downstream industries of Qingdao Haier

(1) **To acquire the upstream assets and businesses of mould:** in June 2011, the 13th meeting of 7th session of the Board of Directors had considered and passed the motion to acquire the equity of ten companies including Qingdao Haier Mould Co., Ltd. Held by Haier Group Corporation and its subsidiaries at a consideration of RMB1.88 billion. For more details, please refer to the Announcement of Qingdao Haier Co., Ltd. on the Assigning of Equity in Ten Companies Including Qingdao Haier Mould Co., Ltd. Held by Haier Group Corporation and Its Subsidiaries and Connected Transaction (L2011-021) announced on 17 June 2011 and related announcements.

(2) **To increase the autonomous procurement and to alter the exports into autonomous exports:** the Company established autonomous sourcing platforms including “Qingdao Haidarui Procurement Service Co., Ltd.” and “Qingdao Haidayuan Procurement Service Co., Ltd.” respectively in 2009 and 2012 to constantly increase the autonomous procurement. Until the end of 2015, both companies had decreased RMB127.3 billion of connected transactions related to procurement for the Company. In 2015, connected transaction related to procurement amounted to RMB27.6 billion and the proportion of connected transactions related to procurement accounted for 32.8% of similar transactions. In 2015, the acquisition of overseas white goods assets was completed. The export business of the Company was implemented by the trading company under the abovementioned white goods assets and the connected transactions related to sale decreased constantly: in 2015, the connected transactions related to sale amounted to RMB7.56 billion and the proportion of connected transactions related to sale further decreased to 8.4% of similar transactions. Above all, the proportion of connected transactions in similar transactions has been optimized greatly.

Above all, the related contents under this commitment have been fulfilled.

Content III of the commitment: to inject other household appliance related assets and to promote Qingdao Haier to be bigger and stronger

The changes of the color TV assets injection of the Company: On 22 December 2015, the 28th meeting of the 8th session of Board of Directors considered and passed the Bill of Qingdao Haier Co., Ltd. on the Commitment of Agreeing Haier Group Corporation to Change Its Partial Assets Injection. Since the entity of Haier Group to undertake the color TV business -- Qingdao Haier Photoelectric Co., Ltd. and its subsidiaries (hereinafter referred to as “Haier Photoelectric”) were still

in the transforming and integrating period and its financial performance did not reach the expectation of the Company. Therefore, the Company proposes to agree: (1) Haier Group will put off to inject the related assets of Haier Photoelectric; (2) Haier Group promises that it will inject the related assets of Haier Photoelectric to the Company or dispose such assets through other ways which accord with the requirements of the domestic supervision by June 2020. This event has been considered and passed by the first EGM of the Company in 2016. 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) and Notice of Qingdao Haier Co., Ltd. on the Resolutions Passed at the First EGM in 2016 (L 2016-002) as well as the related contents.

Above all, the related contents under this commitment have been changed upon necessary approval.

Content IV of commitment: when Haier Group acquires and invests new household appliance businesses, Qingdao Haier has the priority to choose

During the commitment period, Haier Group acquired the washing machine, refrigerator and other household appliance business of Japan Sanyo Electric Co., Ltd. (hereinafter called as “Sanyo Electric”) in such areas as Japan and Indonesia and the equity of Fisher & Paykel (Fisher & Paykel Appliance Holding Co., Ltd., hereinafter called as “FPA”) in New Zealand. However, the Company gave up the priority to the acquisition mentioned above through the deliberation of the Board of Directors based on the necessary investigation and research into the abovementioned acquisition conducted by the Company due to the unstable overseas economy and related force majeure factors, the target assets and businesses requiring integration and uncertain performance during the integrating period as well as the strategic plan of the Company on integrating the overseas assets of Haier Group in the future and other related factors. On 25 May 2015, the Company considered and passed the motion to acquire the entire shares of Haier Singapore Investment Holding Pte. Ltd held by the subsidy of Haier Group at a consideration of RMB4.874 billion. This acquisition target included the related assets of Sanyo Electric. Because FPA was still in the integration period and its financial performance did not reach the expectation of the Company, the Company has presented commitment to FPA that it would inject the related assets to the Company or dispose such assets through other ways which accord with the requirements of the domestic supervision before June 2020 and authorized the assets to the Company for management.

Above all, the related contents under this commitment have been fulfilled.

- (II) There exist earnings forecasts in the Company's assets or programs. The reporting period is still in the period of predictive profit. So the Company made explanations for achieving the predictive profit and its reasons on the assets and programs.

In December 2015 and January 2016, the meeting of the Board of Directors/ shareholders' meeting of the Company considered and passed the related bills to acquire 45% equity of Mitsubishi Heavy Industries Haier (Qingdao) Air Conditioner Co., Ltd. (hereinafter referred to as "Mitsubishi Heavy Industries Haier") and 49% equity of Qingdao Haier Carrier Refrigeration Equipment Co., Ltd. (hereinafter referred to as "Haier Carrier") held by Haier Group. According to the Profit Compensation Agreement signed between the Company and Haier Group, the corresponding predictive profits from 2015 to 2018 of Mitsubishi Heavy Industries Haier are RMB90.6612 million, RMB92.8607 million, RMB100.6592 million and RMB108.6862 million, respectively and the corresponding predictive profits from 2015 to 2018 of Haier Carrier are RMB76.047 million, RMB76.0472 million, RMB76.7156 million, and RMB76.984 million respectively. If the net profit after audit in any year of the target companies during the commitment period is lower than the predictive net profit, the differential part will be compensated by Haier Group in the way of 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).

According to the Special Verification Report on the Completion of the Predictive Profit ["Hexin Zhuan Zi (2016) No. 020008" and "Hexin Zhuan Zi (2016) No. 020009"] and Special Statement of Qingdao Haier Co., Ltd on the Completion of the Predictive Profit in 2015 issued by Shandong Hexin Accountants LLP (Special General Partnership), the actual net profit of Mitsubishi Heavy Industries Haier in 2015 was RMB97.7839 million and that of Haier Carrier was RMB87.0247 million. The actual amount of net profit of the target equity companies in 2015 exceeded the predictive profit.

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

☐Applicable ☒Not Applicable

IV. Explanation of the Board of Directors on the "non-standard audit report" issued by the CPA

(I) Explanation of the Board of Directors and Board of Supervisors on the "non-standard audit report" issued by the CPA

☐Applicable ☒Not Applicable

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

☐Applicable ☒Not Applicable

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

☐Applicable ☒Not Applicable

V. Appointment and Dismissal of Accounting Firm

Unit and Currency: RMB0'000

	Current appointment
Name of domestic accounting firm	Shandong Hexin Accountants LLP (Special General Partnership)
Remuneration of domestic accounting firm	400
Audit period of domestic accounting firm	3

	Name	Remuneration
Internal control audit accounting firm	Shandong Hexin Accountants LLP (Special General Partnership)	110
Sponsor	China International Capital Corporation Limited	0

Relevant Information on Remuneration Paid to Sponsor

In July 2014, the Company completed introduction of strategic investor KKR by privately placing of shares. According to relevant agreement between the Company and the Sponsor, namely China International Capital Corporation Limited ("CICC"), the Company paid RMB62,346,900 of underwriting and sponsor expense to CICC. For details, please refer to the Capital Verification Report of Qingdao Haier Co., Ltd. (Hexin Yan Zi (2014) No. 000016) disclosed on 22 July 2014 and other announcements disclosed on the same date. In 2015, the Company's project still in the period under continuous supervision, thus the sponsor has to perform its responsibility of continuous supervision.

Information on Appointment and Dismissal of Accounting Firm

☒Applicable ☐Not Applicable

Shandong Hexin Accountants LLP (Special General Partnership) owns audit qualification in business related to securities and futures. Its service team is equipped with sufficient experience and capability with several years of audit service offered to the Company. The firm sticks to the independent audit principle in conducting its business, and the financial report given by it could accurately, truly and objectively reflect the financial position and operation results of the Company, also could meet the requirements in annual financial and internal control audit work of the Company.

In order to ensure the financial and internal control audit work of the Company for the year of 2015 to be conducted in a smooth and continuous way, in accordance with the Motion on Appointment of Accounting Firm from Qingdao Haier Co., Ltd. considered and approved at the 2014 AGM of the Company, the Company appointed Shandong Hexin Accountants LLP (Special General Partnership) as our audit agency for the financial report and internal control report for the year of 2015, at an equal

service fee as last year. The Company agreed to pay to Shandong Hexin Accountants LLP (Special General Partnership) RMB5.10 million of audit expense (RMB4 million for financial report and RMB1.10 million for internal control report) for last year. During the reporting period, the Company acquired overseas companies and other projects and Shandong Hexin provided audit for the target companies; therefore, the Company paid audit expenses of the project according to agreements.

VI. Risk of suspension of listing

(I) Reasons of suspension of listing and measures adopted by the Company to eliminate the suspension of listing

Not Applicable

VII. Matters relating to bankruptcy and restructuring

☒Applicable ☐Not Applicable

VIII. Material litigation and arbitration matters

☐Applicable ☒Not Applicable

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

√Applicable ☐Not Applicable

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

During the reporting period, the Company and its controlling shareholders and actual controllers failed to perform the effective judgment of the court and failed to pay the relatively large amount of debt overdue.

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

√Applicable ☐Not Applicable

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

Summarized Explanations	Index for details
Reserved Equity Granting under Phase IV Share Option Incentive Scheme: in February 2015, the Company introduced the reserved equity granting under Phase IV Share Option Incentive Scheme to grant 650,000 share options to 7 participants and grant 190,000 restricted shares to 3 participants.	For details, please refer to the Qingdao Haier Co., Ltd.'s Announcement of Relevant Matters in Relation to the Grant of the Reserved Share Options and Restricted Share of the Phase IV Share Option Incentive Scheme published on 27 February 2015, the Announcement of Qingdao Haier Co., Ltd. on the Completion of Registration of Reserved Restricted Shares Granted under the Phase IV Share Option Incentive Scheme published on 9 April and related announcements.
The First Exercise/Unlocking of Initial Granting of Equity under Phase IV Share Option Incentive Scheme: in July 2015, the Board	For details, please refer to the Announcement of Qingdao Haier Co., Ltd. on the Exercise and Unlocking Arrangement of the First Exercise and Unlocking Period of the Equity

of Directors of the Company considered and adopted the first exercise/unlocking of initial granting of equity under Phase IV Share Option Incentive Scheme, with the first exercise of 30.904 million shares in total, and unlocking of 4.8808 million shares.	Granted for the First Time under the Phase IV Share Option Incentive Scheme published on July 18, 2015, the Announcement of Qingdao Haier Co., Ltd. on the Share Option Incentive Exercise Result and New Shares Listing under the Phase IV Share Option Incentive Scheme published on July 30 and related announcements.
--	---

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

Share Option Incentive

√Applicable ☐Not Applicable

Phase IV Share Option Incentive Scheme of Qingdao Haier

Incentive method: Stock Option

Resources of target shares: shares issued to Participants

Unit: Shares

Exercise	Number of options granted	Number of options exercised	Explanation
The first exercise period of the equity granted initially under the Phase IV Share Option Incentive Scheme: 20 June 2015 to 19 June 2016	17,071,600	30,904,000	An aggregate of 42.679 million share options were granted initially and 40% or 17.0716 million shares can be exercised in the first exercise period. Because the Company implemented the profit distribution plan for 2014 in May 2015 (distribute 10 shares per 10 shares and declare a cash dividend of RMB4.92), the number of share options granted was adjusted to 85.358 million shares, and the number of shares to be exercised in the first exercise period was adjusted to 34.1432 million shares. Because some incentive targets were not eligible and the exercise was cancelled, as well as part of the incentive targets suspended the exercise, the actual number of shares exercised was 30.904 million.
The second exercise period of the equity granted initially under the Phase IV Share Option Incentive Scheme: 20 June 2016 to 19 June 2017	25,607,400	0	This exercise has not yet entered the exercise period. An aggregate of 42.679 million share options were granted initially, and 60% or 25.6074 million shares can be exercised in the second exercise period.
The first exercise period of the equity reserved under the Phase IV Share Option Incentive Scheme: 26 February 2016 to 25 February 2017	260,000	0	This exercise has not yet entered the exercise period. An aggregate of 650,000 share options were granted by the reserved equity and 40% or 260,000 shares can be exercised in the first exercise period.

The second exercise period of the equity reserved under the Phase IV Share Option Incentive Scheme: 26 February 2017 to 25 February 2018	390,000	0	This exercise has not yet entered the exercise period. An aggregate of 650,000 share options were granted by the reserved equity and 60% or 390,000 shares can be exercised in the second exercise period.
Change of share capital as a result of the exercise of rights by Participants	During the reporting period, the Company's equity granted initially under the Phase IV Share Option Incentive Scheme was exercised for the first time and an aggregate of 30.904 million shares of stock options were exercised. After this exercise, the share capital of the Company was changed from 6,092,250,268 shares (after the implementation of the 2014 annual dividend distribution program, the Company's share capital was changed from 3,046,125,134 shares to 6,092,250,268 shares) to 6,123,154,268 shares. For more details, please refer to the Announcement of Qingdao Haier Co., Ltd. on the Share Option Incentive Exercise Result and New Shares Listing under the Phase IV Share Option Incentive Scheme disclosed by the Company on 30 July 2015.		
Measurement methods of the fair value of the equity instrument	On each balance sheet date within the vesting period, the services obtained in the current period shall be included in cost or expenses and capital reserve, based on the best estimate of the number of vested equity instruments, at the fair value of the equity instruments on the date of the grant.		
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	As of 31 December 2015, the accumulated amount of the equity-settled share-based payment in the implementation of Phase I-IV Share Option Incentive Scheme - Restricted Stocks of the Company which affected the share capital was RMB307.36 million.		

Phase IV Share Option Incentive Scheme of Qingdao Haier

Incentive method: Restricted Stocks

Resources of target shares: shares issued to Participants

Unit: Shares

Unlock	Number of shares granted	Number of shares unlocked	Explanation
The first unlocking period of the equity granted initially under the Phase IV Share Option Incentive Scheme: 20 June 2015 to 19 June 2016	2,440,400	4,880,800	An aggregate of 6.101 million restricted shares were granted initially and 40% or 2.4404 million shares can be unlocked in the first unlocking period. Because the Company implemented the profit distribution plan for 2014 in May 2015 (distribute 10 shares per 10 shares and declare a cash dividend of RMB4.92), so the number of restricted shares granted was adjusted to 12.2 million shares, and

			the number of shares to be unlocked in the first unlocking period was adjusted to 4.8808 million shares. The actual number of shares unlocked was 4.8808 million shares.
The second unlocking period of the equity granted initially under the Phase IV Share Option Incentive Scheme: 20 June 2016 to 19 June 2017	3,660,600	0	This unlocking has not yet entered the unlocking period. An aggregate of 6.101 million restricted shares were granted initially, and 60% or 3.6606 million shares can be unlocked in the second unlocking period.
The first unlocking period of the equity reserved under the Phase IV Share Option Incentive Scheme: 26 February 2016 to 25 February 2017	76,000	0	This unlocking has not yet entered the unlocking period. An aggregate of 190,000 restricted shares were granted by the reserved equity and 40% or 76,000 shares can be unlocked in the first unlocking period.
The first unlocking period of the equity reserved under the Phase IV Share Option Incentive Scheme: 26 February 2017 to 25 February 2018	114,000	0	This unlocking has not yet entered the unlocking period. An aggregate of 190,000 restricted shares were granted by the reserved equity and 40% or 114,000 shares can be unlocked in the second unlocking period.
Change of share capital as a result of the exercise of rights by Participants	<p>1. During the reporting period, with regard to the Company's equity granted by the reserved portion under the Phase IV Share Option Incentive Scheme, an aggregate of 650,000 share options were granted and 190,000 restricted shares were granted. After the registration and transfer of the aforementioned restricted shares, the share capital of the Company was changed from 3,045,935,134 shares to 3,046,125,134 shares. For more details, please refer to the Announcement of Qingdao Haier Co., Ltd. on the Completion of Registration of Reserved Restricted Shares Granted under the Phase IV Share Option Incentive Scheme disclosed by the Company on 9 April 2015 and related announcement.</p> <p>2. After the first unlocking of restricted shares granted initially under the Phase IV Share Option Incentive Scheme, an aggregate of 4.8808 million shares were unlocked. The number of limited tradable shares and tradable shares of the Company increased or decreased respectively, but the total share capital of the Company did not change.</p>		
Measurement methods of the fair value of the equity instrument	On each balance sheet date within the vesting period, the services obtained in the current period shall be included in cost or expenses and capital reserve, based on the best estimate of the number of vested equity instruments, at the fair value of the equity instruments on the date of the grant.		
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	As of 31 December 2015, the accumulated amount of the equity-settled share-based payment in the implementation of Phase I-IV Share Option Incentive Scheme - Restricted Stocks of the Company which affected the share capital was RMB12 million.		

Employee shareholding plan

☐Applicable ☒Not Applicable

Other incentives

☐Applicable ☒Not Applicable

XII. 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 daily connected transaction matters of the Company for the year of 2015 at the 22th meeting of the 8th session of Board Meeting held on 25 May 2015, and relevant motions were considered and approved at 2014 AGM on 10 June 2015. 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 2015 and relevant announcement on the resolutions of the Board disclosed on 26 May 2015 and the announcement on the resolutions passed at 2014 AGM disclosed by the Company on 11 June 2015.

For the actual implementation of the connected transaction of 2015, please see note XII –Connected Parties and Connected Transactions under section XI - Financial Report set out in this report.

2. Matter not disclosed in temporary announcement

☐Applicable ☒Not Applicable

(II) Connected Transactions Related to Asset or Equity Acquisition and Disposal

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

Summarized Explanations	Index for details
-------------------------	-------------------

<p>Acquisition of overseas white goods assets of the Group: Relevant motions on the acquisition of all shares of Haier Singapore Investment Holding Pte. Ltd held by the subsidiary of Haier Group at a price of RMB4.874 billion in cash were considered and approved at the Board of Directors and general meeting of stockholders in May and June 2015. Upon completion of the acquisition, in addition to assets related to Fisher & Paykel (because it is still in the consolidation and its financial performance has not reached the expectation of the Company), the Company will acquire and own other overseas white goods assets of Haier Group.</p>	<p>For more details, please refer to the Announcement of Qingdao Haier Co., Ltd. on the Acquisition of Shares of Haier Singapore Investment Holding Pte. Ltd and Connected Transactions (L 2015-014), Announcement of Qingdao Haier Co., Ltd. on the Changes of Funding Commitment of Haier Group Corporation (L 2015-015) disclosed on 26 May 2015, Announcement of Qingdao Haier Co., Ltd. on the Resolutions Passed at the AGM for 2015 (L 2015-021) disclosed on 11 June 2015 and other related announcements.</p>
<p>Acquisition of minority interests of Mitsubishi and Carrier: Relevant motions on the acquisition of 49% shares held by Haier Group in Qingdao Haier Carrier Refrigeration Equipment Co., Ltd. and 45% shares in Mitsubishi Heavy Industries Haier (Qingdao) Air-conditioners Company Limited at a price of RMB841 million were considered and approved at the Board of Directors and general meeting of stockholders in December 2015 and January 2016.</p>	<p>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, Announcement of Qingdao Haier Co., Ltd. on the Resolutions Passed at the First EGM in 2016 (L 2016-002) disclosed on 8 January 2016 and other related announcements.</p>

2. Matter not disclosed in temporary announcement

☐Applicable ☒Not Applicable

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

For more details of performance agreement on acquisition of minority interests of Mitsubishi and Carrier, please refer to the relevant statements in “(II) There exists earnings forecasts in the Company’s assets or programs. The reporting period is still in the period of predictive profit. So the Company made explanations for achieving the predictive profit and its reasons on the assets and programs.” in "Section V. Significant Events".

XIII. Major Contracts and Status of Performance**(I) Custody, undertaking and leasing**

☐Applicable ☒Not Applicable

1. Custody

(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. Undertaking

☐Applicable ☒Not Applicable

3. Leasing

☐Applicable ☒Not Applicable

(II) 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 relation
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 and its subsidiaries for subsidiaries													
Total amount of guarantees for subsidiaries occurred during the reporting period						4,764							
Total balance of guarantees for subsidiaries at the end of the reporting period (B)						4,764							
Total amount of guarantees provided by the Company (including guarantees for subsidiaries)													
Total guarantee(A + B)						4,764							

Ratio of total amount of guarantees to net assets of the Company (%)	0.21
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)	0
Total amount of the above three guarantees (C + D + E)	0
Explanation of possibly bearing related discharge duty for premature guarantees	Not applicable
Explanation of guarantee status	During the reporting period, external guarantees provided by the Company were all for subsidiaries. For more details of consideration, please refer to the Announcement of Qingdao Haier Co., Ltd. on the Security Provided by Subsidiary Special Refrigerator for the Company (L 2015-065) and the Announcement of Qingdao Haier Co., Ltd. on the Security Provided by Subsidiary Zhengzhou Air-Conditioner for Subsidiary Air-Conditioner Corporation (L 2015-066) disclosed on 23 December 2015.

(III) Entrusted others to manage cash assets

1. Entrusted wealth management

√Applicable □Not Applicable

Unit and Currency: RMB

Trustee	Type of entrusted wealth management product	Amount of entrusted wealth management	Commencement date of entrusted wealth management	Expiration date of entrusted wealth management	Determination of return	Actual amount of principal received	Actual gains	Through legal proceedings or not	Provision for impairment loss	Connected transaction or not	Involved in litigation or not	Connected relation
Mitsubishi Tokyo UFJ Bank (China) Co., Ltd	Structured deposit	242,400,000	2014/4/6	2015/4/8	Fixed rate of return 4.18%	242,400,000	10,132,320.00	Yes	0	No	No	
Mitsubishi Tokyo UFJ Bank (China) Co., Ltd	Structured deposit	250,000,000	2015/4/24	2016/4/25	Fixed rate of return 4.1%	0	7,048,630.14	Yes	0	No	No	
Total	/	492,400,000	/	/	/	242,400,000	17,180,950.14	/	0	/	/	/
Accumulated past due unrecovered principal and income (RMB)						0						
Explanation of entrusted wealth management						None						

2. Entrusted loans√Applicable ☐Not Applicable

Unit and Currency: RMB

Name of borrower	Amount of entrusted loan	Loan term	Loan interest rate	Use of the loan	Collateral or guarantor	Overdue or not	Connected transaction or not	Whether extension or not	Involved in litigation or not	Connected relation	Investment gains and losses
Qingdao JSH Network Technology Co. Ltd.	10 million	1 year	5.60%	Daily operation	None	No	Yes	No	No	Wholly owned subsidiary of the parent company	
	15 million	1 year	4.85%	Daily operation	None	No	Yes	No	No		
	2 million	1 year	4.60%	Daily operation	None	No	Yes	No	No		

3. Other investment wealth management and derivatives investment

☐Applicable ☒Not Applicable

XIV. Other Major Events

☒Applicable ☐Not applicable

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

Name of Announcement	Name of Newspaper and Page	Date
Qingdao Haier Co., Ltd.'s Announcement of Relevant Matters in Relation to the Grant of the Reserved Share Options and Restricted Share of the Phase IV Share Option Incentive Scheme (L 2015-001)	Securities Times page B030, Shanghai Securities News page B8, China Securities Journal page B017, Securities Daily page C14	27 February 2015
Announcement of Qingdao Haier Co., Ltd. on the Resolution of the 11th Meeting of the Eighth Session of the Board of Supervisors (L 2015-002)	Securities Times page B030, Shanghai Securities News page B8, China Securities Journal page B017, Securities Daily page C14	27 February 2015
Announcement of Qingdao Haier Co., Ltd. regarding the Shareholdings Increase by Persons Acting in Concert to the Beneficial Controller (L 2015-003)	Securities Times page B51, Shanghai Securities News page B32, China Securities Journal page B030, page Securities Daily C25	4 March 2015
Announcement of Qingdao Haier Co., Ltd. regarding the Release of the 2014 Annual Results by the Holding Subsidiary Haier Electronics Group Co., Ltd. (L 2015-004)	Securities Times page B44, Shanghai Securities News page 340, China Securities Journal page A29, Securities Daily page D16	27 March 2015
Announcement of Qingdao Haier Co., Ltd. on the Resolutions Passed at the 20th Meeting of the 8th Session of the Board of Directors (L 2015-005)	Securities Times page B099, Shanghai Securities News page 580, China Securities Journal page B466, Securities Daily page D85	31 March 2015
Announcement of Qingdao Haier Co., Ltd. on the Resolutions Passed at the 12th Meeting of the 8th Session of the Board of Supervisors (L 2015-006)	Securities Times page B099, Shanghai Securities News page 580, China Securities Journal page B466, Securities Daily page D85	31 March 2015
Announcement of Qingdao Haier Co., Ltd. on the Appointment of the Accounting Firm (L 2015-007)	Securities Times page B099, Shanghai Securities News page 580, China Securities Journal page B466, Securities Daily page D85	31 March 2015
Announcement of Qingdao Haier Co., Ltd. regarding the Anticipation on the Renewal of Daily Connected Transactions Agreement and Daily Connected Transactions for 2015 (L 2015-008)	Securities Times B099 page, Shanghai Securities News page 580, China Securities Journal page B466, Securities Daily page D85	31 March 2015
Announcement of Qingdao Haier Co., Ltd. regarding the Modification on the Articles of the Company (L 2015-009)	Securities Times page B099, Shanghai Securities News page 580, China Securities Journal page B466, Securities Daily page D85	31 March 2015
Notice on 2015 AGM of Qingdao Haier Co., Ltd. (L 2015-010)	Securities Times page B099, Shanghai Securities News page 580, China Securities Journal page B466, Securities Daily page D85	31 March 2015
Announcement of Qingdao Haier Co., Ltd. on the Completion of Registration of Reserved Restricted Shares Granted under the Phase IV Share Option Incentive Scheme (L 2015-011)	Securities Times page B042, Shanghai Securities News page B32, China Securities Journal page B032, Securities Daily page D41	9 April 2015
The First Quarter Report for 2015 of Qingdao Haier Co., Ltd.	Securities Times page B050, Shanghai Securities News page 140, China Securities Journal page B069, Securities Daily page C76	30 April 2015
Announcement of Qingdao Haier Co., Ltd. on the Resolutions Passed at the 20th Meeting of the 8th Session of the Board of Directors (L 2015-012)	Securities Times page B62/63, Shanghai Securities News page B25/26, China Securities Journal page B65, Securities Daily page D38/39	26 May 2015

Announcement of Qingdao Haier Co., Ltd. on the Resolutions Passed at the 14th Meeting of the 8th Session of the Board of Directors (L 2015-013)	Securities Times page B62/63, Shanghai Securities News page B25/26, China Securities Journal page B65, Securities Daily page D38/39	26 May 2015
Announcement of Qingdao Haier Co., Ltd. on the Acquisition of Shares of Haier Singapore Investment Holding Pte. Ltd and Connected Transactions (L 2015-014)	Securities Times page B62/63, Shanghai Securities News page B25/26, China Securities Journal page B65, Securities Daily page D38/39	26 May 2015
Announcement of Qingdao Haier Co., Ltd. on the Changes of Funding Commitment (L 2015-015)	Securities Times page B62/63, Shanghai Securities News page B25/26, China Securities Journal page B65, Securities Daily page D38/39	26 May 2015
Announcement of Qingdao Haier Co., Ltd. on the Entrusted Management of Fisher&Paykel Appliances Holdings Limited and Connected Transaction (L 2015-016)	Securities Times page B62/63, Shanghai Securities News page B25/26, China Securities Journal page B65, Securities Daily page D38/39	26 May 2015
Announcement of Qingdao Haier Co., Ltd. on the Capital Increase to Haier (Hong Kong) Co., Ltd. (L 2015-017)	Securities Times page B62/63, Shanghai Securities News page B25/26, China Securities Journal page B65, Securities Daily page D38/39	26 May 2015
Announcement of Qingdao Haier Co., Ltd. regarding the Anticipation on the Renewal of Daily Connected Transactions Agreement and Anticipated Daily Connected Transactions for 2015 (L 2015-018)	Securities Times page B62/63, Shanghai Securities News page B25/26, China Securities Journal page B65, Securities Daily page D38/39	26 May 2015
Announcement of Qingdao Haier Co., Ltd. regarding the Election of Independent Directors (L 2015-019)	Securities Times page B62/63, Shanghai Securities News page B25/26, China Securities Journal page B65, Securities Daily page D38/39	26 May 2015
Announcement of Qingdao Haier Co., Ltd. regarding the Correction and Supplementation of the AGM for 2014 (L 2015-020)	Securities Times page B62/63, Shanghai Securities News page B25/26, China Securities Journal page B65, Securities Daily page D38/39	26 May 2015
Announcement of Qingdao Haier Co., Ltd. on the Resolutions Passed at the AGM for 2014 (L 2015-021)	Securities Times page A012, Shanghai Securities News page B33, China Securities Journal page B031, Securities Daily page B3	11 June 2015
Announcement of Qingdao Haier Co., Ltd. on the Resolutions Passed at the 23th Meeting of the 8th Session of the Board of Directors (L 2015-022)	Securities Times page A012, Shanghai Securities News page B33, China Securities Journal page B031, Securities Daily page B3	11 June 2015
Suggestive Announcement of Qingdao Haier Co., Ltd. on the Subscription of Non-public Offering of Shares by Shenzhen MTC Co., Ltd. (L 2015-023)	Securities Times page B46, Shanghai Securities News page B112, China Securities Journal page B018, Securities Daily page D14	19 June 2015
Announcement of Qingdao Haier Co., Ltd. regarding the Implementation Result of Shareholdings Increase by Persons Acting in Concert to the Beneficial Controller (L 2015-024)	Securities Times page B67, Shanghai Securities News page 40, China Securities Journal page B022, Securities Daily page C8	27 June 2015
Announcement of Qingdao Haier Co., Ltd. on the Implementation of Profit Distribution and Capitalization of Capital Reserves for 2014 (L 2015-025)	Securities Times page B034, Shanghai Securities News page 37, China Securities Journal page B012, Securities Daily page D40	10 July 2015
Announcement of Qingdao Haier Co., Ltd. on the Resolutions Passed at the 24th Meeting of the 8th Session of the Board of Directors (L 2015-026)	Securities Times page B079, Shanghai Securities News page 33, China Securities Journal page B017, Securities Daily page C22	18 July 2015
Announcement of Qingdao Haier Co., Ltd. on the Resolutions Passed at the 15th Meeting of the 8th Session of the Board of Supervisors (L 2015-027)	Securities Times page B079, Shanghai Securities News page 33, China Securities Journal page B017, Securities Daily page C22	18 July 2015
Announcement of Qingdao Haier Co., Ltd. on the Adjustment of the Number of Equity Interests and Price under the Phase IV Share Option Incentive Scheme (L 2015-028)	Securities Times page B079, Shanghai Securities News page 33, China Securities Journal page B017, Securities Daily page C22	18 July 2015

Announcement of Qingdao Haier Co., Ltd. on the Exercise and Unlocking Arrangement of the First Exercise and Unlocking Period of the Equity Granted for the First Time under the Phase IV Share Option Incentive Scheme (L 2015-029)	Securities Times page B079, Shanghai Securities News page 33, China Securities Journal page B017, Securities Daily page C22	18 July 2015
Announcement of Qingdao Haier Co., Ltd. on the Restricted Stock Unlocking and Listing under the Phase IV Share Option Incentive Scheme (L 2015-030)	Securities Times page B079, Shanghai Securities News page 33, China Securities Journal page B017, Securities Daily page C22	18 July 2015
Announcement of Qingdao Haier Co., Ltd. on the Share Option Incentive Exercise Result and New Shares Listing under the Phase IV Share Option Incentive Scheme (L 2015-031)	Securities Times page B019, Shanghai Securities News page 36, China Securities Journal page B029, Securities Daily page B2	30 July 2015
Announcement of Qingdao Haier Co., Ltd. on the Resolutions Passed at the 25th Meeting of the 8th Session of the Board of Directors (L 2015-032)	Securities Times page B18, Shanghai Securities News page 33, China Securities Journal page B030, Securities Daily page C26	8 August 2015
Plan of Qingdao Haier Co., Ltd. on the Repurchase of Shares by Centralized Bidding (L 2015-033)	Securities Times page B18, Shanghai Securities News page 33, China Securities Journal page B030, Securities Daily page C26	8 August 2015
Announcement of Qingdao Haier Co., Ltd. regarding the Modification on the Articles of the Company (L 2015-034)	Securities Times page B18, Shanghai Securities News page 33, China Securities Journal page B030, Securities Daily page C26	8 August 2015
Notice of Qingdao Haier Co., Ltd. on the First EGM in 2015 (L 2015-035)	Securities Times page B18, Shanghai Securities News page 33, China Securities Journal page B030, Securities Daily page C26	8 August 2015
Suggestive Announcement of Qingdao Haier Co., Ltd. on the Adjustment to the Plan of Non-public Offering of Shares by Shenzhen MTC Co., Ltd. (L 2015-036)	Securities Times page B2, Shanghai Securities News page 76, China Securities Journal page A14, Securities Daily page C28	19 August 2015
Announcement of Qingdao Haier Co., Ltd. on the Top 10 Shareholders of Unlimited Sales Conditions (L 2015-037)	Securities Times page B15, Shanghai Securities News page 53, China Securities Journal page B020, Securities Daily page C42	20 August 2015
Notice of Qingdao Haier Co., Ltd. on the Resolutions Passed at the First EGM in 2015 (L 2015-038)	Securities Times page B096, Shanghai Securities News page 92, China Securities Journal page B032, Securities Daily page D62	25 August 2015
Announcement of Qingdao Haier Co., Ltd. on the Notice to the Creditor regarding Repurchase of Company Shares by Centralized Bidding (L 2015-039)	Securities Times page B096, Shanghai Securities News page 92, China Securities Journal page B032, Securities Daily page D62	25 August 2015
Suggestive Announcement of Qingdao Haier Co., Ltd. on the Circulation of 2015 Interim Result by the Subsidiary Haier Electronics Group Co., Ltd. (L 2015-040)	Securities Times page B096, Shanghai Securities News page 92, China Securities Journal page B032, Securities Daily page D62	25 August 2015
Report of Qingdao Haier Co., Ltd. on the Repurchase of Shares by Centralized Bidding (L 2015-041)	Securities Times page B008, Shanghai Securities News page 33, China Securities Journal page B064, Securities Daily page C15	12 September 2015
Announcement of Qingdao Haier Co., Ltd. on the Implementation of Repurchase of Shares for the First Time (L 2015-042)	Securities Times page B4, Shanghai Securities News page B72, China Securities Journal page B030, Securities Daily page D25	15 September 2015
Announcement of Qingdao Haier Co., Ltd. regarding the Online Investor Reception Day in 2015 (L 2015-043)	Securities Times page B023, Shanghai Securities News page B41, China Securities Journal page B035, Securities Daily page D14	17 September 2015
Announcement of Qingdao Haier Co., Ltd. regarding the Signing of License Agreement with Disney (L 2015-044)	Securities Times page B023, Shanghai Securities News page B41, China Securities Journal page B035, Securities Daily page D14	17 September 2015
Suggestive Announcement of Qingdao Haier Co., Ltd. on the Transfer of Controlling Equities in Subsidiaries (L 2015-045)	Securities Times page B39, Shanghai Securities News page 32, China Securities Journal page B023, Securities Daily page C4	8 October 2015
Announcement of Qingdao Haier Co., Ltd. regarding the Progress of Repurchase of Shares (L 2015-046)	Securities Times page B59, Shanghai Securities News page 72, China Securities Journal page B034, Securities Daily page C25	10 October 2015

Announcement of Qingdao Haier Co., Ltd. regarding the Suspension due to Major Issues (L 2015-047)	Securities Times page B39, Shanghai Securities News page 48, China Securities Journal page B030, Securities Daily page C28	17 October 2015
Announcement of Qingdao Haier Co., Ltd. regarding the Continuous Suspension due to Major Issues (L 2015-048)	Securities Times page B003, Shanghai Securities News page 56, China Securities Journal page B275, Securities Daily page C35	24 October 2015
Announcement of Qingdao Haier Co., Ltd. on Replacing of the Sponsor Representative for Continued Supervision regarding 2013 Non-public Offering of A Shares (L 2015-049)	Securities Times page B003, Shanghai Securities News page 56, China Securities Journal page B275, Securities Daily page C35	24 October 2015
Announcement of Qingdao Haier Co., Ltd. regarding the Suspension due to Major Assets Restructuring (L 2015-050)	Securities Times page B217, Shanghai Securities News page 184, China Securities Journal page B210, Securities Daily page C85	31 October 2015
The Third Quarter Report for 2015 of Qingdao Haier Co., Ltd.	Securities Times page B217, Shanghai Securities News page 184, China Securities Journal page B210, Securities Daily page D5	31 October 2015
Announcement of Qingdao Haier Co., Ltd. regarding the Progress of Repurchase of Shares (L 2015-051)	Securities Times page B059, Shanghai Securities News page B24, China Securities Journal page A10, Securities Daily page D6	4 November 2015
Announcement of Qingdao Haier Co., Ltd. regarding the Progress of Major Assets Restructuring (L 2015-052)	Securities Times page B27, Shanghai Securities News page 64, China Securities Journal page B021, Securities Daily page C21	7 November 2015
Announcement of Qingdao Haier Co., Ltd. regarding the Progress of Major Assets Restructuring (L 2015-053)	Securities Times page B038, Shanghai Securities News page 57, China Securities Journal page B013, Securities Daily page C5	14 November 2015
Announcement of Qingdao Haier Co., Ltd. regarding the Progress of Major Assets Restructuring (L 2015-054)	Securities Times page B042, Shanghai Securities News page 41, China Securities Journal page B010, Securities Daily page B4	21 November 2015
Announcement of Qingdao Haier Co., Ltd. regarding the Progress of Major Assets Restructuring (L 2015-055)	Securities Times page B034, Shanghai Securities News page 64, China Securities Journal page B010, Securities Daily page C12	28 November 2015
Announcement of Qingdao Haier Co., Ltd. regarding the Continuous Suspension due to Major Assets Restructuring (L 2015-056)	Securities Times page B047, Shanghai Securities News page B33, China Securities Journal page B026, Securities Daily page D22	2 December 2015
Announcement of Qingdao Haier Co., Ltd. regarding the Progress of Repurchase of Shares (L 2015-057)	Securities Times page B047, Shanghai Securities News page B33, China Securities Journal page B026, Securities Daily page D22	2 December 2015
Announcement of Qingdao Haier Co., Ltd. regarding the Progress of Major Assets Restructuring (L 2015-058)	Securities Times page B051, Shanghai Securities News page B108, China Securities Journal page B015, Securities Daily page C26	9 December 2015
Announcement of Qingdao Haier Co., Ltd. regarding the Progress of Major Assets Restructuring (L 2015-059)	Securities Times page B042, Shanghai Securities News page B88, China Securities Journal page B007, Securities Daily page C35	16 December 2015
Announcement of Qingdao Haier Co., Ltd. on the Resolutions Passed at the 28th Meeting of the 8th Session of the Board of Directors (L 2015-060)	Securities Times page B083, Shanghai Securities News page B25, China Securities Journal page B058, Securities Daily page C33/C34	23 December 2015
Announcement of Qingdao Haier Co., Ltd. on the Resolutions Passed at the 18th Meeting of the 8th Session of the Board of Supervisors (L 2015-061)	Securities Times page B083, Shanghai Securities News page B25, China Securities Journal page B058, Securities Daily page C33/C34	23 December 2015
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)	Securities Times page B083, Shanghai Securities News page B25, China Securities Journal page B058, Securities Daily page C33/C34	23 December 2015
Announcement of Qingdao Haier Co., Ltd. on the Changes of Funding Commitment of Haier Group Corporation (L 2015-063)	Securities Times page B083, Shanghai Securities News page B25, China Securities Journal page B058, Securities Daily page C33/C34	23 December 2015

Announcement of Qingdao Haier Co., Ltd. on the Entrusted Management of Qingdao Haier Photoelectric Co., Ltd. (L 2015-064)	Securities Times page B083, Shanghai Securities News page B25, China Securities Journal page B058, Securities Daily page C33/C34	23 December 2015
Announcement of Qingdao Haier Co., Ltd. on the Security Provided by Subsidiary Special Refrigerator for the Company (L 2015-065)	Securities Times page B083, Shanghai Securities News page B25, China Securities Journal page B058, Securities Daily page C33/C34	23 December 2015
Announcement of Qingdao Haier Co., Ltd. on the Security Provided by Subsidiary Zhengzhou Air-Conditioner for Subsidiary Air-Conditioner Corporation (L 2015-066)	Securities Times page B083, Shanghai Securities News page B25, China Securities Journal page B058, Securities Daily page C33/C34	23 December 2015
Notice of Qingdao Haier Co., Ltd. on the First EGM in 2016 (L 2015-067)	Securities Times page B083, Shanghai Securities News page B25, China Securities Journal page B058, Securities Daily page C33/C34	23 December 2015
Announcement of Qingdao Haier Co., Ltd. regarding the Progress of Major Assets Restructuring (L 2015-068)	Securities Times page B083, Shanghai Securities News page B25, China Securities Journal page B058, Securities Daily page C33/C34	23 December 2015
Announcement of Qingdao Haier Co., Ltd. regarding the Progress of Major Assets Restructuring (L 2015-069)	Securities Times page B097, Shanghai Securities News page 52, China Securities Journal page B044, Securities Daily page C27	30 December 2015
Announcement of Qingdao Haier Co., Ltd. regarding the Continuous Suspension due to Major Assets Restructuring (L 2015-070)	Securities Times page B051, Shanghai Securities News page 116, China Securities Journal page B055, Securities Daily page D33	31 December 2015

XV. Proactive Performance of Social Responsibilities

(I) Performance of social responsibilities

Details are set out in the Social Responsibility Report of Qingdao Haier Co., Ltd. for 2015 disclosed on the same date with this report.

XVI. Convertible corporation bonds

☐Applicable ☒Not Applicable

SECTION VI CHANGES IN SHARE CAPITAL OF ORDINARY SHARES AND INFORMATION ABOUT SHAREHOLDERS

I. CHANGES IN SHARE CAPITAL OF ORDINARY SHARES

(I) Table of Changes in Ordinary Shares

1. Table of Changes in Ordinary Shares

Unit: share

	Prior to the change		Increase and decrease of the change (+, -)					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	309,093,994	10.148	190,000		309,283,994	-4,880,800	304,593,194	613,687,188	10.022
1. State-owned shares									
2. State-owned legal person shares									
3. Other domestic shares	6,101,000	0.200	190,000		6,291,000	-4,880,800	1,600,200	7,701,200	0.126
Including: shares held by domestic non- state-owned legal person									
Shares held by domestic natural person	6,101,000	0.200	190,000		6,291,000	-4,880,800	1,600,200	7,701,200	0.126
4. Foreign shares	302,992,994	9.947			302,992,994		302,992,994	605,985,988	9.897
Including: shares held by foreign legal person	302,992,994	9.947			302,992,994		302,992,994	605,985,988	9.897
Shares held by foreign natural person									
II. Tradable shares not subject to selling restrictions	2,736,841,140	89.852	30,904,000		2,736,841,140	4,880,800	2,772,625,940	5,509,467,080	89.978
1. RMB ordinary shares	2,736,841,140	89.852	30,904,000		2,736,841,140	4,880,800	2,772,625,940	5,509,467,080	89.978
2. Domestic listed foreign shares									
3. Overseas listed foreign shares									
4. Others									
III. Total ordinary shares	3,045,935,134	100.000	31,094,000		3,046,125,134	0	3,077,219,134	6,123,154,268	100.000

2. Statement on the changes in ordinary shares

(1) Restricted shares granted by the reserved portion under the Phase IV Share Option Incentive Scheme: on 26 February 2015, the 19th meeting of the 8th session of the Board of Directors considered and adopted the Motion on Granting of Share Options and Restricted Share in the Reserved Portion of the Phase IV Share Option Incentive Scheme to Incentive Targets to determine 26 February 2015 as the date of granting of share options and restricted share in the reserved portion of the Phase IV Share Option Incentive Scheme, and grant 650,000 share options to 7 incentive targets and 190,000 restricted shares to 3 incentive targets. On 18 March 2015, Shandong Hexin Accountants LLP (Special General Partnership) issued the Hexin Yan Zi (2015) No. 000012 Verification Report. On 8 April 2015, the Company has completed the granting and registration of above 190,000 shares of restricted stocks and the total share capital of the Company was changed from 3,045,935,134 shares to 3,046,125,134 shares. For more details, please refer to the Announcement of Qingdao Haier Co., Ltd. on the Completion of Registration of Reserved Restricted Shares Granted under the Phase IV Share Option Incentive Scheme (L 2015-011) published on the website of the Shanghai Stock Exchange on 9 April 2015.

(2) Implementation of 2014 annual profit distribution plan: in June 2015, the Company's 2014 Annual General Meeting adopted the Company's plan of 2014 annual profit distribution and capitalization of capital reserves: on the basis of 3,046,125,134 shares, the Company will declare cash dividend of RMB4.92 (including taxes) for every 10 shares and increase 10 shares for every 10 shares by way of capitalization of capital reserves. In July 2015, the Company implemented the profit distribution plan and the total share capital of the Company was changed from 3,046,125,134 shares to 6,092,250,268 shares. The increased shares will be traded in the market on 17 July 2015. For more details of the implementation of profit distribution plan, please refer to the Announcement of Qingdao Haier Co., Ltd. on the Implementation of Profit Distribution and Capitalization of Capital Reserves for 2014 (L 2015-025) published in four securities journals and the Shanghai Stock Exchange website (www.sse.com.cn) on 10 July 2015.

(3) Listing of restricted shares under the Share Option Incentive Scheme: in July 2015, the 24th meeting of the 8th session of the Board of Directors considered and adopted the Motion on the Exercise/ Unlocking Arrangement for Equity Initially Granted under Phase IV Share Option Incentive Scheme during the First Exercise/ Unlocking Period. According to the arrangement, an aggregate of 4.8808 million shares of restricted stocks initially granted under Phase IV Share Option Incentive Scheme will be unlocked during the first unlocking period and the listing date of the unlock shares is 23 July 2015. This unlocking had an impact on the number of tradable shares in the share capital structure and the total number of 6,092,250,268 shares of the Company remained unchanged. For details of the listing of restricted shares, please refer to the Announcement of Qingdao Haier Co., Ltd. on the Restricted Stock Unlocking and Listing under the Phase IV Share

Option Incentive Scheme (L 2015-030) published in the four major securities newspapers and the Shanghai Stock Exchange website (www.sse.com.cn) on 18 July 2015.

(4) Listing of exercised shares under the Share Option Incentive Scheme: in July 2015, the 24th meeting of the 8th session of the Board of Directors considered and adopted the Motion on the Exercise/ Unlocking Arrangement for Equity Initially Granted under Phase IV Share Option Incentive Scheme during the First Exercise/ Unlocking Period. According to the arrangement, an aggregate of 31.04 million share options initially granted under Phase IV Share Option Incentive Scheme will be exercised during the first exercise period. According to the results of the exercise, 30.904 million shares were actually exercised; the total share capital of the Company changed from 6,092,250,268 shares to 6,123,154,268 shares, and the listing date of the exercised shares is 5 August 2015. For details of the results of the share option incentive exercise, please refer to the Announcement of Qingdao Haier Co., Ltd. on the Share Option Incentive Exercise Result and New Shares Listing under the Phase IV Share Option Incentive Scheme (L 2015-031) published in the four major securities newspapers and the Shanghai Stock Exchange website (www.sse.com.cn) on 30 July 2015.

3. Other contents which the Company deems necessary to disclose or securities regulatory institution requires to disclose

In February 2016, the Company canceled 18,050,341 shares repurchased by way of concentrated bidding. Therefore, up to know, the share capital of the Company has changed to 6,105,103,927 shares.

(II) Changes in shares subject to selling restrictions

√Applicable □ Not Applicable

Unit: share

Name of shareholder	Number of shares subject to selling restrictions at the beginning of the year	Number of shares released from selling restrictions in the year	Number of new shares subject to selling restrictions in the year	Number of shares subject to selling restrictions at the end of the year	Reasons for selling restrictions	Date of release from selling restrictions
KKR HOME INVESTMENT S.A R.L.	302,992,994		302,992,994	605,985,988	Strategic investment	17 July 2017
Natural person shareholders (target for the first grant and retained part of the fourth share option incentive of the Company)	2,440,400	4,880,800	2,440,400	0	Share Option Incentive Shares subject to restrictions	23 July 2015
	3,660,600	0	3,660,600	7,321,200		20 June 2016
	0		152,000	152,000		26 February 2016
	0		228,000	228,000		26 February 2017
Total	309,093,994	4,880,800	309,473,994	613,687,188	/	/

Notes:

(1) Because the Company implemented the profit distribution plan for 2014 (distribute 10 shares per 10 shares and declare a cash dividend of RMB4.92), the number of non-tradable shares of the Company increased to 618,187,988 shares from 309,093,994 shares in the beginning of the year. For details of implementation of the profit distribution plan, please refer to the Announcement of Qingdao Haier Co., Ltd. on the Implementation of Profit Distribution and Conversion of Provident Funds to Share Capital for 2014 (L 2015-025) published in the four major securities newspapers and the Shanghai Stock Exchange website (www.sse.com.cn) on 10 July 2015.

(2) Since the conditions of the first unlocking of restricted stocks initially granted under Phase IV Share Option Incentive Scheme were fulfilled, the Company handled the unlocking and listing procedures for a total of 4.8808 million shares (there were 2.4404 million shares actually at the beginning of the year; because the Company implemented 2014 annual profit distribution plan, the number of shares was adjusted to 4.8808 million shares) of restricted stocks in July 2015. For details, please refer to the Announcement of Qingdao Haier Co., Ltd. on the Restricted Stock Unlocking and Listing under the Phase IV Share Option Incentive Scheme (L 2015-030) published in the four major securities newspapers and the Shanghai Stock Exchange website (www.sse.com.cn) on 18 July 2015.

II. ISSUE AND LISTING OF SECURITIES

(I) Issuance of securities as of the reporting period

Unit: 0'000 shares Currency: RMB

Type of shares and its derivative securities	Date of issue	Issue price (or interest rate)	Issue number	Date of listing	Number of shares under listing approval	Date of termination
Ordinary shares						
RMB ordinary shares- exercise of share option under the Share Option Incentive Scheme	2013-01-10	5.07	718.44	2013-01-18	718.44	
	2013-01-11	10.94	359.76	2013-01-18	359.76	
	2013-12-06	4.70	971.04	2013-12-13	971.04	
	2013-12-06	10.57	361.8	2013-12-13	361.8	
	2013-12-06	10.82	1,159.8	2013-12-13	1,159.8	
RMB ordinary shares- grant of restricted shares under the Share Option Incentive Scheme	2014-07-07	7.73	244.04	2015-06-20	488.08	
	2014-07-07	7.73	366.06	2016-06-20	/	
Non Public Issuance of RMB ordinary shares	2014-07-17	10.83	30,299.3	2017-07-17	/	
RMB ordinary shares- exercise of share option and grant of restricted shares under the Share Option Incentive Scheme	2014-11-25	10.11	477.92	2014-12-02	477.92	
	2014-11-25	10.36	1,122.6	2014-12-02	1,122.6	
	2015-04-08	10.06	19	2015-8-5	/	
	2015-07-28	8.07	3,090.4	2015-8-5	3,090.4	

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

(1) In December 2012, the conditions for the third exercise period of Phase I Share Option Incentive Scheme and first exercise period of Phase II Share Option Incentive Scheme of the Company have been fulfilled. On 10 and 11 January 2013, the Company directionally issued additional 7,184,400 and 3,597,600 RMB ordinary shares to determined and qualified participates of Phase I and Phase II Share Option Incentive Scheme respectively at a price of RMB5.07 per share and RMB10.94 per share, respectively. The aggregate 10,782,000 shares above mentioned were listed on 18 January 2013. For details, please refer to Announcement on the Exercise Arrangement for the Third Exercise period of Phase I Share Option Incentive Scheme by the Board of Qingdao Haier Co., Ltd. (L 2012-030), Announcement on the Exercise Arrangement for the First Exercise period of Phase II Share Option Incentive Scheme by the Board of Qingdao Haier Co., Ltd. (L 2012-031) and Announcement on the Results of the Third Exercise period of Phase I Share Option Incentive Scheme and the First Exercise period of the Phase II Share Option Incentive Scheme by Qingdao Haier Co., Ltd. and Listing of New Shares (L 2013-001) published by the Company on the four major securities newspapers and the website of Shanghai Stock Exchange (www.sse.com.cn) on 25 December 2012 and 15 January 2013, respectively.

(2) In November 2013, the conditions for the fourth exercise period of Phase I Share Option Incentive Scheme, the second exercise period of Phase II Share Option Incentive Scheme and the first exercise period of Phase III Share Option Incentive Scheme of the Company have been fulfilled. On 6 December 2013, the Company directionally issued additional 9,710,400, 3,618,000 and 11,598,000 RMB ordinary shares to determined and qualified participates of Phase I, Phase II and Phase III Share Option Incentive Scheme, respectively at a price of RMB4.70 per share, RMB10.57 per share and RMB10.82 per share. The aggregate 24,926,400 shares above mentioned were listed on 13 December 2013. For details, please refer to Announcement on the Exercise Arrangement for the Fourth Exercise period of Phase I Share Option Incentive Scheme by the Board of Qingdao Haier Co., Ltd. (L 2013-034), Announcement on the Exercise Arrangement for the Second Exercise period of Phase II Share Option Incentive Scheme by the Board of Qingdao Haier Co., Ltd. (L 2013-035) and Announcement on the Exercise Arrangement for the First Exercise period of Phase III Share Option Incentive Scheme by the Board of Qingdao Haier Co., Ltd. (L 2013-036) and the Announcement on the Exercise Result for the share Option Incentive Scheme and the Listing of Additional shares of Qingdao Haier Co., Ltd. (L 2013-039) published by the Company on the four major securities newspapers and the website of Shanghai Stock Exchange (www.sse.com.cn) on 21 November 2013 and 10 December 2013, respectively.

(3) In April 2014, the Company introduced Phase IV Share Option Incentive Scheme. The Scheme involves 54,560,000 options, of which, 49,110,000 options (including 42,879,000 share options and 6,231,000 restricted shares) were granted under the first grant and 5,450,000 options (including 4,761,000 share options and 689,000 restricted shares) were reserved shares. After no objection filing

with the CSRC and the approval of the Scheme at a general meeting of the Company, the Board determined the date of the First Grant was 20 June 2014 and 48,780,000 options (including 42,679,000 share options at the exercise price of RMB16.63 per share; and 6,101,000 restricted shares at the grant price of RMB7.73 per share) were granted to scheme participants (adjusted after one participant left the Company) under the first grant. The registration of transfer of the abovementioned restricted shares was completed on 7 July 2014. For details, please refer to the Announcement of Completion of Registration of Restricted Shares Granted under the Phase IV Share Option Incentive Scheme of Qingdao Haier Co., Ltd. (L 2014-038) published by the Company on the four major securities newspapers and the website of Shanghai Stock Exchange (www.sse.com.cn) on 8 July 2014.

(4) In September 2013, the Company induced a proposal on the introduction of the strategic investor through non-public issue, proposing to issue not more than 305 million additional A shares to KKR (Luxembourg) with proceeds of not more than RMB3.447 billion. After obtaining approval of the proposal from the general meeting of the Company, Ministry of Commerce and CSRC, the Board of the Company conducted relevant share transfer procedures in July 2014 and determined 302,992,994 shares to be issued at the issue price of RMB10.83 per share. The listing of the relevant share will be effective on 17 July 2017. For details, please refer to Announcement on Results of Non-public Issuance of Shares and Change in Share Capital of Qingdao Haier Co., Ltd. (L 2014-041) published by the Company on the four major securities newspapers and the website of Shanghai Stock Exchange (www.sse.com.cn) on 22 July 2014.

(5) In November 2014, the conditions for the third exercise period of Phase II Share Option Incentive Scheme and the second exercise period of Phase III Share Option Incentive Scheme of the Company have been fulfilled. On 25 November 2014, the Company directionally issued additional 4,779,200 and 11,226,000 RMB ordinary shares to determined and qualified participates of Phase II and Phase III Shares Option Incentive Scheme at a price of RMB10.11 per share and RMB10.36 per share. The listing of the aggregate 16,005,200 shares was effective on 2 December 2014. For the details, please refer to the Announcement on the Exercise Arrangement for the Third Exercise period of Phase II Share Option Incentive Scheme by the Board of Qingdao Haier Co., Ltd. (L 2014-064), the Announcement on the Exercise Arrangement for the Second Exercise period of Phase III Share Option Incentive Scheme by the Board of Qingdao Haier Co., Ltd. (L 2014-065) and the Announcement on the Exercise Result for the Share Option Incentive Scheme and the Listing of Additional Shares of Qingdao Haier Co., Ltd. (L 2014-067) published by the Company on the four major securities newspapers and the website of Shanghai Stock Exchange (www.sse.com.cn) on 12 November 2014 and 27 November 2014, respectively.

(6) In February 2015, in the Company's equity granted by the reserved portion under the Phase IV Share Option Incentive Scheme, an aggregate of 650,000 share options were granted, with the exercise price of RMB20.44/share; and 190,000 restricted shares were granted, with the granting price of RMB10.06/share. The Board of Directors considered that the granting/authorizing date was determined on 26 February 2015. Registration and transfer issues of the said restricted stocks have been completed

on 8 April 2015. For details, please refer to the Announcement of Qingdao Haier Co., Ltd. on the Completion of Registration of Reserved Restricted Shares Granted under the Phase IV Share Option Incentive Scheme (L 2015-011) published in the four major securities newspapers and the Shanghai Stock Exchange website (www.sse.com.cn) on 9 April 2015.

(7) In July 2015, the conditions of the first exercise/unlocking of equity initially granted under Phase IV Share Option Incentive Scheme were fulfilled. The Company determined the first exercise of equity initially granted under Phase IV Share Option Incentive Scheme on 28 July 2015 and assessed the qualified incentive object to make private placement of RMB ordinary shares of 30.904 million shares at a price of RMB8.07/share. The above shares were listed on 5 August 2015. For details, please refer to the Announcement of Qingdao Haier Co., Ltd. on the Share Option Incentive Exercise Result and New Shares Listing under the Phase IV Share Option Incentive Scheme (L 2015-031) published in the four major securities newspapers and the Shanghai Stock Exchange website (www.sse.com.cn) on July 30, 2015.

(II) Changes in total number of shares and shareholding structure and changes in the assets and liabilities structure of the Company

1) On 8 April 2015, the Company granted restricted shares involved under Phase IV Share Option Incentive Scheme, and the total number of shares of the Company changed from 3,045,935,134 shares to 3,046,125,134 shares;

2) On 17 July 2015, with the implementation of the annual bonus plan of the Company in 2014 (10 shares for every 10 shares and with a dividend of RMB4.92), the total number of shares of the Company changed from 3,046,125,134 shares to 6,092,250,268 shares;

3) On 5 August 2015, the first exercise of Phase IV Share Option Incentive Scheme of the Company was completed, and the total number of shares of the Company changed from 6,092,250,268 shares to 6,123,154,268 shares;

In summary, during the reporting period, the capital of the Company changed from 3,045,935,134 shares at the beginning of the period to 6,123,154,268 shares at the end of the period.

III. Shareholder and the ultimate controller

(I) Total number of shareholders

Total number of ordinary shareholders up to the end of the reporting period	213,207
Total number of ordinary shareholders as at the end of the last month prior to the disclosure day of the annual report	214,152

(II) Table of shareholdings of top ten shareholders, top ten circulation shareholders (or the 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)	Increasing/decreasing during the reporting	Number of shares held at the end of the period	Percent age (%)	Number of shares held subject	Status of shares pledged or frozen	Nature of shareholder

	period			to selling restriction s	Status	Number	
Haier Electric Appliances International Co., Ltd.		1,258,684,824	20.56		Nil		Domes tic non- state-o wned legal person
Haier Group Corporation		1,072,610,764	17.52		Nil		Domes tic non-sta te-own ed legal person
KKR HOME INVESTMENT S.A R.L.		605,985,988	9.90	605,985,988	Nil		Foreig n legal person
Hong Kong Securities Clearing Co., Ltd.		340,928,012	5.57		Unknow n		Unkno wn
China Securities Finance Corporation Limited		173,837,311	2.84		Unknow n		Unkno wn
Qingdao Haier Venture & Investment Information Co., Ltd.		160,597,760	2.62		Nil		Domes tic non-sta te-own ed legal person
Central Huijin Asset Management Ltd.		69,539,900	1.14		Unknow n		Unkno wn
China Life Insurance Company Limited — dividend — personal dividend — 005L — FH002 Hu		54,910,696	0.90		Unknow n		Unkno wn
Industrial & Commercial Bank of China Limited — China Southern Consumption Vitality Flexible Allocation Hybrid Initiated Securities Investment Fund		37,864,701	0.62		Unknow n		Unkno wn

China Life Insurance Company Limited—traditional—general insurance products — 005L — CT001 Hu		36,136,934	0.59		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					
Haier Group Corporation	1,072,610,764	RMB ordinary shares					
Hong Kong Securities Clearing Co., Ltd.	340,928,012	RMB ordinary shares					
China Securities Finance Corporation Limited	173,837,311	RMB ordinary shares					
Qingdao Haier Venture & Investment Information Co., Ltd.	160,597,760	RMB ordinary shares					
Central Huijin Asset Management Ltd.	69,539,900	RMB ordinary shares					
China Life Insurance Company Limited—dividend—personal dividend—005L—FH002 Hu	54,910,696	RMB ordinary shares					
Industrial & Commercial Bank of China Limited—China Southern Consumption Vitality Flexible Allocation Hybrid Initiated Securities Investment Fund	37,864,701	RMB ordinary shares					
China Life Insurance Company Limited—traditional—general insurance products—005L—CT001 Hu	36,136,934	RMB ordinary shares					
National social security fund, Portfolio 104	36,000,000	RMB ordinary shares					
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. is a party acting in concert with Haier Group Corporation; (2) Both the general insurance products and personal dividend of China Life are managed by China Life; (3) The Company is not aware of the existence of any connections of other shareholders.						
Explanation of preferential shareholders with restoration of voting rights and their shareholdings	Nil						

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	Listing status of shares subject to selling restrictions	Selling restriction
-----	---	-----------------------	--	---------------------

		subject to selling restrictions	Eligible listing time	Number of additional shares to be listed	ns
1	KKR HOME INVESTMENT S.A R.L.	605,985,988	17 July 2017	0	A lock-up period of three years
2	Objects of the firstly granted and reserved portion of the Phase IV Share Option Incentive Scheme	7,321,200	20 June 2016	0	Unlock dependin g on the performa nce and evaluatio n results of the Company
3		152,000	26 February 2016	0	
4		228,000	26 February 2017	0	
Connections or parties acting in concert among the aforesaid shareholders		None			

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

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 in the announcement regarding the Private Issuance of A-share of Qingdao Haier Co., Ltd. (L 2013-023) of the Company dated 8 October 2013.	

IV. Controlling shareholder and the ultimate controller

(I) Status of controlling shareholder

1 Legal person

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

2 The ownership and controlling relationship between the Company and its controlling shareholder

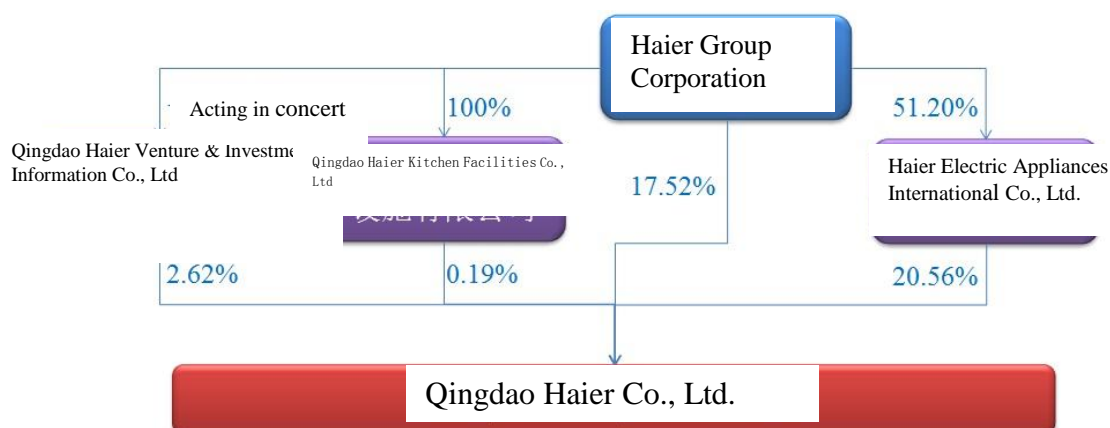


(II) Status of the ultimate controller

1 Legal person

Name	Haier Group Corporation
The person in charge of the Company or legal representative	Zhang Ruimin
Establishment date	1980-03-24
Principal operations	Manufacturing of home appliances, digital products, communication equipment, electronic computers and accessories, ordinary machineries, kitchen utensils and industrial use robots; domestic commercial wholesale distribution and retail sale (excluding those operated exclusively by the State, which are dangerous and limited by the State); the import and export business (please refer to Foreign Trade Enterprise Validation Certificate for details).

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



(III) Other information about the controlling shareholder and the ultimate controllers

Haier Group Corporation was registered as a joint venture in industrial and commercial registration. Pursuant to a statement issued by Qingdao State-Owned Assets Administration Office on 1 June 2002, Haier Group Corporation is a collectively-owned enterprise.

V. Other corporation shareholders holding more than 10% of the Company's shares

Unit and Currency: RMB

Name of corporation shareholder	The person in charge of the Company or legal representative	Date of incorporation	Organization code	Registered capital	Principle operations and management activities
KKR Home Investment S.à.r.l.	William J. Janetschek and other person	3 September 2013	/	US\$18,000	Investment and investment management business
Note	KKR Home Investment S.à.r.l. is a project company incorporated in Luxembourg under the international practice exclusively for strategic investment in the Company, and a wholly-owned subsidiary of KKR China Growth Fund L.P..				

VI. EXPLANATION OF RESTRICTION ON REDUCED SHAREHOLDING
☐ Applicable ☒ Not Applicable

SECTION VII THE RELEVANT INFORMATION OF PREFERRED SHARES

☐Applicable ☒ Not Applicable

SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

I. Changes of Shareholding and Remuneration

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

√Applicable □Not applicable

Unit: share

Name	Position (note)	Gender	Age	Appointment date	End date of appointment	Shareholdings at the beginning of the year	Shareholdings at the end of the year	Increase/decrease in shares for the year	Reason for increase/decrease	Total remuneration received from the Company during the reporting period (RMB0'000) (before tax)	Whether receive remuneration from the Company's related party
Liang Haishan	President , general manager	male	50	2013-04-19	2016-04-19	5,489,920	12,779,840	7,289,920	Option exercise under	167	No
Tan Li Xia	Vice president	female	46	2013-04-19	2016-04-19	2,571,680	6,203,360	3,631,680	Phase IV Share	No receipt of remuneration from the Company	Yes
Wang Xiaonan	Director	female	53	2013-04-19	2016-04-19	148,000	473,600	325,600	Option Incentive Scheme and implement of bonus scheme of the Company		Yes
Peng Jianfeng	Director	male	55	2013-04-19	2016-04-19					20	No

Wu Changqi	Director	male	61	2013-04-19	2016-04-19					20	No
Zhou Hongbo	Director	male	54	2013-04-19	2016-04-19					20	No
Liu Haifeng David	Director	male	46	2013-09-29	2016-04-19					0	No
Liu Feng	Independent director	male	50	2013-04-19	2016-06-09					14.2	No
Wu Cheng	Independent director	male	76	2013-04-19	2016-04-19					20	No
Dai Deming	Independent director	male	54	2015-06-10	2016-04-19					7.5	No
Shi Tiantao	Independent director	male	54	2014-05-20	2016-04-19					20	No
Timothy Yung Cheng Chen	Independent director	male	60	2014-09-29	2016-04-19					20	No
Wang Peihua	Chairman of the supervisory committee	male	59	2013-04-19	2016-04-19					No receipt of remuneration from the Company	Yes
Ming Guoqing	Supervisor	male	56	2013-04-19	2016-04-19						Yes
Wang Yuqing	Supervisor	female	41	2013-04-19	2016-04-19					13.8	No
Gong Wei	Chief financial officer, vice general manager	male	43	2013-04-19	2016-04-19	700,000	1,568,000	868,000	Option exercise under Phase IV Share Option Incentive Scheme and	55	No

									implement ation of bonus scheme of the Company		
Ming Guozhen	Secretary to the board of directors, vice general manager	female	52	2013-04-19	2016-04-19	670,000	1,006,000	336,000	implement ation of bonus scheme of the Company and reduction in the secondary market	55	No
Total	/	/	/	/	/	9,579,600	22,030,800	12,451,200	/	432.5	/

Name	work experience
Liang Haishan	Male, born in 1966, is a senior engineer. He has served as director of enterprise management office of Qingdao Refrigerator General Factory, head of the quality department of Qingdao Haier Refrigerator Co., Ltd., director of personnel department of certification center of Haier Group Corporation, general manager and party secretary of Qingdao Haier Air Conditioner Gen Corp., Ltd, head and party secretary of Haier logistics department, senior vice president of Haier Group, executive vice president of Haier Group. He is Vice President of Haier Group and the chairman and general manager of 8th session of the Board of Qingdao Haier Co., Ltd. and was awarded Shandong Province Outstanding Contribution Leader of Light Industry of the “Eleventh Five-year Plan” and Senior Expert of Qingdao in 2011; National May 1st Labor Medal, Outstanding Leadership Award of the National Light Industry Enterprise Information, Top 10 Leaders in China Strategic Emerging Industries in 2012; Prize of Technology Advancement for China Household Appliances, First Prize Award of Science and Technology Progress of China National Light Industry Council in 2013.
Tan Li Xia	Female, born in 1970, has served as assistant director and general manager assistant of Haier Air Conditioning Electronics Import and Export Company, the head, deputy director, director of department of overseas market development of Haier Group, and head of department of financial management of Haier

	Group; currently serves as the vice executive president of Haier Group, chief financial officer of the Group, the vice president of the 8th session of the Board of Qingdao Haier Co., Ltd.. In recent years, she was awarded various titles, such as Model Worker of Shandong Province, Outstanding Entrepreneur of the State, "March 8 Red-Banner Holders of the State ", PRC CFO of the Year, China Top Ten Women in Economic Area, China Top Ten Brand Female and so on.
Wang Xiaonan	Female, born in 1963, has served as the director of human resources of Orica China region, director of human resources of Orica North Asia region. Currently is the vice president of Haier Group, director of the 8th session of the Board of Qingdao Haier Co., Ltd. She has abundant theoretical knowledge and practical experiences in human resources management and human capital strategic management such as corporate restructuring, acquisition, M&A. She has been awarded the “Annual Character Awards for the First Humanism China of the China Human Resource Development Association”, “HR Team Innovation Award”, “HR Team Innovation Awards” and “Ten Best Practices Awards for China HR Management”, “Best Organizational Reform of the Year” and “Best HR Team of the Year” for the near three years.
Peng Jianfeng	Male, born in 1961, professor and tutor of doctorate students of School of Labor and Human Resources of Renmin University of China, president of China Stone Management Consulting Group, vice chairman of China Human Resource Development Association, vice director of Management Consulting Committee of China Enterprise Confederation, director of the 8th session of the Board of Qingdao Haier Co., Ltd.. He once was the deputy dean of School of Labor and Human Resources of Renmin University of China.
Wu Changqi	Male, born in 1955, professor and tutor of doctorate students of department of Strategic Management of Guanghua School of Management of Peking University. He graduated from Shandong University in 1982 with a bachelor degree in economics. He graduated from Katholieke Universiteit Leuven in Belgium in 1990, with a MBA degree and a doctorate degree in applied economics successively. He was an assistant professor and associate professor of Department of Economics of School of Business and Management of The Hong Kong University of Science and Technology, professor and director of Department of Strategic Management of Guanghua School of Management of Peking University, deputy dean of Guanghua School of Management, Peking University, Director of EMBA degree programme center and so on. Currently he is the president of the National Hi-Tech Industrial Development Zone Strategy Research Institute of Peking University and president of The Guanghua Leadership Institute (in collaboration with CISCO), director of the 8th session of the Board of Qingdao Haier Co., Ltd.
Zhou Hongbo	Male, born in 1962, general manager of UbiLink, member of the board of directors of Beijing Hanbang Technology Co., Ltd., member of SandHillAngels in America, partner of venture capital funds in WingPlus, America; he was once the general manager of Beiqi iFoton Co., Ltd. , chief software specialist of Tsinghua Tongfang, senior engineer / manager of research and development of IBM / BEA and other companies in the United States, postdoctoral researcher

	of Oak Ridge National Laboratory of America etc.; member of Committee of Experts of IOT and System Integration of The Chinese Institute of Electronics and so on; distinguished expert of Beijing and other municipal government; part-time professor of Beijing Jiaotong University, University of Electronic Science and Technology of China, Beihang University and other colleges; member of experts and advisors of many domestic and foreign consultation bodies; one of the nine global IOT experts interviewed by the internationally renowned magazine "Economist". He is currently a director of the 8th session of the Board of Qingdao Haier Co., Ltd..
Liu Haifeng David	Male, born in 1970, KKR global partner, co-head of KKR Asian Private Equity Investment and president of Greater China Region, and member of KKR's Asian Private Equity Investment Committee, Asia Portfolio Management Committee and China Growth Fund Investment Committee. He once served as the managing director of Morgan Stanley and co-head of the Direct Investment Department of Morgan Stanley Asia. In years of direct investment career, he achieved an excellent long-term investment performance, he was responsible for and led a number of successful and pioneering direct investment projects in the Greater China region, such as: China Mengniu Dairy, Ping An Insurance, Qingdao Haier, Belle International, Far East Horizon, Nanfu Battery, China Modern Dairy, United Envirotech Ltd., China Cord Blood Corporation, Yongle Household Appliances, Hengan International, Shanshui Cement, Rundong Auto, Sunner Development, 58 Home, Tarena Technology and Guangdong Feed. He graduated from Columbia University, and achieved the highest honor of science degree in Department of Electronic Engineering; he is a member of Tau Beta Pi (National Engineering Honor Society of America) , and he has won the Edwin Howard Armstrong Award as the most outstanding electronic engineering student of Columbia University.
Liu Feng	(Retired upon the expiry of term of office) Male, born in 1966, he was the professor of College of Management of Sun Yat-sen University, director of Modern Accountancy and Finance Research Center of Sun Yat-sen University, and currently is the professor of Accounting School of Xiamen University, and independent director of the 8th session of Board of Qingdao Haier Co., Ltd..
Wu Cheng	Male, born in 1940, expert in informationization and automation, academician of Chinese Academy of Engineering. He graduated from Tsinghua University in 1962 and got a postgraduate degree of Tsinghua University in 1966. He is a professor and doctoral supervisor of department of Automation of Tsinghua University, head of National CIMS Engineering Research Center, independent director of Kingdee (International) Software Group Co., Ltd., and independent director of the 8th session of the Board of Qingdao Haier Co., Ltd..
Dai Deming	Male, born in 1962. He is a professor and doctoral supervisor of the accounting department of School of Business at Renmin University of China. He also concurrently holds other positions such as a vice-chairman of Accounting Society of China, and a vice-chairman of Beijing Society of

	Auditing. He served as an independent director for CSR Corporation Limited and other companies.
Shi Tiantao	Male, born in 1962. He currently serves as a professor and doctoral supervisor of the School of Law at Tsinghua University as well as director of Finance & Law Research Center under the School of Law at Tsinghua University. He also serves on the 8th Session of the Board of Directors of Qingdao Haier as an independent director. Meanwhile, he concurrently holds other positions such as a vice president of the Chinese Research Association of Securities Law, an arbitrator of CIETAC, a specially-designated supervisor of the Supreme People's Court and a member of the Case Guidance Committee. He was a deputy dean of the School of Law at Tsinghua University.
Timothy Yung Cheng Chen	Male, born in 1956, holds an American citizenship. He is the president of Telstra International Group and the general manager of the Group. He holds a MBA degree of University of Chicago, and a master's degree in Computer Science and Mathematics of The Ohio State University. He once served as the president of Motorola Inc. and Microsoft (China) Co., Ltd. in China and executive vice president of the headquarters, and he served in the AT & T Bell Laboratory of the United States for nine years.
Wang Peihua	Male, born in 1957, senior political analyst, he has served as the deputy secretary of Party Committee of Haier Group Air-Conditioner Head Office, Washing Machine Head Office, and Haier Group Freezer & Heater Head Office, chairman of the labor union of Haier Group Technology and Equipment Head Office, etc.. He is the head of the Organizational Department of Haier Group, the president of the 8th session of the Board of Supervisors of Qingdao Haier Co., Ltd..
Ming Guoqing	Male, born in 1960, senior political analyst, has served as deputy secretary of Discipline Inspection Committee of Qingdao Refrigerator General Factory, party branch secretary and assistant manager of Qingdao Haier Transportation Company, deputy director of organization section of Qingdao Haier Co., Ltd., head of the comprehensive department, deputy secretary of party committee and secretary of discipline inspection committee of Haier Refrigerator Products Head Office, chairman of the labor union of Qingdao Haier Co., Ltd.. He is the chairman of the labor union of Haier Group, and the supervisor of the 8th session of the board of supervisors of Qingdao Haier Co., Ltd..
Wang Yuqing	Female, born in 1975, has served as the worker supervisor of the Board of Supervisors of Qingdao Haier Co., Ltd. and the office secretary of Qingdao Haier Co., Ltd.. She is a supervisor of the 8th session of the board of supervisors of Qingdao Haier Co., Ltd., and head of the general manager office of Qingdao Haier Co., Ltd..

Gong Wei	Male, born in 1973, has served as the financial manager of Qingdao Haier Co., Ltd., senior financial manager and senior financial analyst of Haier Group, chief financial officer of Haier Washing Machine Head Office, chief financial officer of Haier Air-Conditioner Head Office, chief financial officer of White Goods Group, he is the vice general manager and chief financial officer of Qingdao Haier Co., Ltd.. He was granted the honorary titles such as Outstanding Youth in Post of Qingdao City, Outstanding Accounting Workers of Shandong Province, National Outstanding Accounting Workers and so on, and won the awards of Top Ten CFO in China as appraised by "New Money" Magazine in 2011.
Ming Guozhen	Female, born in 1964, senior economist, was the lecturer of the investment department of China Institute of Finance, deputy head of the Teaching and Research section of Investment Economy Department, a clerk of treasury department of Everbright International Investment Consultancy Company, deputy director and director of general manager office, general manager of business management department and general manager of personnel department, assistant to the general manager of the Company, executive vice president of Everbright International Investment Consultancy Company; she was the office director of analysts professional committee of the Securities Association of China, vice director of Qualification Management Department of the Association, vice director of Practice Standards Committee of the Association. She is currently the vice general manager and secretary to the Board of Directors of Qingdao Haier Co., Ltd..

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

√Applicable □Not applicable

Unit: share

Name	Position	Number of restricted shares held at the beginning of the year	Number of share options newly granted during the reporting period	Shares exercisable during the reporting period	Shares exercised by the share option during the reporting period	Exercising price of share options (RMB)	Number of share options held at the end of the period	Market price at the end of the reporting period (RMB)
Liang Haishan	President, general manager	4,500,000	0	1,800,000	1,800,000	8.07	2,700,000	9.92
Tan Li Xia	Vice president	2,650,000	0	1,060,000	1,060,000	8.07	1,590,000	9.92
Wang Xiaonan	Director	444,000	0	177,600	177,600	8.07	266,400	9.92

Gong Wei	Chief financial officer, vice general manager	420,000	0	168,000	168,000	8.07	252,000	9.92
Ming Guozhen	Secretary to the board of directors, vice general manager	340,000	0	136,000	0	8.07	340,000	9.92
Total	/	8,354,000	0	3,341,600	3,205,600	/	5,148,400	/

Unit: share

Name	Position	Number of restricted shares held at the beginning of the year	Number of restricted shares newly granted during the reporting period	Granting price of restricted shares (RMB)	Unlocked shares	Locked shares	Number of restricted shares held at the end of the period	Market price at the end of the reporting period (RMB)
Liang Haishan	President, general manager	4,500,000	0	3.62	1,800,000	2,700,000	2,700,000	9.92
Tan Li Xia	Vice President	2,650,000	0	3.62	1,060,000	1,590,000	1,590,000	9.92
Wang Xiaonan	Director	296,000	0	3.62	118,400	177,600	177,600	9.92
Gong Wei	Chief financial officer, vice general manager	280,000	0	3.62	112,000	168,000	168,000	9.92
Ming Guozhen	Secretary to the board of directors, vice general manager	220,000	0	3.62	88,000	132,000	132,000	9.92
Total	/	7,946,000	0	/	3,178,400	4,767,600	4,767,600	/

Note: During the Reporting Period, the 2014 Annual Profit Distribution Plan was implemented. The Company distributed a cash dividend of RMB4.92 (inclusive of tax) for every 10 shares and made a bonus issue by way of capitalizing its capital reserve on the basis of 10 shares for every 10 shares on the basis of 3,046,125,134 shares. Pursuant to which, the Company convened a Board meeting to adjust the number of share options and restricted shares and their exercising price/grant price. The numbers presented in the above table have been adjusted.

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

(I) Positions held in shareholders' entities

√Applicable □Not Applicable

Name	Company	Position	Appointment date	End date of appointment
Liang Haishan	Haier Electric Appliances International Co., Ltd.	Director	November 1997	
Tan Li Xia	Haier Electric Appliances International Co., Ltd.	Director		
Tan Li Xia	Qingdao Haier Venture & Investment Information Co., Ltd.	Supervisor	March 2009	
Tan Li Xia	Haier Group Corporation	Senior vice president, chief financial officer	December 2007	
Wang Xiaonan	Haier Group Corporation	Vice president		
Wang Peihua	Haier Group Corporation	Head of Organizational Department		
Ming Guoqing	Haier Group Corporation	Chairman of the Labor Union		
Liu Haifeng David	KKR Investment Company in Asia	Global partners	February 2006	
Positions in shareholders entities	Nil			

(II) Positions held in other entities

√Applicable □Not Applicable

Name	Company	Positions	Appointment date	End date of appointment
Liang Haishan	Haier Group Electric Appliance Industry Co., Ltd.	Executive director		
Liang Haishan	Qingdao Haier Photoelectronic Co., Ltd.	Executive director		
Liang Haishan	Fisher & paykel Appliances Holdings Limited	Director		
Ming Guozhen	Qingdao Overseas Chinese Industrial	Director	July 2008	

	Joint Stock Co., Ltd.			
Tan Li Xia	Haier Group Finance Co., Ltd.	Supervisor		
Tan Li Xia	Qingdao Haier Investment and Development Co., Ltd.	Supervisor		
Tan Li Xia	Haier Group Electric Appliance Industry Co., Ltd.	Director		
Tan Li Xia	Fisher & paykel Appliances Holdings Limited	Director		
Tan Li Xia	Bank of Qingdao	Director	10 April 2012	
Wu Cheng	Tsinghua University	Professor		
Wu Changqi	Peking University	Professor		
Wu Changqi	Huaxia Bank Co., Ltd.	Supervisor	12 May 2015	11 May 2018
Wu Changqi	Beijing Electronic Zone Investment and Development Co., Ltd.	Independent director	28 December 2012	27 December 2018
Wu Changqi	Tianjin Keyvia Electric Co., Ltd.	Independent director	1 December 2011	30 November 2017
Peng Jianfeng	Renmin University of China	Professor		
Peng Jianfeng	Beijing China Stone Management Consulting Group	President		
Peng Jianfeng	Chinese Universe Publishing and Media Co., Ltd.	Independent director	5 December 2010	4 December 2016
Zhou Hongbo	Beijing Hanbang Technology Co., Ltd.	Director	November 2014	November 2017
Timothy Yung Cheng Chen	Asia Pacific Telecom Co., Ltd.	General manager	January 2016	
Timothy Yung Cheng Chen	China Communication Media Group Co., Ltd.	Director		
Shi Tiantao	Tsinghua University	Professor	2000	
Liu Haifeng David	Far East Horizon Limited	Non-executive director	October 2009	
Liu Haifeng David	China International Capital Corporation Limited	Non-executive director	February 2015	
Liu Haifeng David	United Envirotech Ltd.	Non-executive director	October 2011	
Liu Haifeng David	China Rundong Auto Group Limited	Non-executive director	January 2014	
Dai Deming	Shanxi Taigang Stainless Steel Co., Ltd.	Independent director	August 2011	
Dai Deming	Beijing Xinwei Telecom Technology Group Co., Ltd.	Independent director	September 2014	
Dai Deming	Beijing Capital Development Co., Ltd.	Independent director	September 2015	

Dai Deming	China Zheshang Bank Co., Ltd.	Independent Non-executive director	March 2016	
Positions in other units	Nil			

III. Remuneration of Directors, Supervisors and Senior Management

Decision-making procedures of the remuneration of directors, supervisors and senior management	The procedures for decision-making of remuneration of directors, supervisors and senior management of the Company are establishing platform, clearing standards, communication and consultation, and making objective decision. The Remuneration Committee of the Company formulate remuneration standards, adjust principles and assess the principles of realizing, then propose them to the board of directors for approval, thus form a system platform, then to determine the actual remuneration of that year according to the examination results of the bet against cycle and the annual examination results.
Determination basis of the remuneration of directors, supervisors and senior management	The management personnel salary system of the Company in 2015 is linked to the strategic income statement, of which the tool is the two-dimensional lattice model. The two-dimensional lattice could reflect the strategic undertaking and upgrade and development of staffs vertically, and the market competitiveness horizontally. The highest allowance of outside directors of the 8th session of the board of directors of the Company is RMB200,000 (before tax) in total per year, including the fixed allowances of RMB150,000 per year, the highest performance allowance is RMB50,000 per year, and the exact amount of performance allowance will be determined based on the comprehensive consideration of the contribution of directors to the Board decision making, the effectiveness of the proposals and recommendations to the board of directors, the participation of the meetings of the Board, attendance rate of all Board meetings and other factors. The travelling expense for attending the meetings of the board of directors and shareholders and other expenses necessary for performing their duties pursuant to the Articles of Association shall be fully reimbursed.
Remuneration payables of directors, supervisors and senior management	Paid as required.
Total actual remuneration of all the directors, supervisors and senior management at the end of the reporting period	4.325 million

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

Name	Position	Change	Reason for change
Liu Feng	Independent director	Resigned	Expiry of terms of appointment
Dai Deming	Independent director	Elected	Take over directors at expiry

V. Punishment by the Securities Supervisory Institute for the near three years

☐Applicable ☒Not applicable

VI. Staff of the Parent Company and Principal Subsidiaries

(I) Staff information

Number of staff of the parent company	2,286
Number of staff of principle subsidiaries	61,516
Total number of staff	63,802
Number of employees whose retirement expenses are borne by the parent company and the principle subsidiaries	0
Professional structure	
Professional Class	Number
Manufacturing staff	38,987
Marketing staff	12,883
Technical staff	10,097
Financial staff	874
Administrative staff	961
Total	63,802
Educational structure	
Educational Class	Number
Bachelor education and above	12,899
College education	16,030
Vocational education and below	34,873
Total	63,802

Note: During the Reporting Period, the Company acquired Haier (Singapore) Investment Holding Pte. Ltd. and other companies, and the number of employees of such companies was added to the headcount of the Company.

(II) Remuneration policies

The Company conducted the system of individual paid separately and entirety paid in advanced, which originates from the strategic balance sheet of Haier, it includes the evaluation of the creation of user resources, operation ability of autonomous management entity, budget implementation, continuous optimization, the incentive system guide the behavior of employees, it exactly includes three aspects as below: ①create and share: I create my users, I share my appreciation, which lead to innovation; ②three first-rates: first-rate consumer (user resources), first-rate people, first-rate remuneration; ③three highs: high efficiency, high appreciation and high remuneration.

(III) Personnel training

Please also refer to relevant content set out in "Qingdao Haier Corporate Social Responsibility Report in 2015" published on the same date as this announcement.

SECTION IX CORPORATE GOVERNANCE

I. EXPLANATION OF CORPORATE GOVERNANCE

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

1) Shareholders and shareholders' general meeting:

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

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

2) Relationship between controlling shareholders and the listed companies:

The controlling shareholders acted normatively and did not interfere with the Company's management decisions and operations, directly or indirectly. The Company and the controlling shareholders are independent of each other in terms of their staff, assets, finance, organization and business. Their respective board of directors, the supervisory committee and internal administrative departments are all independent of each other. The specific requirements for regulating connected transactions and fund flow are set out in the Articles of Association, Fair Decision-Making System for Connected Transactions and the Administrative System for Regulation of Fund Flow between the Company and Related Parties, Risk Control System for Connected Transaction with Haier Group Finance Co., Ltd., and Proposal for Emergency Response System for Risk of Deposits with Haier Group Finance Co., Ltd., which guaranteed the interests of investors. The daily connected transactions are subject to the consideration and approval at the annual general meeting and set specialized execution procedure. The basis of pricing and reasonability of operation agreement shall be supervised and reviewed by special departments, so as to regulate the connected transactions and protect the interests of minority shareholders and non-related shareholders. During the reporting period, the Group strictly performed its undertaking in respect of promotion of "solution of business competition and reduction of connected transactions" of listed companies, by which the Company completed the acquisition of overseas assets and the acquisition of minority shareholdings in Mitsubishi and Carrier, and further enhanced self-procurement capability and scope of the self-procurement companies Qingdao Haidarui Procurement Service Co., Ltd. and Qingdao Haidayuan Procurement Service Co., Ltd. and strengthened the procurement capability of the Company, which further reduced connected transactions. The revenue of the above two companies amounted to RMB11.3 billion and RMB22.4 billion respectively in 2015.

3) Directors and the Board:

During the reporting period, the 8th session of the Board of the Company operated in accordance with rules and continued to perform their duties under the Articles of Association and relevant laws and regulations better and practically implement relevant decisions at the shareholders' general meeting. The number and composition of the members of the Board complied with relevant laws and regulations; the re-election of one independent director and the election procedures are strictly in accordance with the laws and regulations and rules and regulations of the Company; the Directors attended the board meeting and shareholders' general meeting with diligent and responsible attitude and protected the interests of the Company. In accordance with the requirements in the Code of Corporate Governance for Listed Companies, the Company has 8 external Directors, of which four are independent Directors, representing approximately three quarters of the total number of the Directors (11 in total) of the

Company. Each of the independent Directors of the Company respectively acted as member of the nomination committee, remuneration and appraisal committee and audit committee of the Board and practically carried out their duties.

During the reporting period, all Directors and independent Directors performed their duties earnestly strictly in compliance with the Articles of Association, the Rules of Procedure for the Board of Directors, the System for Independent Directors and relevant requirements under laws and regulations and each committees of the Board operated normatively according to its own work rules. During the reporting period, the Board of the Company considered and approved the following matters: promoting the exercising/unlocking of share options, acquisition of the Group's overseas assets, acquisition of minority interests, and periodical reports, so as to encourage the Company to further consolidate its resources to better implement the networking and globalize development strategy. The Company made amendments to the Rules of Procedure of Shareholders' General Meeting of the Company, the Implementing Rules for the Audit Committee under the Board of Directors of the Company and the Investment Management System of the Company in accordance with the relevant requirements of the CSRC and the SSE.

4) Supervisors and the Supervisory Committee:

During the reporting period, the 8th session of the Supervisory Committee operated in accordance with rules and continued to practically perform their duties under the Articles of Association and relevant laws and regulations. The number and composition of the members of the Supervisory Committee complied with requirements under laws and regulations. During the reporting period, the Supervisors of the Company performed their duties earnestly and adhered to the principle of being responsible to the Company and all shareholders to supervise legality and compliance on finance matters of the Company and performance of duty by the Company's Directors, managers of the Company and other senior management strictly in accordance with requirements under the Articles of Association, the Rules of Procedure for the Supervisory Committee and relevant laws and regulations.

5) Performance evaluation and incentive and disciplinary mechanism:

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

During the reporting period, the Company adopted the equity completion grant for the reserved portion of Phase IV of the Share Incentive Scheme and the first exercise/unlocking work of the interest of the first grant portion has been completed successfully, which further perfected the incentive and disciplinary mechanism and mechanism of the shareholders shares benefits and risks with the

management of the Company, so as to enhance the competitiveness and promote the sustainable and sound development of the Company.

6) Stakeholders:

The Company was able to fully respect and protect the lawful rights and interests of banks, other creditors, employees, consumers and other stakeholders. Meanwhile, the Company actively took part in public welfare undertaking in such place where it operates, placed a lot of emphasis on environment protection, performed its social duties earnestly and worked together with these stakeholders actively with good communication to promote the sustainable and sound development of the Company. For details, please refer to relevant information in 2015 Social Responsibility Report of Qingdao Haier Co., Ltd. published on the same date of this report.

7) Information disclosure and transparency:

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

8) Implementation of corporate governance campaign in 2015:

During the reporting period, the Company continued to carry out works relating to “solution of business competition and reduction of connected transactions”. In 2015, trading volume of connected transactions regarding procurement amounted to RMB27.6 billion, which accounted for 32.8% of the similar transactions, representing a decrease of 3.8 pct. pt. as compared to the same period of the previous year. Trading volume of connected transactions regarding sales amounted to RMB7.56 billion,

which accounted for 8.4% of the similar transactions, representing a decrease of 3.6 pct. pt. as compared to the same period of the previous year. The optimization of the connected transactions has been effective. The Company will continue to increase investment in independent purchase and promote the continuous optimization of connected transactions.

Leveraging on the further implementation of governance campaign and enhancing the establishment of fundamental systems, the Company further improved the corporate governance structure and improved the corporate governance. The Company carried out various activities to strengthen the consciousness of learning and further strengthened the consciousness on regulating governance in listed companies among Directors, Supervisors and senior management of the listed companies with organizational training to improve the ability to regulate governance and continuously improve and perfect corporate governance of the Company, thus to protect the minority interests and to guarantee and promote the healthy, stable and sustainable development of the Company.

II. Introduction to the Shareholders' General Meeting

Meeting	Date	Index for details of websites designated for publishing resolutions	Date of disclosure
2014 Annual General Meeting	10 June 2015	For details, please refer to the Announcement on Resolutions Passed at the 2014 Annual General Meeting of Qingdao Haier Co., Ltd. (L2015-021) published by the Company on the website of Shanghai Stock Exchange (www.sse.com.cn) and the four major securities newspapers	11 June 2015
2015 First Extraordinary General Meeting	24 August 2015	For details, please refer to the Announcement on Resolutions Passed at the 2015 First Extraordinary General Meeting of Qingdao Haier Co., Ltd. (L2015-038) published by the Company on the website of Shanghai Stock Exchange (www.sse.com.cn) and the four major securities newspapers	25 August 2015

Explanation of Shareholders' general meetings

(1) The 2014 Annual General Meeting of the Company (the “**2014 AGM**”) was held by way of on-site voting and network voting by poll at Room A108, Haier University, Haier Information Park, No.1 Haier Road, Qingdao, the PRC at the afternoon on 10 June 2015. The Company's share capital in aggregate amounted to 3,046,125,134 shares. There were 271 shareholders of the Company in attendance either in person or by proxy at the 2014 AGM, holding a total of 1,961,943,063 shares, representing 64.40% of the total number of shares of the Company with voting rights. The Directors, Supervisors and senior management of the Company as well as the lawyers engaged by the Company also attended the 2014 AGM. The 2014 AGM was convened by the Board of the Company. Mr. Liang Haishan, Chairman of the Board, presided over the 2014 AGM. The Company had 11 Directors, of whom 4 Directors attended the 2014 AGM (Director Wu Changqi, Liu Haifeng David, Zhou Hongbo,

Peng Jianfeng, Wu Cheng, Shi Tiantao, Timothy Yung Cheng Chen was unable to attend the 2014 AGM due to personal engagement); the Company had 3 Supervisors, all of whom attended the 2014 AGM. The secretary to the Board of the Company attended the 2014 AGM and other members of senior management of the Company were invited to attend the 2014 AGM as non-voting participants.

(2) The 2015 First Extraordinary General Meeting of the Company (the “**2015 First EGM**”) was held by way of on-site voting and network voting by poll at Room A108, Haier University, Haier Information Park, No.1 Haier Road, Qingdao, the PRC at afternoon on 24 August 2015. The Company’s share capital in aggregate amounted to 6,123,154,268 shares. Attendance of shareholders and proxies at the 2015 First EGM is as follows: there were 77 shareholders of the Company in attendance either in person or by proxy at the 2015 First EGM, holding a total of 3,336,244,008 shares, representing 54.48% of the total number of shares of the Company with voting rights. The Directors, Supervisors and senior management of the Company as well as the lawyers engaged by the Company also attended the 2015 First EGM. The 2015 First EGM was convened by the Board of the Company. Mr. Liang Haishan, Chairman of the Board, presided over the 2015 First EGM. The Company had 11 Directors, of whom 4 Directors attended the 2015 First EGM (Director Wang Xiaonan, Wu Changqi, Zhou Hongbo, Wu Cheng, Shi Tiantao, Timothy Yung Cheng Chen, Liu Haifeng David was unable to attend the 2015 First EGM due to personal engagement); the Company had 3 Supervisors, all of whom attended the 2015 First EGM. The secretary to the Board of the Company attended the 2015 First EGM and other members of senior management of the Company were invited to attend the 2015 First EGM.

III. Performance of Duties by Directors

(I) Attendance of Board meetings and general meetings by Directors

Name of Director	Whether an Independent Director or not	Attendance of Board meetings						Attendance of general meetings
		Required attendances of Board meetings	Attendance in person	Attendances by way of communication	Attendance by proxy	Absence	Absence from two consecutive meetings in person or not	Attendances at general meetings
Liang Haishan	No	10	10	4	0	0	No	2
Tan Li Xia	No	10	10	4	0	0	No	2
Wang Xiaonan	No	10	10	5	0	0	No	1
Peng Jianfeng	No	10	9	9	1	0	No	1
Wu Changqi	No	10	10	9	0	0	No	0
Zhou Hongbo	No	10	10	8	0	0	No	0
Liu Haifeng David	No	10	9	9	1	0	No	0

Haifeng David								
LIU Feng	Yes	4	4	3	0	0	No	1
Dai Deming	Yes	6	6	5	0	0	No	1
WU Cheng	Yes	10	10	9	0	0	No	0
Shi Tiantao	Yes	10	10	9	0	0	No	0
Timothy Yung Cheng Chen	Yes	10	9	9	1	0	No	0

Number of Board meetings held in the year	10
Of which: Number of on-site meetings	0
Number of meetings held by way of communication	4
Number of meetings held both on site and by way of communication	6

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

Nil

IV. Major Opinions and Suggestions of the Special Committees of the Board in Performing their Duties during the Reporting Period

(1) Audit Committee: during the reporting period, the Company convened 8 meetings of the Audit Committee to consider the annual report audit-related work for three times, namely, pre-audit, mid-audit and post audit and made relevant arrangement. The Audit Committee believed that the 2014 financial and accounting statement issued by the Company was in compliance with the requirements of the Accounting Standards for Business Enterprises, and gave a true and fair view of the Company's assets and liabilities for the year ended 31 December 2014 and operating results and cash flow for the year 2014. There was no significant unresolved disagreement between accounting and auditing. There was no material risk affecting the Company's operation. The Company operated prudently and would be able to continue as a going concern. Other meetings considered the annual budget of connected transactions, internal control self-assessment reports, profit distribution plan, appointment of accounting firm, acquisition of assets overseas White Goods of the Group, acquisition of minority shareholder's interest from Mitsubishi/Carrier, and the first quarterly report, the semi-annual report and the third quarterly report of 2015. The Audit Committee agreed the above resolutions and submitted the same to the Board for consideration.

(2) Remuneration and Appraisal Committee: during the reporting period, the Company convened 3 meetings of the Remuneration and Appraisal Committee to consider the grant of interest of the reserved portion of the Phase IV Share Incentive, the first exercise/unlocking of the first grant portion and the annual remuneration package of Directors, supervisors and senior management. The

Remuneration and Appraisal Committee agreed the above resolutions and submitted the same to the Board for consideration.

(3) Nomination Committee: during the reporting period, the Company convened 2 meetings of the Nomination Committee to summarize the annual performance of duties by Directors, supervisors and senior management and consider resolution to re-elect independent directors. The Nomination Committee agreed the above resolutions.

(4) Strategy Committee: during the reporting period, the Company convened 3 meetings of the Strategy Committee to consider the plan for return of shareholders in the next three years, acquisition of assets of overseas White Goods of the Group, trusted management assets and acquisition of minority shareholdings from Mitsubishi/Carrier. The Strategy Committee agreed the above resolutions and submitted the same to the Board for consideration.

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

During the reporting period, the Supervisory Committee had no disagreement on any supervisory matters.

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

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

In recent years, the Company made constant efforts in optimizing connected transactions: In 2015, the Company further reduced the number of connected transactions by acquiring overseas White Goods' assets and setting up an independent platform for exports and sales. In 2015, the trading amount of connected transactions regarding procurement amounted to RMB27.6 billion, which accounted for 32.8% of similar transactions, representing a year-on-year decrease of 3.8 pct. pt.; the trading amount of connected transactions regarding sales amounted to RMB7.6 billion, which accounted for 8.4% of similar transactions, representing a year-on-year decrease of 3.6 pct. pt. . The optimization of connected transactions was obvious. So far, the Company continued to promote work in respect of reducing connected transactions and solving horizontal competition according to relevant commitment set out in the Announcement of Qingdao Haier on the further support of development of Qingdao Haier, solutions of horizontal competition and decrease of connected transactions by controlling shareholder (L2011-001).

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

In 2015, the Company adopted an overall compensation system connecting sales force with their orders and remuneration and tied to the strategic income statement for the compensation system of the management. This system was based on the strategic income statement and used Vertical and Horizontal Two-dimensional Lattice Model, in which the vertical dimension reflected the strategy support and minor self-evolvment and upgrading, while the horizontal dimension reflected the competitiveness of market. The competitiveness of compensation was determined by such elements as “support for strategy”, “competitiveness of market target” and “minor self-evolvment and upgrading”. The senior management receives annual appraisal, which was the key factor to performance bonus and development. On one hand, the Company’s overall compensation system of connecting sales force with their orders and remuneration diversified the way of salary distribution of the management, and made the compensation mechanism for management more flexible on the other hand, which drove the innovation of management. Meanwhile, the Company’s salary incentive system was further improved, the incentive and restriction mechanism was strengthened and a mechanism that shares interests and risks with shareholders and management was formulated by implementing incentive tools such as Share Option Incentive Scheme.

VIII. Whether to disclose the self-assessment report on internal control

☒Applicable ☐Not applicable

For details, please refer to the 2015 Internal Control Assessment Report of Qingdao Haier Co., Ltd disclosed on the same date of this report.

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

☐Applicable ☒Not applicable

IX. Relevant Explanations on the Audit Report of Internal Control

The Company’s auditor Shandong Hexin Accountants LLP has audited the efficiency of internal control relating to the financial report of the Company, and has issued its standard unqualified auditor’s report for the Company’s internal control (Hexin Shen Zi (2016) No.000366).

For further details of the Audit Report of Internal Control of Qingdao Haier Co., Ltd., please refer to relevant announcements published on the website of the Shanghai Stock Exchange (www.sse.com.cn) on 29 April 2016.

Whether to disclose the audit report on internal control: Yes

SECTION X RELEVANT INFORMATION ON CORPORATE BONDS

☐Applicable ☒Not applicable

SECTION XI FINANCIAL REPORT

I. Auditors' Report

√Applicable □Not applicable

Auditors' Report

Hexin Shen Zi (2016) No. 000366

To Shareholders of Qingdao Haier Co., Ltd.:

The Company have audited the accompanying financial statements of Qingdao Haier Co., Ltd. (hereinafter referred to as "Haier Company"), which comprise the consolidated and parent company balance sheets as at 31 December 2015, and the consolidated and parent company income statements for the year of 2015, the consolidated and parent company cash flow statements, the consolidated and parent company statements of changes in shareholders' equity and the notes to the financial statements.

I. Management's Responsibility for the Financial Statements

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

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

II. Auditor's Responsibility

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

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

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

III. Opinion

In our opinion, the accompanying financial statements of Haier Company present fairly, in all material respects, the consolidated and parent company's financial position of Haier Company as at 31 December 2015, and consolidated and parent company's operating results and consolidated and parent company's cash flows for the year of 2015 in accordance with the requirements of Accounting Standards for Business Enterprises.

Shandong Hexin Accountants LLP

Jinan, the PRC

China Certified Public Accountant: Zhao Bo

China Certified Public Accountant: Wang Lin

28 April 2016

II. Financial Statements

Consolidated Balance Sheet

31 December 2015

Prepared by: Qingdao Haier Co., Ltd.

Unit and Currency: RMB

Items	Notes	Closing balance	Opening balance
Current Assets:			
Monetary Capital	VII. 1	24,714,814,951.97	31,225,415,815.88
Clearing settlement funds			
Placements with banks			
Financial assets measured at fair value and changes of which included in current profit and loss	VII.2	22,069,897.04	103,668,887.71
Derivative financial assets			
Bills receivables	VII. 3	12,673,651,612.86	16,474,120,740.17
Trade receivables	VII.4	6,141,390,930.87	6,736,377,962.77
Prepayments	VII.5	556,872,003.39	836,083,992.96
Premiums receivable			
Reinsurance accounts receivables			
Reinsurance contract reserves receivable			
Interests receivables	VII.6	183,731,216.46	178,522,845.11
Dividends receivables		85,826,158.26	54,524,472.84
Other receivables	VII.7	478,574,109.77	604,590,457.24
Financial assets purchased under resale agreements			
Inventories	VII.8	8,559,244,039.09	9,021,640,940.91
Assets classified as held for sale			
Non-current assets due within one year			
Other current assets	VII.9	1,451,065,197.30	791,018,741.65
Total current assets		54,867,240,117.01	66,025,964,857.24
Non-current assets:			
Loans and advances granted			
Available-for-sale financial assets	VII.10	2,837,318,201.20	1,430,621,348.35
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	VII.11	4,958,908,333.93	3,582,596,477.92
Investment properties	VII.12	3,449,331.95	30,582,852.72
Fixed assets	VII.13	8,420,548,468.52	7,372,658,455.93
Construction in progress	VII.14	1,391,471,823.07	1,341,216,468.78
Construction materials			
Disposals of fixed assets	VII.15	74,096,355.04	31,624,205.58
Biological assets for production			
Fuel assets			
Intangible assets	VII.16	1,453,470,715.09	1,008,290,734.35
Development expenses	VII.17	78,064,195.82	68,341,844.86
Goodwill	VII.18	392,484,932.55	74,530,241.86

Long-term deferred expenditures	VII.19	113,053,145.87	106,330,304.35
Deferred income tax assets	VII.20	971,483,089.80	919,731,174.63
Other non-current assets	VII.21	399,084,091.53	356,230,677.87
Total non-current assets		21,093,432,684.37	16,322,754,787.20
Total assets		75,960,672,801.38	82,348,719,644.44
Current liabilities:			
Short-term borrowings	VII.22	1,873,108,241.50	2,291,941,025.91
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	7,707,414.12	42,686.85
Derivative financial liabilities			
Bills payable	VII.24	11,596,885,346.06	14,243,037,672.77
Trade payables	VII.25	14,713,516,620.92	15,312,971,646.36
Payments received in advance	VII.26	3,170,457,870.50	4,336,427,690.63
Disposal of repurchased financial assets			
Handling charges and commissions payable			
Staff remuneration payable	VII.27	1,233,544,265.57	1,128,162,573.11
Taxes payable	VII.28	909,937,816.09	1,531,384,978.58
Interests payable	VII.29	15,081,416.34	7,921,318.87
Dividends payable	VII.30	133,382,009.73	147,312,376.11
Other payables	VII.31	6,056,795,354.04	7,083,921,880.47
Reinsurance accounts payable			
Deposits for insurance contracts			
Consumer deposits for trading in securities			
Amounts due to issuer for securities underwriting			
Liabilities classified as held for sale			
Non-current liabilities due within one year	VII.32	72,898,028.33	
Other current liabilities			
Total current liabilities		39,783,314,383.20	46,083,123,849.66
Non-current liabilities:			
Long-term borrowings	VII.33	297,241,293.20	
Debentures payable	VII.34	1,107,734,516.43	1,800,700,630.05
Including: preference shares			
Perpetual bonds			
Long-term payable	VII.35	59,916,852.02	
Long-term employee benefits payable	VII.36	33,209,406.02	24,531,136.34
Special payable			
Estimated liabilities	VII.37	1,899,543,637.19	2,251,547,010.98
Deferred income	VII.38	264,120,554.33	135,707,501.91
Deferred income tax liabilities	VII.20	113,330,102.11	130,113,355.29
Other non-current liabilities			
Total non-current liabilities		3,775,096,361.30	4,342,599,634.57
Total liabilities		43,558,410,744.50	50,425,723,484.23

Owners' equity			
Share capital	VII.39	6,123,154,268.00	3,045,935,134.00
Other equity instruments			
Including: preference shares			
Perpetual bonds			
Capital reserve	VII.40	83,383,194.51	5,978,787,439.45
Less: Treasury stock	VII.41	77,604,544.70	47,160,730.00
Other comprehensive income	VII.42	633,183,460.03	577,613,439.63
Special reserve			
Surplus reserve	VII.43	2,026,085,301.23	2,024,105,532.62
General risk provisions			
Undistributed profits	VII.44	13,905,774,481.88	13,029,187,314.71
Total equity attributable to owners of the parent company		22,693,976,160.95	24,608,468,130.41
Minority interests		9,708,285,895.93	7,314,528,029.80
Total owners' equity		32,402,262,056.88	31,922,996,160.21
Total liabilities and owners' equities		75,960,672,801.38	82,348,719,644.44

Legal representative: Liang Haishan

Chief accountant: Gong Wei Person in charge of accounting
department: Yin Wenjun (尹文峻)**Balance Sheet of the Parent Company**

31 December 2015

Prepared by: Qingdao Haier Co., Ltd.

Unit and Currency: RMB

Items	Notes	Closing balance	Opening balance
Current Assets:			
Monetary Capital		562,827,007.96	2,574,988,196.28
Financial assets measured at fair value and changes of which included in current profit and loss			
Derivative financial assets			
Notes receivables		199,998,373.14	233,249,781.27
Trade receivables	XVII.1	208,603,253.46	418,826,810.97
Prepayments		12,540,384.04	18,947,243.80
Interests receivables			19,480,111.12
Dividends receivables		230,081,082.42	1,041,461,029.41
Other receivables	XVII.2	61,344,421.55	948,024.95
Inventories		57,403,412.46	37,191,061.86
Assets classified as held for sale			
Non-current assets due within one year			
Other current assets			
Total current assets		1,332,797,935.03	4,345,092,259.66
Non-current assets:			
Available-for-sale financial assets		522,942,584.08	509,283,509.72
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	XVII.3	14,141,733,112.49	8,597,830,164.76

Investment properties			
Fixed assets		127,222,054.64	136,611,658.02
Construction in progress		17,551,808.87	3,445,371.41
Construction materials			
Disposals of fixed assets			
Biological assets for production			
Fuel assets			
Intangible assets		7,679,047.68	8,351,664.99
Development expenses			
Goodwill			
Long-term deferred expenditures			
Deferred income tax assets		9,952,751.78	7,475,901.26
Other non-current assets			
Total non-current assets		14,827,081,359.54	9,262,998,270.16
Total assets		16,159,879,294.57	13,608,090,529.82
Current liabilities:			
Short-term borrowings			
Financial liabilities measured at fair value and changes of which included in current profit and loss			
Derivative financial liabilities			
Bills payable			
Trade payables		792,433,118.67	183,884,607.65
Payments received in advance		1,599,348.89	
Staff remuneration payable		35,094,333.55	27,049,426.39
Taxes payable		29,967,928.75	50,814,082.00
Interests payable			
Dividends payable			
Other payables		2,597,200,912.54	1,370,247,395.86
Liabilities classified as held for sale			
Non-current liabilities due within one year			
Other current liabilities			
Total current liabilities		3,456,295,642.40	1,631,995,511.90
Non-current liabilities:			
Long-term borrowings			
Debentures payable			
Including: preference shares			
Perpetual bonds			
Long-term payable		20,000,000.00	
Long-term employee benefits payable			
Special payables			
Estimated liabilities			
Deferred income		17,700,000.00	
Deferred income tax liabilities		3,325,062.74	4,198,218.27
Other non-current liabilities			
Total non-current liabilities		41,025,062.74	4,198,218.27
Total liabilities		3,497,320,705.14	1,636,193,730.17
Owners' equity :			
Share capital		6,123,154,268.00	3,045,935,134.00
Other equity instruments			
Including: preference shares			

Perpetual bonds			
Capital reserve		2,229,511,649.19	5,045,616,941.16
Less: Treasury stock		77,604,544.70	47,160,730.00
Other comprehensive income		18,842,022.25	7,231,809.03
Special reserve			
Surplus reserve		1,332,647,187.44	1,138,128,545.32
Undistributed profits		3,036,008,007.25	2,782,145,100.14
Total owners' equity		12,662,558,589.43	11,971,896,799.65
Total liabilities and owners' equities		16,159,879,294.57	13,608,090,529.82

Legal representative: Liang Haishan Chief accountant: Gong Wei Person in charge of accounting department: Yin Wenjun (尹文峻)

Consolidated Income Statement

January-December 2015

Unit and Currency: RMB

Items	Notes	Current amount	Prior amount
I . Total operating revenue		89,748,320,410.91	96,929,763,894.36
Including: operating revenue	VII.45	89,748,320,410.91	96,929,763,894.36
Interest income			
Insurance premiums earned			
Fee and commission income			
II . Total cost of operations		84,526,081,762.99	89,934,380,570.26
Including: operating cost	VII.45	64,658,463,207.53	70,170,401,158.93
Interest expenses			
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	397,251,039.85	404,547,062.67
Selling expenses	VII.47	13,101,282,436.95	12,579,781,619.54
Administrative expenses	VII.48	6,549,193,839.44	6,813,114,797.83
Financial expenses	VII.49	-498,120,405.83	-256,648,580.46
Loss in assets impairment	VII.50	318,011,645.05	223,184,511.75
Add: income from change in fair value (losses are represented by "-")	VII.51	-90,223,059.50	112,363,366.12
Investment income (losses are represented by "-")	VII.52	1,320,302,216.61	1,192,580,008.87
Including: investment income of associates and joint ventures			
Exchange gain (losses are represented by "-")			
III. Operating profit (losses are represented by "-")		6,452,317,805.03	8,300,326,699.09
Add: non-operating income	VII.53	618,457,263.82	378,335,366.09
Including: gain from disposal of non-current assets			

Less: non-operating expenses	VII.54	95,916,162.05	102,273,976.56
Including: Loss from disposal of non-current assets			
IV. Total profit (total losses are represented by “-”)		6,974,858,906.80	8,576,388,088.62
Less: income tax expense	VII.55	1,052,769,417.97	1,527,486,745.62
V. Net profit (net losses are represented by “-”)		5,922,089,488.83	7,048,901,343.00
Net profit attributable to owners of the parent company		4,300,760,542.82	5,337,541,039.32
Profit or loss attributable to minority shareholders		1,621,328,946.01	1,711,360,303.68
VI. Other comprehensive income, net of tax	VII.56	73,297,094.11	511,746,848.93
Other comprehensive income attributable to owners of the parent company, net of tax		55,715,670.67	412,138,693.29
(I) Other comprehensive income that will not be reclassified subsequently to profit or loss		-6,265,217.22	22,971,042.62
1. Changes in net liabilities or net assets arising from re-measurement of defined benefit plans		-6,265,217.22	22,971,042.62
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		61,980,887.89	389,167,650.67
1. Share of other comprehensive income of investees that will be reclassified subsequently to profit or loss under equity method		39,584,241.91	40,068,730.03
2. Gain or loss from change in fair value of available-for-sale financial assets		33,989,723.80	322,632,665.08
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		-11,593,077.82	26,466,255.56
6. Other			
Other comprehensive income attributable to minority shareholders, net of tax		17,581,423.44	99,608,155.64
VII. Total comprehensive income		5,995,386,582.94	7,560,648,191.93
Total comprehensive income attributable to the shareholders of parent company		4,356,476,213.49	5,749,679,732.61
Total comprehensive income attributable to the minority shareholders		1,638,910,369.45	1,810,968,459.32
VIII. Earnings per share:			
(I) Basic earnings per share (RMB/share)	XVIII.1	0.705	0.933
(II) Diluted earnings per share (RMB/share)	XVIII.1	0.705	0.932

For the business combination under common control effected in the current period, the net profit recognized by the merged party before the combination was RMB223,063,608.99, and the net profit recognized by the merged party in the previous period was nil.

Legal representative: Liang Haishan Chief accountant: Gong Wei Person in charge of accounting department: Yin Wenjun (尹文峻)

Income Statement of the Parent Company

January-December 2015

Unit and Currency: RMB

Items	Notes	Current amount	Prior amount
I . Operating revenue	XVII.4	2,573,182,435.31	2,192,966,394.66
Less: Operation cost	XVII.4	1,926,771,620.58	1,624,174,850.41
Business taxes and surcharge		12,977,177.74	7,363,098.35
Selling expenses		145,447,543.14	93,645,130.26
Administrative expenses		363,775,327.41	364,227,286.05
Financial expenses		-84,722,654.35	-33,860,962.14
Loss in assets impairment		-4,996,712.21	9,261,395.48
Add: income from change in fair value (losses are represented by “-”)			
Investment income (losses are represented by “-”)	XVII.5	1,695,629,598.98	648,275,569.64
Including: investment income of associates and joint ventures			
II . Operating profit (losses are represented by “-”)		1,909,559,731.98	776,431,165.89
Add: non-operating income		66,879,624.47	47,160,881.21
Including: gain from disposal of non-current assets			
Less: non-operating expenses		3,549,905.23	862,828.21
Including: Loss from disposal of non-current assets			
III. Total Profit (losses are represented by “-”)		1,972,889,451.22	822,729,218.89
Less: income tax expense		27,703,030.06	89,016,122.71
IV . Net Profit (net losses are represented by “-”)		1,945,186,421.16	733,713,096.18
V. Other comprehensive income, net of tax		11,610,213.22	5,212,175.21
(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		11,610,213.22	5,212,175.21
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		11,610,213.22	5,212,175.21
3. Gain or loss arising from reclassification from held-to-maturity investments to available-for-sale financial assets			
4. Effective portion of gain or loss arising from cash flow hedging instruments			
5. Exchange differences on translation of financial statements denominated in foreign currencies			
6. Other			
VI. Total comprehensive income		1,956,796,634.38	738,925,271.39
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: Yin
Wenjun (尹文峻)

Consolidated Cash Flow Statement

January-December 2015

Unit and Currency: RMB

Items	Notes	Current amount	Prior amount
I . Cash flows from operating activities :			
Cash received from the sale of goods and rendering of services		110,869,088,852.15	102,934,215,503.17
Net increase in consumer and interbank deposits			
Net increase in borrowing from PBOC			
Net cash increase in borrowing from other financial institutes			
Cash received from premiums under original insurance contract			
Net cash received from reinsurance business			
Net increase in deposits of policy holders and investment			
Net increase from the disposal of financial assets measured at fair value and changes of which included in current profit and loss			

Cash paid for interest, bank charges and commissions			
Net increase in cash borrowed			
Net increase in cash received from repurchase operation			
Refunds of taxes		612,217,878.12	374,918,483.82
Cash received from other related operating activities	VII.57	985,008,101.39	758,897,048.75
Sub-total of cash inflows from operating activities		112,466,314,831.66	104,068,031,035.74
Cash paid on purchase of goods and services		81,161,991,549.29	73,667,726,571.88
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		7,864,497,365.88	7,522,736,415.84
Cash paid for all types of taxes		7,272,435,363.68	6,271,581,316.51
Cash paid to other operation related activities	VII.58	10,587,789,939.88	9,836,625,433.16
Sub-total of cash outflows from operating activities		106,886,714,218.73	97,298,669,737.39
Net cash flows from operating activities	VII.63	5,579,600,612.93	6,769,361,298.35
II. Cash flows from investing activities:			
Cash received from disposal of investments		1,053,008,693.06	11,578,295.58
Cash received from return on investments		108,134,781.31	70,236,329.50
Net cash received from the disposal of fixed assets, intangible assets and other long term assets		11,208,475.16	98,915,961.08
Net cash received from disposal of subsidiaries and other operating entities		498,099,921.65	404,649,672.19
Cash received from other investment related activities	VII.59	10,972,523.38	43,084,247.15
Sub-total of cash inflows from investing activities		1,681,424,394.56	628,464,505.50
Cash paid on purchase of fixed assets, intangible assets and other long term assets		2,491,741,022.92	2,269,936,328.78
Cash paid for investments		3,709,219,060.70	1,864,948,812.60
Net increase in secured loans			
Net cash paid on acquisition of subsidiaries and other operating entities		5,672,266,259.21	
Cash paid on other investment related activities	VII.60	81,601,742.20	132,857,621.10

Sub-total of cash outflows from investing activities		11,954,828,085.03	4,267,742,762.48
Net cash flows from investing activities		-10,273,403,690.47	-3,639,278,256.98
III. Cash flows from financing activities:			
Cash received from investment		342,479,145.89	7,110,116,929.58
Including: cash received by subsidiaries from minority shareholders' investment			
Cash received from borrowings		6,603,489,224.90	6,697,670,732.73
Cash received from issuing bonds			
Cash received from other financing related activities	VII.61	17,063,242.50	
Sub-total of cash inflows from financing activities		6,963,031,613.29	13,807,787,662.31
Cash paid on repayment of borrowings		6,939,990,302.96	5,074,669,053.08
Cash paid on distribution of dividends, profits, or interest expenses		1,764,209,204.58	1,490,783,422.99
Including: dividend, profit paid to minority shareholders by subsidiaries			
Cash paid on other financing activities	VII.62	154,442,801.98	88,598,125.53
Sub-total of cash outflows from financing activities		8,858,642,309.52	6,654,050,601.60
Net cash flows from financing activities		-1,895,610,696.23	7,153,737,060.71
IV. Effect of fluctuations in exchange rates on cash and cash equivalents		151,920,567.09	-137,950,662.95
V. Net increase in cash and cash equivalents		-6,437,493,206.68	10,145,869,439.13
Add: balance of cash and cash equivalents at the beginning of the period	VII.64	31,120,319,710.77	20,974,450,271.64
VI. Balance of cash and cash equivalents at the end of the period	VII.64	24,682,826,504.09	31,120,319,710.77

Legal representative: Liang Haishan

Chief accountant: Gong Wei

Person in charge of
accounting department: Yin
Wenjun (尹文峻)

Cash Flow Statement of the Parent Company

January-December 2015

Unit and Currency: RMB

Items	Notes	Current amount	Prior amount
I . Cash flows from operating activities :			
Cash received from the sale of goods and rendering of services		2,217,575,422.31	1,531,868,775.27

Refunds of taxes		42,146,929.16	9,618,928.65
Cash received from other related operating activities		74,003,814.39	60,881,420.48
Sub-total of cash inflows from operating activities		2,333,726,165.86	1,602,369,124.40
Cash paid on purchase of goods and services		909,137,414.20	749,469,031.82
Cash paid to and on behalf of employees		272,442,543.99	240,702,656.68
Cash paid for all types of taxes		161,291,640.06	68,998,341.67
Cash paid to other operation related activities		215,727,364.29	163,752,431.09
Sub-total of cash outflows from operating activities		1,558,598,962.54	1,222,922,461.26
Net cash flows from operating activities		775,127,203.32	379,446,663.14
II. Cash flows from investing activities:			
Cash received from disposal of investments		315,000,000.00	730,101,800.00
Cash received from return on investments		1,996,893,804.09	133,380,745.79
Net cash received from the disposal of fixed assets, intangible assets and other long term assets			
Net cash received from disposal of subsidiaries and other operating entities			
Cash received from other investment related activities		2,889,970,671.77	
Sub-total of cash inflows from investing activities		5,201,864,475.86	863,482,545.79
Cash paid on purchase of fixed assets, intangible assets and other long term assets		30,576,458.90	15,690,271.41
Cash paid for investments		6,685,765,290.81	1,656,892,514.09
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		6,716,341,749.71	1,672,582,785.50
Net cash flows from investing activities		-1,514,477,273.85	-809,100,239.71
III. Cash flows from financing activities:			
Cash received from investment		251,306,680.00	3,426,507,421.81
Cash received from borrowings			
Cash received from other financing related activities			
Sub-total of cash inflows from financing activities		251,306,680.00	3,426,507,421.81
Cash paid on repayment of borrowings			

Cash paid on distribution of dividends, profits, or interest expenses		1,483,786,310.61	1,251,584,532.40
Cash paid on other financing activities		47,397,554.88	-
Sub-total of cash outflows from financing activities		1,531,183,865.49	1,251,584,532.40
Net cash flows from financing activities		-1,279,877,185.49	2,174,922,889.41
IV. Effect of fluctuations in exchange rates on cash and cash equivalents		7,066,067.70	-1,690,872.78
V. Net increase in cash and cash equivalents		-2,012,161,188.32	1,743,578,440.06
Add: balance of cash and cash equivalents at the beginning of the period		2,574,988,196.28	831,409,756.22
VI. Balance of cash and cash equivalents at the end of the period		562,827,007.96	2,574,988,196.28

Legal representative: Liang Haishan

Chief accountant: Gong Wei

Person in charge of
accounting department: Yin
Wenjun (尹文峻)

Consolidated Statement of Changes in Equity
January-December 2015

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	3,045,935,134.00				3,582,932,123.87	47,160,730.00	378,701,521.23		2,024,105,532.62		12,855,511,059.42	7,279,942,332.91	29,119,966,974.05
Add: changes in accounting policies													
Correction of previous errors													
The consolidation of enterprises under common control					2,493,270,671.16		101,496,562.82				173,676,255.29	34,585,696.89	2,803,029,186.16
Others					-97,415,355.58		97,415,355.58						
II . Opening balance for the current year	3,045,935,134.00				5,978,787,439.45	47,160,730.00	577,613,439.63		2,024,105,532.62		13,029,187,314.71	7,314,528,029.80	31,922,996,160.21
III. Increase/decrease and change of amount for the current period (decrease is represented by “-”)	3,077,219,134.00				-5,895,404,244.94	30,443,814.70	55,570,020.40		1,979,768.61		876,587,167.17	2,393,757,866.13	479,265,896.67
(I) Total comprehensive							55,715,670.67				4,300,760,542.82	1,638,910,369.45	5,995,386,582.94

income													
(II) Capital injection and reduction by owners	31,094,000.00				-2,849,424,761.21	30,443,814.70			-192,538,873.51		-1,732,849,861.60	979,763,087.99	-3,794,400,223.03
1. Ordinary shares invested by shareholders	31,094,000.00				220,212,680.00	-16,952,892.00						995,974,570.73	1,264,234,142.73
2. Capital injected by holders of other equity instruments					-							-	-
3. Amount of shares payment credited to owner's equity					2,490,000.00								2,490,000.00
4 · Others					-3,072,127,441.21	47,396,706.70			-192,538,873.51		-1,732,849,861.60	-16,211,482.74	-5,061,124,365.76
(III) Profit distribution									194,518,642.12		-1,691,323,514.05	-224,915,591.31	-1,721,720,463.24
1. Appropriation to surplus reserves									194,518,642.12		-194,518,642.12		
2 · Provisions for general risks													
3 · Distribution to owners (or shareholders)											-1,496,804,871.93	-224,915,591.31	-1,721,720,463.24
4 · Others													
(IV) Internal transfer of owner's equity	3,046,125,134.00				-3,046,125,134.00								
1. Transfer of capital reserves into capital (or share capital)	3,046,125,134.00				-3,046,125,134.00								
2. Transfer of surplus reserves into capital (or share capital)													
3. Surplus reserves used for remedying loss													
4 · Others													
(V) Special reserve													
1. Appropriated for the current period													
2. Utilized for the current period													
(VI) Others					145,650.27				-145,650.27				
IV. Closing	6,123,154				83,383,19	77,604,54	633,183,4		2,026,085,		13,905,77	9,708,285,895	32,402,262,05

balance for the current period	.268.00				4.51	4.70	60.03		301.23		4,481.88	.93	6.88
--------------------------------	---------	--	--	--	------	------	-------	--	--------	--	----------	-----	------

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 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	2,720,835,940.00				614,930,304.56		18,753,515.32		1,952,899,233.79		9,186,744,529.78	5,536,698,221.13	20,030,861,744.58
Add: changes in accounting policies													
Correction of previous errors													
The consolidation of enterprises under common control					2,000,514.75		49,305,875.44				-172,307,423.16	23,966,739.86	-97,034,293.11
Others													
II .Opening balance for the current year	2,720,835,940.00				616,930,819.31		68,059,390.76		1,952,899,233.79		9,014,437,106.62	5,560,664,960.99	19,933,827,451.47
III.Increase/decrease and change of amount for the current period (decrease is represented by “-”)	325,099,194.00				5,361,856,620.14	47,160,730.00	509,554,048.87		71,206,298.83		4,014,750,208.09	1,753,863,068.81	11,989,168,708.74
(I) Total comprehensive income							412,138,693.29				5,337,541,039.32	1,810,968,459.32	7,560,648,191.93
(II) Capital injection and reduction by owners	325,099,194.00				5,459,271,975.72	47,160,730.00						102,058,106.02	5,839,268,545.74
1. Ordinary shares invested by shareholders	325,099,194.00				6,140,866,417.15	47,160,730.00						1,240,812,022.25	7,659,616,903.40
2. Capital injected by holders of other equity instruments													
3. Amount of shares payment credited to owner's equity					85,420,000.00								85,420,000.00
4 · Others					-767,014,441.43							-1,138,753,916.23	-1,905,768,357.66
(III) Profit distribution									71,206,298.83		-1,322,790,831.23	-159,163,496.53	-1,410,748,028.93
1. Appropriation to surplus reserves									71,206,298.83		-71,206,298.83		
2 · Provisions for general risks													
3 · Distribution to owners (or shareholders)											-1,251,584,532.40	-159,163,496.53	-1,410,748,028.93

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					-97,415,355.58		97,415,355.58						
IV . Closing balance for the current period	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

Legal representative: Liang Haishan

Chief accountant: Gong Wei

Person in charge of accounting department: Yi Wenjun (尹文峻)

Statement of Changes in Equity of the Parent Company

January-December 2015

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	3,045,935,134.00				5,045,611,870.14	47,160,730.00	7,231,809.03		1,131,458,371.35	2,722,113,534.38	11,905,189,988.90
Add: changes in accounting policies					5,071.02				6,670,173.97	60,031,565.76	66,706,810.75
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 "-")	3,077,219,134.00				-2,816,105,291.97	30,443,814.70	11,610,213.22		194,518,642.12	253,862,907.11	690,661,789.78
(I) Total							11,610,213.2			1,945,186.42	1,956,796.63

Comprehensive income	-						2			1.16	4.38
(II) Capital injection and reduction by owners	31,094,000.00				230,019,842.03	30,443,814.70					230,670,027.33
1. Ordinary shares invested by shareholders	31,094,000.00				220,212,680.00	-16,952,892.00					268,259,572.00
2. Capital injected by holders of other equity instruments											
3. Amount of shares payment credited to owner's equity					2,490,000.00						2,490,000.00
4 · Others					7,317,162.03	47,396,706.70					-40,079,544.67
(III) Profit distribution									194,518,642.12	-1,691,323,514.05	-1,496,804,871.93
1. Appropriation to surplus reserves									194,518,642.12	-194,518,642.12	-
2 · Distribution to owners (or shareholders)										-1,496,804,871.93	-1,496,804,871.93
3 · Others											
(IV) Internal transfer of owner's equity	3,046,125.134.00				-3,046,125.134.00						
1. Transfer of capital reserves into capital (or share capital)	3,046,125.134.00				-3,046,125.134.00						
2. Transfer of surplus reserves into capital (or share capital)											
3. Surplus reserves used for remedying loss											
4 · Others											
(V) Special reserve											
1. Appropriated for the current period											
2. Utilized for the current period											
(VI) Others											
IV. Closing balance for the current period	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

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	2,720,835,940.00				2,573,058,953.46		2,019,633.82		1,054,853,524.14	3,284,254,441.82	9,635,022,493.24
Add: changes in accounting policies					531,483.14				8,577,931.14	90,459,184.58	99,568,598.86
Correction of previous errors											

Others											
II. Opening balance for the current year	2,720,835.94 0.00				2,573,590.43 6.60		2,019,633.82		1,063,431.45 5.28	3,374,713.62 6.40	9,734,591.09 2.10
III. Increase/decrease and change of amount for the current period (decrease is represented by "-")	325,099,194. 00				2,472,026.50 4.56	47,160,730.0 0	5,212,175.21		74,697,090.0 4	-592,568.52 6.26	2,237,305.70 7.55
(I) Total comprehensive income	-						5,212,175.21			733,713,096. 18	738,925,271. 39
(II) Capital injection and reduction by owners	325,099,194. 00				2,472,026.50 4.56	47,160,730.0 0					2,749,964.96 8.56
1. Ordinary shares invested by shareholders	325,099,194. 00				3,101,389.35 9.89	47,160,730.0 0					3,379,327.82 3.89
2. Capital injected by holders of other equity instruments											
3. Amount of shares payment credited to owner's equity					85,420,000.0 0						85,420,000.0 0
4 · Others					-714,782,855 .33						-714,782,855 .33
(III) Profit distribution									74,697,090.0 4	-1,326,281.6 22.44	-1,251,584.5 32.40
1. Appropriation to surplus reserves									74,697,090.0 4	-74,697,090. 04	-
2 · Distribution to owners (or shareholders)										-1,251,584.5 32.40	-1,251,584.5 32.40
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	3,045,935.13 4.00				5,045,616.94 1.16	47,160,730.0 0	7,231,809.03		1,138,128.54 5.32	2,782,145.10 0.14	11,971,896.7 99.65

Legal representative: Liang Haishan

Chief accountant: Gong Wei

Person in charge of accounting department: Yin Wenjun (尹文峻)

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 issued additional 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 trading as well as R&D of refrigerator, air-conditioner, freezer, washing machine, water heater, dishwashers, gas stove and relevant products and commercial circulation business.

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

These financial statements have been approved for publication by the Board of the Company on 28 April 2016.

2. Scope of consolidated financial statements

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

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

1. Statement of compliance with enterprise accounting standards

The financial statements prepared by the Company meet the requirements of the enterprise accounting standards; exactly and completely reflected relevant information of the financial condition as of 31 December 2015, operation result and cash flow of the Company in 2015.

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 profit or loss in the period when they occurred. Trading expenses in direct relation to the issuance of equity instrument as the consideration for the combination is written down to the capital reserve (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 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 combining party before the date of acquiring control of the combined parties, and the profit and loss, the other comprehensive income and changes in the other owners' equity recognized during the period between the later of the date of acquisition and the date when the combining and the combined parties are under the common control of the same party and the date of combination, are written down to the retained earnings or current profit or loss at the end 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 combination 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 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, the difference is initially recognized in profit or loss for the current year after a review of computation for the identifiable assets, liabilities or fair value of the liabilities and combination cost, 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, then the difference is recorded in the current profit and loss.

In enterprise combination involving entities not under common control that is realized in phases through multiple exchange transactions, in the 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 among 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 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 or purchase assets (the assets do not constitute a business, the same below) from joint operations, the Company shall only recognize the part of profit or lost from this transaction attributable to other parties of joint operations before these assets are sold to a third party. In case of an impairment loss incurred on these assets which meets the requirements as set out in "Accounting Standards for Business Enterprises No. 8 – Asset Impairment", the Company shall full recognize the amount of this loss in relation to its investment in or sale of assets to joint operations, or recognize the loss according to the Company's share of commitment in relation to the its purchase of assets from joint operations.

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

8. Recognition standard for cash and cash equivalents

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

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

9. Foreign currency businesses and translation of foreign currency statements

(1) Foreign currency transactions

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

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

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

(2) Translation of foreign currency information

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

substantially the same, discounted cash flow analysis and option pricing models or other valuation models.

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

Financial assets are classified into financial assets at fair value through 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 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 profit or loss. All financial assets at fair value through 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 or repurchase in the near term; (2) The financial asset is part of a portfolio of identified financial instruments that are managed together and for which there is 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 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 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 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 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 profit or loss, are recognized in other comprehensive income and reclassified to profit or loss when the financial assets are derecognized. Interests calculated in the effective interest method during the holdings of available-for-sale financial assets and cash dividends declared by investees are recognized in investment incomes. On disposal, the differences between the consideration received and the carrying amount of assets after deducting the accumulated fair value

adjustments previously recorded in capital reserves are recorded as investment income. However, an equity instrument investment which has no quoted price in an active market nor a reliably measured fair value, and a derivative financial asset (or derivative financial liability) linked to such equity instrument and required to be settled through delivery of that equity instrument are measured at cost.

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

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; and (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 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 continues to be recognized and the part that qualifies for derecognition, based on the fair values of the respective parts. The difference between the following amounts is recognized in profit or loss for the period: the carrying amount of the part that qualifies for derecognition and the sum of the consideration received and any accumulated gain or loss that had been recognized directly in equity.

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

(3) Classification, recognition and measurement of financial liabilities

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

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as at fair value through 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 sale or repurchase in the near term; (2) The financial liability is part of a portfolio of identified financial instruments that are managed together and for which there is 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 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 profit or loss are subsequently measured at fair value. The gain or loss arising from changes in fair value and dividend and interest incomes arising from such financial liabilities are recognized in profit or loss 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 profit or loss should be tested for impairment. If impairment is demonstrated by objective evidences, the provision of impairment should be prepared according to the impairment test.

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

- ① The issuer or debtor is experiencing significant financial difficulties;
- ② The debtor breaches the contractual terms, including default or delinquency in interest or principal payments;
- ③ The Company, based on economic or legal or other factors, waive the debts;

- ④ It is highly probable that the debtor will enter bankruptcy or other financial reorganization;
- ⑤ The issuer is experiencing significant financial difficulties that the corresponding financial instruments could not be traded in an active market;
- ⑥ When it is unable to determine whether cash flows of a specific instrument in a group of financial assets decrease, but the cash flows since initial recognition of that group of financial assets would be measurable and decrease, or the ability to repay by the debtors in that group of financial asset deteriorate, or the unemployment rate of the country or region in which the debtors situate increases, or the price of the underlying collateral decreases significantly in its region, or the industry of the debtors is diminishing;
- ⑦ There are significant adverse changes in the technology, market, economy or legal environments in issuance place of the equity instrument so that the investor could not recover its investment costs;
- ⑧ There is significant or other than temporary decrease in fair value of equity instrument;
- ⑨ Other objective evidences show that the financial asset is impaired.

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

When held-to-maturity investments, loans and accounts receivables have been impaired, the book value of the financial assets shall be written down to the current value of estimated future cash flow discounted at the original effective interest rate, and the write-down amount is recorded as impairment loss and written into profit or loss of 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 profit or loss. The cumulative loss reclassified is the difference between its acquisition cost (net of any principal repayment and amortization) and its current fair value, less any impairment loss previously recognized in profit or loss. If there are objective evidences that the value of that financial asset is recovered and it can be objectively related to an event occurred after the impairment loss recognition, the impairment loss recognized shall be reversed, impairment losses recognized for equity instruments classified as available-for-sale are reversed through other comprehensive income, while impairment losses recognized for debt instruments classified as available-for-sale are reversed through current profit or loss.

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

For investments in equity instruments, the specific quantitative 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%.
Specific quantitative criterion on "not temporary" decrease in their fair value	Fall for 12 consecutive months.

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 estimated 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 the 5% of the balance of the receivables 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, low-cost consumables, 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 are calculated by weighted average 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, 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 equity investments held by the Company that give it control, joint control or significant influence over the investee. Long-term equity investments where the Company does not exercise control, joint control or significant influence over the investee are accounted for as available-for-sale financial assets.

(1) Recognition of initial cost of investment

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

② For the long-term equity investment acquired in a manner other than enterprise combination: the initial investment cost of the long-term equity investment acquired by payment in cash shall be the total purchase price; the initial investment cost of the long-term equity investment acquired by issuing equity securities shall be the fair value of the equity securities issued ;For long-term equity investment acquired

by debt restructuring, the initial investment cost shall be recognized in accordance with the requirements under Accounting Standards for Enterprises No. 12 - Debt Restructuring. For long-term equity investment acquired by the exchange of non-monetary assets, the initial investment cost shall be recognized in accordance with relevant requirements under the Rules.

(2) Subsequent measurement and profit or loss recognition

① Cost method

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

② Equity method

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

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

For long-term equity investments accounted for using the equity method, the Company recognizes the investment income and other comprehensive incomes according to its share of net profit or loss of the investee, and the carrying amount of the long-term equity investments shall be adjusted accordingly; the carrying amount of the investment is reduced by the Company's share of the profit distribution or cash dividends declared by an investee; for changes in owner's equity of the investee other than those arising from

its net profit or loss, other comprehensive income and profit distribution, the carrying amount of the long-term equity investment shall be adjusted and recognized to capital reserve. When recognizing attributable share of the net profits and losses 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. If the Company has to assume additional obligations, the estimated obligation assumed shall be provided for and charged to the profit or loss as investment loss for the period. Where the investee is making 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

①Change of measurement at fair value to accounting under equity method: where the equity investment held have no control, joint control or significant impact on the investee and that are accounted according to the financial instrument recognition and measurement criteria can carry out common control or place significant impact due to addition of investment which resulted in the increase of shareholding, the investee shall plus the fair value of the equity investment originally held determined in accordance with the Standards for Recognition and Measurement of Financial Instruments and the fair value of the consideration payable for new investment as the initial investment cost accounted under equity method when change the equity method.

②Change 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.

③Change 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 investee;
- ⑤ major transactions with the investee.

(5) Impairment test and provision of impairment

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

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

(6) Disposal of long-term equity investments

For disposal of long-term equity investment, the difference between the considerations received and the

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

14. Investment properties

(1). If measured by cost:

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 on 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 administrative purposes, and have useful life more than one fiscal year, which are recognized when the following conditions are met:

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

(2). Depreciation method

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 and depreciation method of fixed assets are reviewed, and adjusted if there is variance with original policies; The Company have made provisions for all of the fixed assets except for the fixed assets with full provision and used continuously.

Category	Depreciation lives (years)	Estimated rate of residual value (%)	Annual depreciation rate (%)
Houses and buildings	20-40 years	5%	2.38-4.75%
Machinery equipment	10-20 years	5%	4.75-9.50%
Vehicles	5-10 years	5%	9.50%-19.00%
Office equipment and others	3-8 years	5%	11.88%-31.67%

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

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

16. Construction in progress

(1) Construction in progress is measured at actual cost. Actual cost comprises construction costs, installation costs, borrowing cost that are eligible for capitalization and other necessary cost incurred to bring the fixed assets 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 operation and it is evidenced that the asset can operate ordinarily or produce steadily qualified products; or the result of trial operation proves that it can operate normally;

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

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

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

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

The recoverable amount should base on the higher value between 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 foreign exchange translation differences from foreign currency borrowings. Borrowing cost incurred by the Company arising from special borrowings or general borrowing for fixed assets, properties for development and investment or inventories that require more than one year (including one year) 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 of borrowing costs

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

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

Computation of capitalized amount of borrowing costs: ① Specific borrowings will be recorded based on the actual interest expense incurred in the period of special borrowings less the interest income from unutilized borrowings placed at banks or investment gain from temporary investment; ② 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, useful life and impairment test**(1) Measurement of intangible assets**

Intangible assets are initially recognized at costs. The actual costs of purchased intangible assets include the consideration and relevant expenses paid. For intangible asset contributed by investors, the price contained in the investment agreement or mutually agreed is the actual cost of the intangible asset. If the price contained in the investment agreement or mutually agreed 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 brings 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 over the useful lives of the intangible assets; at the end of each year, the useful lives and amortization policy are reviewed, and adjusted if there is any variance with original policies; ② Intangible assets with indefinite useful lives are not amortized and the useful lives are reviewed at each year end date. If there is objective evidence that the useful life of an intangible asset is finite, the intangible asset is amortized using the straight line method according to the estimated useful life.

(2) Criterion of determining infinite useful life

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

Criterion 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 and regulations; ② Useful life still could not be estimated after considering the industrial practice or relevant expert opinion.

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

(2). 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 has a market or the intangible asset itself has a market; if the intangible asset is for internal use, there is evidence that there exists usage for the intangible asset; ④ the availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; ⑤ the expenditures attributable to the development of the intangible asset could be reliably measured.

Basis for distinguishing research 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 each year end.

In terms of impairment test of the goodwill, the carrying amount of the goodwill, arising from enterprise combination, shall be allocated to the related asset groups 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 of estimated liability

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

(2) Measurement of estimated liability

The best estimate of the expenditure from 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 reporting 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 changes 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 refer to the difference between the fair values of the modified date. If the Company modifies the exercisable conditions in such manner conducive to the employees, including the shortening of the vesting period, change or cancellation of the performance conditions (rather than market conditions), the Company shall consider the modified exercisable conditions upon the disposal of exercisable conditions. If the modification reduces the total fair value of shares paid or the Company uses other methods not conducive to employees 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.

(1) accounting methods of Short-term compensation

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.

(2) Accounting methods of welfare after leaving office

Post-employment benefits mainly includes the basic pension insurance, supplementary pension, etc., In accordance with the risks and obligations undertaken by the Company, the post-employment benefits is classified as defined contribution plans and defined benefit pension plans. Defined contribution plans: the Company shall recognize the sinking fund paid to individual entity on balance sheet date as a liability in exchange of services from the employee in accounting period, and credited into current profits or losses or related assets costs in accordance with the benefit objects. Defined benefit plans: the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out by independent actuary at the interim and the annual balance sheet date. Staffs' benefit costs incurred by the defined benefit plan of the Group are categorized as follows: (1) service cost, include current period service cost, past-service cost and settlement gain or loss. Current period service cost means the increase of the present value of defined benefit obligation resulted from 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.

(3) Accounting treatment of welfare post cancellation of labor relationship

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

(2) Provision of labor services

At the balance sheet date, when the outcome of a transaction involving the rendering of services can be estimated reliably, revenue from provision of services shall be recognized using the percentage of completion method. The Company confirms the completion progress in accordance with the ratio of actual cost accounting for the total estimated cost. At the balance sheet date, when the outcome of the

transaction involving the rendering of services cannot be estimated reliably, it shall be dealt with in the following ways: ① if the cost of services incurred is expected to be compensated, the revenue from the rendering of services is recognized to the extent of actual cost incurred to date, and the relevant cost is transferred to cost of service 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.

a) Basis of determining and accounting of asset-related 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.

b) Basis of determining and accounting of income-related government grant

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.

(2). 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.

(3) 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.

(4) 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 laws and regulation, the tax base is the difference), deferred income tax asset or deferred income tax liability is calculated using the applicable tax rate prevailing at the expected time of recovering the relevant asset or discharging the relevant liability.

(2) Deferred income tax asset is recognized to the extent that there is enough 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 lesser 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 its and 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 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, estimated onerous contracts, and delay delivery penalties 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 take 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 consumers. According to the relevant conventions in the sales agreement, the review of specific transactions, the market situation, the pipeline inventory levels and the historical experiences, the Company and its subsidiaries estimate and make returned profits from sales on a regular basis 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.

29. Changes in significant accounting policies and accounting estimates

(1) Changes in significant accounting policies

☐Applicable ☒Not Applicable

(2) Changes in accounting estimates

☐Applicable ☒Not Applicable

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

Rate of income tax of the Company and subsidiaries are as follows:

☐Applicable ☒Not Applicable

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.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Intelligent Electronics Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Special Refrigerator Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Air Conditioner Gen Corp., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Dishwasher Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Special Freezer Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Intelligent Home Appliance Technology Co., Ltd	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Wuhan Haier Electronics Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Wuhan Haier Freezer Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Hefei Haier Refrigerator Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Hefei Haier Air-conditioning Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
ZhengZhou Haier Air-conditioning Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Chongqing Haier Air-conditioning Co., Ltd.	15%	entitled to the preferential taxation policies under the Western Development initiative of the PRC
Chongqing Haier Refrigeration Appliance Co., Ltd.	15%	entitled to the preferential taxation policies under the Western Development initiative of the PRC
Guizhou Haier Electronics Co., Ltd.	15%	entitled to the preferential taxation policies under the Western Development initiative of the PRC

Qingdao Haier Air-Conditioner Electronics Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Moulds Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Special Steel Plate Research and Development Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Meier Plastic Powder Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Chongqing Haier Precision Plastic Co., Ltd.	15%	entitled to the preferential taxation policies under the Western Development initiative of the PRC
Chongqing Haier Intelligent Electronics Co., Ltd.	15%	entitled to the preferential taxation policies under the Western Development initiative of the PRC
Qingdao Haigao Design & Manufacture Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Technology Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Hairi High Technology Molding Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier (Jiaozhou) Air-Conditioner Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Beijing Haier Guangke Digital Technology Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
He Fei Haier Washing Machine Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Washing Machine Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Jiaonan Haier Washing Machine Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Drum Washing Machine Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Foshan Shunde Haier Electric Appliance	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Economy and Technology Development Zone Haier Water Heater Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Wu Han Haier Water Heater Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Chongqing Goodaymart Electronics Sales Co., Ltd.	15%	entitled to the preferential taxation policies under the Western Development initiative of the PRC
Chongqing Haier Home Appliance Sale Co., Ltd. and some branches in western region	15%	entitled to the preferential taxation policies under the Western Development initiative of the PRC
Chongqing Goodaymart Electronics Sales Co., Ltd. and some of branch companies	15%	entitled to the preferential taxation policies under the Western Development initiative of the PRC
Chongqing Haier washing machine Co., Ltd.	15%	entitled to the preferential taxation policies under the Western Development initiative of the PRC
Chongqing Haier Water Heater Co., Ltd.	15%	entitled to the preferential taxation policies under the Western Development initiative of the PRC
Chongqing Haier Drum Washing Machine Co., Ltd.	15%	entitled to the preferential taxation policies under the Western Development initiative of the PRC

3. Others

VII. Explanatory Notes for Items in Consolidated Financial Statements

Unless otherwise specified, the following closing balance means the amount as at 31 December 2015; opening balance means the amount as at 31 December 2014; current period means the amount incurred from 1 January to 31 December 2015, while the previous period means the amount incurred from 1 January to 31 December 2014.

1. Monetary funds

Unit and Currency: RMB

Items	Closing balance	Opening balance
Treasury cash	448,890.79	667,833.83
Bank deposit	24,622,416,375.45	31,118,679,107.93
Other monetary funds	91,949,685.73	106,068,874.12
Total	24,714,814,951.97	31,225,415,815.88
Among which: total of overseas amounts	1,000,735,432.46	2,418,099,379.53

Other explanatory

An amount of RMB11,141,062,633.53 of the monetary fund was deposited in Haier Group Finance Co., Ltd. on 31 December 2015, the balance of which including a fixed term deposit of RMB4,520,300,000.00. The investment fund in the closing balance of other monetary fund was RMB53,487,981.75, the payment of the third party platform was RMB6,473,256.10 and the amount securing bill payable was RMB31,988,447.88.

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	22,069,897.04	103,668,887.71
Total	22,069,897.04	103,668,887.71

3. Bills receivable

(1) Categories of bills receivable

√Applicable □Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Bank acceptance notes	2,030,726,556.43	3,935,944,898.33
Commercial acceptance bill	10,642,925,056.43	12,538,175,841.84
Total	12,673,651,612.86	16,474,120,740.17

(2) The pledged bills receivable of the Company at the end of the period was RMB 7,943,296,324.49.

4. Trade receivables

(1) Trade receivables disclosed by categories:

Items	Closing balance		Opening balance	
	Book balance	Provision for bad debts	Book 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	6,464,622,032.50	323,231,101.63	7,090,924,171.34	354,546,208.57
Trade receivables that are individually insignificant but are subjected to provision for bad debts on individual basis	124,613,269.46	124,613,269.46	65,754,801.54	65,754,801.54
Total	6,589,235,301.96	447,844,371.09	7,156,678,972.88	420,301,010.11

(2) Trade receivables of which provision for bad debts is made according to aging analysis within the group:

√Applicable □Not Applicable

Aging	Closing balance		Opening balance	
	Book balance	Provision for bad debts	Book balance	Provision for bad debts
Within 1 year	6,240,233,823.59	312,011,691.20	6,906,704,119.89	345,335,205.98
1-2 years	177,154,723.15	8,857,736.15	133,485,982.27	6,674,299.12
2-3 years	10,733,254.50	536,662.72	36,401,544.69	1,820,077.24
Over 3 years	36,500,231.26	1,825,011.56	14,332,524.49	716,626.23
Total	6,464,622,032.50	323,231,101.63	7,090,924,171.34	354,546,208.57

(3) The total amount of the top 5 in the trade receivables at the end of the period was RMB1,472,299,078.60, accounting for 22.34% of the book balance of the trade receivables, and the amount of provision for bad debts was RMB73,614,953.93.

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

Provisions for bad debts in the amount of RMB 55,170,989.48 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 RMB6,075,120.17, and there was no significant accounts receivable written off in the current period.

5. Prepayments

(1) Aging of prepayments:

Unit and Currency: RMB

Aging	Closing balance	Opening balance
-------	-----------------	-----------------

	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	304,860,675.09	54.74	689,547,822.13	82.47
1-2 years	84,576,029.21	15.19	92,381,704.21	11.05
2-3 years	111,635,498.60	20.05	27,182,650.43	3.25
Over 3 years	55,799,800.49	10.02	26,971,816.19	3.23
Total	556,872,003.39	100	836,083,992.96	100

(2) The total amount of the top 5 in the prepayments at the end of the period was RMB126,201,327.86, accounting for 22.66% of the book balance of the prepayments.

6. Interest receivables

√Applicable □Not Applicable

Aging	Closing balance		Opening balance	
	Book balance	Proportion	Book balance	Proportion
Within 1 year	183,731,216.46	100.00%	178,522,845.11	100.00%
Total	183,731,216.46	100.00%	178,522,845.11	100.00%

7. Other receivables

(1) Other receivables disclosed by categories:

Items	Closing balance		Opening balance	
	Book balance	Provision for bad debts	Book balance	Provision for bad debts
Individual significant other receivables of which provision for bad debts is made on an individual basis				
Other receivables of which provision for bad debts is made on a group basis	503,762,220.81	25,188,111.04	636,411,007.62	31,820,550.38
Individual insignificant other receivables of which provision for bad debts is made on an individual basis	16,989,358.60	16,989,358.60	8,320,297.85	8,320,297.85
Total	520,751,579.41	42,177,469.64	644,731,305.47	40,140,848.23

(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	271,943,281.93	13,597,164.11	595,714,702.41	29,785,735.12
1-2 years	200,229,224.55	10,011,461.22	29,734,745.57	1,486,737.28

2-3 years	16,878,863.68	843,943.18	4,655,121.58	232,756.08
Over 3 years	14,710,850.65	735,542.53	6,306,438.06	315,321.90
Total	503,762,220.81	25,188,111.04	636,411,007.62	31,820,550.38

(3) At the end of the period, total amount of top five other receivables was RMB104,217,012.04, representing 20.01% of the book balance of other receivables, and the amount of provision for bad debts was RMB5,210,850.60.

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

Provisions for bad debts in the amount of RMB6,928,631.57 were made in the current period.

(5) There was no other receivable written off in the current period.

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

8. Inventories

(1) Details of inventories:

Items	Closing balance		Opening balance	
	Book balance	Impairment Provision	Book balance	Impairment Provision
Raw materials	1,319,167,777.77	27,740,567.60	1,949,737,346.72	45,422,279.17
Work in progress	100,862,950.68		78,710,967.65	
Engineering construction	183,826,364.76		170,319,071.95	
Finished goods	7,265,453,539.26	282,326,025.78	7,001,755,604.31	133,459,770.55
Total	8,869,310,632.47	310,066,593.38	9,200,522,990.63	178,882,049.72

(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	45,422,279.17	3,827,521.08	9,445,223.60	12,064,009.05	21,509,232.65	27,740,567.60
Finished goods	133,459,770.55	256,499,729.47		107,633,474.24	107,633,474.24	282,326,025.78
Total	178,882,049.72	260,327,250.55	9,445,223.60	119,697,483.29	129,142,706.89	310,066,593.38

(3) Engineering construction

Items	Total of actual contract costs		Accumulatively recognized gross profit		The settled price	
	Closing balance	Opening balance	Closing balance	Opening balance	Closing balance	Opening balance

Engineering construction	730,332,518.99	593,043,713.33	154,760,775.13	114,811,872.59	701,266,929.36	537,536,513.97
--------------------------	----------------	----------------	----------------	----------------	----------------	----------------

9. Other current assets

Unit and Currency: RMB

Items	Closing balance	Opening balance
Bank Treasury deposit	250,000,000.00	242,400,000.00
Deductible VAT	962,096,326.52	409,584,923.23
Others	238,968,870.78	139,033,818.42
Total	1,451,065,197.30	791,018,741.65

10. Available-for-sale financial assets

√Applicable □Not Applicable

(1) Explanation of available-for-sale financial assets:

Items	Closing balance			Opening balance		
	Carrying Balance	Provision for impairment	Book value	Carrying Balance	Provision for impairment	Book value
Available-for-sale equity instrument:	2,840,543,201.20	3,225,000.00	2,837,318,201.20	1,437,781,907.98	7,160,559.63	1,430,621,348.35
At fair value	1,453,993,243.39		1,453,993,243.39	1,394,842,730.44		1,394,842,730.44
At cost	1,386,549,957.81	3,225,000.00	1,383,324,957.81	42,939,177.54	7,160,559.63	35,778,617.91
Total	2,840,543,201.20	3,225,000.00	2,837,318,201.20	1,437,781,907.98	7,160,559.63	1,430,621,348.35

(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	912,022,174.60
Fair value	1,453,993,243.39
Accumulated fair value changes credited into other comprehensive income	459,664,677.19
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				
Haier Home Integration Limited	2,500,000.00		2,500,000.00	
Qingdao Hai Yong Cheng Certification Services Co., Ltd.	100,000.00			100,000.00
Haier Innovative Technology Service co., Ltd.	25,000.00			25,000.00
Beijing Jia Wei Yi Jia Technology Co., Ltd.	300,000.00			300,000.00
Qingdao Haier Gold Plastic Products Co., Ltd.	900,000.00		900,000.00	
Pioneer Energy (Jiangsu) Co., Ltd.	20,000,000.00			20,000,000.00
Shanghai Haier Integrated Circuit Co.,	15,511,100.74		15,511,100.74	

Ltd.				
GK Shanghai Design Inc.	297,961.20			297,961.20
Wuhan Huaxin Hi-tech Co., Ltd.	200,000.00			200,000.00
Wuhan Household Appliances Group Co., Ltd.	1,000,000.00			1,000,000.00
Qingdao Haier Facility Management Co., Ltd.	2,000,000.00			2,000,000.00
Shenzhen Holdings Donghai Investment Co., Ltd.		1,500,000.00		1,500,000.00
Shenzhen Holdings Donghai Phase I Fund (limited partnership)		7,500,000.00		7,500,000.00
Beijing Xiaobei Technology Co., Ltd.		1,828,125.00		1,828,125.00
China Petrochemical Marketing Co., Ltd.		1,290,489,366.41		1,290,489,366.41
Shanghai Grand Logistics Co., Ltd.		61,200,000.00		61,200,000.00
Others	105,115.60	4,750.00	360.40	109,505.20
Total	42,939,177.54	1,362,522,241.41	18,911,461.14	1,386,549,957.81
(2) Provision for impairment				
Haier Home Integration Limited				
Qingdao Hai Yong Cheng Certification Services Co., Ltd.				
Haier Innovative Technology Service co., Ltd.		25,000.00		25,000.00
Beijing Jia Wei Yi Jia Technology Co., Ltd.				
Qingdao Haier Gold Plastic Products Co., Ltd.				
Pioneer Energy (Jiangsu) Co., Ltd.				
Shanghai Haier Integrated Circuit Co., Ltd	3,960,559.63		3,960,559.63	
GK Shanghai Design Inc.				
Wuhan Huaxin Hi-tech Co., Ltd.	200,000.00			200,000.00
Wuhan Household Appliances Group Co., Ltd.	1,000,000.00			1,000,000.00
Qingdao Haier Facility Management Co., Ltd.	2,000,000.00			2,000,000.00
Shenzhen Holdings Donghai Investment Co., Ltd.				
Shenzhen Holdings Donghai Phase I Fund (limited partnership)				
Beijing Xiaobei Technology Co., Ltd.				
China Petrochemical Marketing Co., Ltd.				
Shanghai Grand Logistics Co., Ltd.				
Others				
Total	7,160,559.63	25,000.00	3,960,559.63	3,225,000.00
(3) Book value				
Haier Home Integration Limited	2,500,000.00			
Qingdao Hai Yong Cheng Certification Services Co., Ltd.	100,000.00			100,000.00
Haier Innovative Technology Service co., Ltd.	25,000.00			
Beijing Jia Wei Yi Jia Technology Co., Ltd.	300,000.00			300,000.00
Qingdao Haier Gold Plastic Products Co., Ltd.	900,000.00			
Pioneer Energy (Jiangsu) Co., Ltd.	20,000,000.00			20,000,000.00

Shanghai Haier Integrated Circuit Co., Ltd.	11,550,541.11			
GK Shanghai Design Inc.	297,961.20			297,961.20
Wuhan Huaxin Hi-tech Co., Ltd. (
Wuhan Household Appliances Group Co., Ltd.				
Qingdao Haier Facility Management Co., Ltd.				
Shenzhen Holdings Donghai Investment Co., Ltd.				1,500,000.00
Shenzhen Holdings Donghai Phase I Fund (limited partnership)				7,500,000.00
Beijing Xiaobei Technology Co., Ltd.				1,828,125.00
China Petrochemical Marketing Co., Ltd.				1,290,489,366.41
Shanghai Grand Logistics Co., Ltd.				61,200,000.00
Others	105,115.60			109,505.20
Total	35,778,617.91			1,383,324,957.81

(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	7,160,559.63
Provision made in the year	25,000.00
Decreased in the year	3,960,559.63
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.	2,933,846,942.59		639,782,002.34	31,143,808.65		
Haier Medical and Laboratory Products Co., Ltd.	270,141,291.60		13,366,494.73			
Wolong Electric Zhangqiu Haier Motor Co., Ltd.	110,995,187.75		8,972,996.78			
Qingdao Haier Software Investment Co., Ltd.	16,323,729.58		710,142.88			
Qingdao Haier SAIF Smart Home Industry Investment Center (limited partnership)	202,000,000.00		-1,733,167.23			
Qingdao Haier Special Steel Plate Research and Development Co., Ltd.		95,964,009.69	-756,895.83			
Hefei Haier Special Steel Plate Research and Development		114,176,814.54	-176,814.54			

Co., Ltd.						
Beijing Mr. Hi Network Technology Company Limited		3,750,000.00	-1,143,116.72			
Haier Tongchuang Investment Partnership (limited partnership)		160,000,000.00	12,400.00			
Qingdao HSW Water Appliance Co., Ltd.		72,728.10	3,633,891.90		35,731.064.81	
Qingdao Roca Water Appliance Co., Ltd.		7,350,000.00	5,950,791.62			
China Shengfeng Microfinance limited in Jin'an District of Fuzhou City		71,754,582.28	6,843,637.31			
Fujian ATL-Shengfeng Logistics Co., Ltd.		12,573,271.17	397,264.64			-340,000.00
Shenzhen Storm Leader Technology Co., Ltd.		21,173,548.79	-5,005,041.75			
Konan Electronic Co., Ltd.	23,986,803.71		6,989,998.02	927,434.50		
HPZ Limited		63,525,998.33	8,996,878.31	819,877.49		
HNR Company (Private) Limited		83,881,638.11	5,563,919.72	6,704,244.06		
Hefei Huadong Packaging Co., Ltd.	25,302,522.69		3,319,345.04			-9,298,600.00
Total	3,582,596,477.92	634,222,567.01	695,724,727.22	39,595,364.70	35,731.064.81	-9,638,600.00

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.			3,604,772,753.58	
Haier Medical and Laboratory Products Co., Ltd.			283,507,786.33	
Wolong Electric Zhangqiu Haier Motor Co., Ltd.			119,968,184.53	
Qingdao Haier Software Investment Co., Ltd.			17,033,872.46	
Qingdao Haier SAIF Smart Home Industry Investment Center (limited partnership)			200,266,832.77	
Qingdao Haier Special Steel Plate Research and Development Co., Ltd.			95,207,113.86	
Hefei Haier Special Steel Plate Research and Development Co., Ltd.			114,000,000.00	
Beijing Mr. Hi Network Technology Company Limited			2,606,883.28	
Haier Tongchuang Investment Partnership (limited partnership)			160,012,400.00	
Qingdao HSW Water Appliance Co., Ltd.			39,437,684.81	
Qingdao Roca Water Appliance Co., Ltd.			13,300,791.62	
China Shengfeng Microfinance limited in Jin'an District of Fuzhou City			78,598,195.59	
Fujian ATL-Shengfeng Logistics Co., Ltd.			12,630,535.81	
Shenzhen Storm Leader Technology Co., Ltd.			16,168,507.04	
Konan Electronic Co., Ltd.			31,904,236.23	
HPZ Limited			73,342,754.13	
HNR Company (Private) Limited			96,149,801.89	
Hefei Huadong Packaging Co., Ltd.		-19,323,267.73		
Total		-19,323,267.73	4,958,908,333.93	

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	38,358,419.50		26,642,367.85	11,716,051.65
House, buildings and land	38,358,419.50		26,642,367.85	11,716,051.65
(2) Total accumulated amortization for the investment property	7,775,566.78	491,152.92		8,266,719.70
House, buildings and land	7,775,566.78	491,152.92		8,266,719.70
(3) Total accumulated provision for Impairment for the investment property				
House, buildings and land				
(4) Total book value for the investment property	30,582,852.72			3,449,331.95
House, buildings and land	30,582,852.72			3,449,331.95

(2) Depreciated and amortized amount for the period was RMB491,152.92 .

(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 reserve	Closing balance
(1) Book value					
Buildings and structures	5,120,446,831.45	1,033,121,701.52	201,037,110.32	4,259,788.41	5,956,791,211.06
Production equipment	7,536,506,221.09	937,547,313.95	1,061,706,872.49	-5,259,349.45	7,407,087,313.10
Transportation equipment	191,092,533.02	157,709,139.21	56,052,984.57	-8,043,936.48	284,704,751.18
Office equipment	206,280,613.02	56,220,171.29	21,297,514.41	666,142.13	241,869,412.03
Others	488,398,727.08	212,351,348.37	58,407,097.69	852,245.64	643,195,223.40
Total	13,542,724,925.66	2,396,949,674.34	1,398,501,579.48	-7,525,109.75	14,533,647,910.77
(2) Accumulated depreciation					
Buildings and structures	1,664,767,447.23	258,652,344.89	152,314,939.34	784,983.34	1,771,889,836.12
Production equipment	4,006,404,253.05	553,586,576.00	744,269,842.02	-4,677,328.97	3,811,043,658.06
Transportation equipment	100,030,493.42	68,072,847.74	45,924,981.85	-14,433,352.76	107,745,006.55
Office equipment	141,880,028.11	16,072,084.68	19,746,417.65	62,405.36	138,268,100.50

Others	230,529,801.79	57,597,328.36	43,098,851.34	-461,616.34	244,566,662.47
Total	6,143,612,023.60	953,981,181.67	1,005,355,032.20	-18,724,909.37	6,073,513,263.70
(3) Net book value					
Buildings and structures	3,455,679,384.22				4,184,901,374.94
Production equipment	3,530,101,968.04				3,596,043,655.04
Transportation equipment	91,062,039.60				176,959,744.63
Office equipment	64,400,584.91				103,601,311.53
Others	257,868,925.29				398,628,560.93
Total	7,399,112,902.06				8,460,134,647.07
(4) Provision for impairment					
Buildings and structures	5,380,416.50	22,075,540.32		696,032.18	28,151,989.00
Production equipment	18,752,377.76		9,645,477.94	58,978.05	9,165,877.87
Transportation equipment	87,260.54			-89.02	87,171.52
Office equipment	2,078,906.22		135,361.12	82,109.95	2,025,655.05
Others	155,485.11				155,485.11
Total	26,454,446.13	22,075,540.32	9,780,839.06	837,031.16	39,586,178.55
(5) Book value					
Buildings and structures	3,450,298,967.72				4,156,749,385.94
Production equipment	3,511,349,590.28				3,586,877,777.17
Transportation equipment	90,974,779.06				176,872,573.11
Office equipment	62,321,678.69				101,575,656.48
Others	257,713,440.18				398,473,075.82
Total	7,372,658,455.93				8,420,548,468.52

(1) Total fixed asset transferred from construction-in-progress balance during the period amounted to RMB2,164,973,212.42.

(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 use 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 55,137,400.00 at the end of the period.

(4) The rental financial fixed assets:

Items	Category of fixed assets	Closing balance
(1) Book Amount	Transportation equipment	32,621,686.22
(2) Accumulated depreciation	Transportation equipment	4,405,293.46
(3) Net book value	Transportation equipment	28,216,392.76
(4) Provision for impairment	Transportation equipment	
(5) Book value	Transportation equipment	28,216,392.76

14. Construction in progress

√Applicable □Not Applicable

(1). Construction in progress

	Closing balance			Opening balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value

(1) Balance of Construction in progress

Projects	Opening balance	Increase for the period	Transfer to fixed assets	Other decrease	Translation reserve	Closing balance	Percentage of completion	Source of fund
Chongqing Household Air Conditioner	15,555,553.98	33,920,933.09	27,690,378.49			21,786,108.58	95%	Self-financing
Hefei Refrigerator	64,184,363.31	66,805,609.94	76,430,053.13			54,559,920.12	94%	Self-financing
Qingdao Special Freezer	34,903,404.89	56,184,778.71	38,169,281.31			52,918,902.29	90%	Self-financing
Jiaozhou Air-Conditioner	152,589,571.22	103,182,962.38	180,973,555.32			74,798,978.28	80%	Self-financing
Zhengzhou Air-Conditioner	68,227,489.21	492,396,704.14	535,928,440.60			24,695,752.75	95%	Self-financing
Shenyang Refrigerator	114,751,804.95	42,685,334.00	58,255,995.45			99,181,143.50	94%	Self-financing
Qingdao Special Refrigerator	62,390,940.34	26,197,066.99	73,081,068.11			15,506,939.22	91%	Self-financing

Dalian Refrigerator	27,618,437.59	16,169,526.14	31,694,571.78			12,093,391.95	95%	Self-financing
Electrical Air-Conditioner	48,782,790.59	67,805,041.65	54,880,738.52			61,707,093.72	82%	Self-financing
Foshan Front-loading Washing Machine	39,231,081.66	35,056,193.62	74,106,463.31			180,811.97	93%	Self-financing
Qingdao Electric Water Heater	39,885,031.98	51,723,678.18	62,371,291.56			29,237,418.60	64%	Self-financing
Qingdao Haier New Energy Electric Appliance	114,738,021.36	30,474,441.93	122,197,153.17			23,015,310.12	70%	Self-financing
Qingdao Front-loading Washing Machine	21,669,160.15	59,179,659.69	35,773,752.95			45,075,066.89	80%	Self-financing
Guiyang logistics	18,123,581.41	46,875,140.76				64,998,722.17	end	Self-financing
Ningbo logistics		80,074,630.30				80,074,630.30	end	Self-financing
Nanchang logistics	130,500.00	62,976,142.78				63,106,642.78	end	Self-financing
Changchun logistics	373,310.00	52,349,013.09				52,722,323.09	end	Self-financing
Chongqing Water Heater	5,222,370.22	60,871,917.11	13,394,295.05			52,699,992.28	91%	Self-financing
Japan projects	225,829,287.26	44,649,512.86	261,086,937.77		1,679,669.76	11,071,532.11	30%	Self-financing
Russian Project		60,550,817.60				60,550,817.60	95%	Self-financing
American Project		56,484,200.24				56,484,200.24	50%	Self-financing
others	302,481,045.35	658,070,794.16	518,939,235.90	6,094,224.64	-512,254.46	435,006,124.51		Self-financing
Total	1,356,687,745.47	2,204,684,099.36	2,164,973,212.42	6,094,224.64	1,167,415.30	1,391,471,823.07		

(2) Provision for impairment of construction in progress

Name of Projects	Opening balance	Increase for the period	Transfer to fixed assets	Other decrease	Closing balance
Japan projects	15,471,276.69		15,471,276.69		
Total	15,471,276.69		15,471,276.69		

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

15. Disposals of fixed assets

Items	Closing balance	Opening balance	Reasons
-------	-----------------	-----------------	---------

International Refrigerator Project	55,808,808.81	31,400,425.86	Demolition
Qingdao Air Conditioning Project	17,825,030.67		Demolition
Others	462,515.56	223,779.72	Disposed
Total	74,096,355.04	31,624,205.58	

16. Intangible assets

Categories	Opening balance	Increase for the period	Decrease for the period	Translation reserve	Closing balance
(1) Book value at cost					
Technical expertise	3,200,000.00				3,200,000.00
Land use rights	980,974,049.78	369,177,636.68	1,195,402.36	97,173.93	1,349,053,458.03
Management software	89,429,222.98	18,105,220.85	1,093,505.85	-610,561.05	105,830,376.93
Others	136,434,282.55	112,612,845.13		-199,162.04	248,847,965.64
Total	1,210,037,555.31	499,895,702.66	2,288,908.21	-712,549.16	1,706,931,800.60
(2) Accumulated amortization					
Technical expertise	2,640,000.00	320,000.00			2,960,000.00
Land use rights	91,543,610.51	25,192,726.40	921,798.06	-1,949.49	115,812,589.36
Management software	50,150,532.01	13,420,850.49	992,760.69	-561,098.54	62,017,523.27
Others	57,412,678.44	15,457,415.08		-199,120.64	72,670,972.88
Total	201,746,820.96	54,390,991.97	1,914,558.75	-762,168.67	253,461,085.51
(3) Net book value					
Technical expertise	560,000.00				240,000.00
Land use rights	889,430,439.27				1,233,240,868.67
Management software	39,278,690.97				43,812,853.66
Others	79,021,604.11				176,176,992.76
Total	1,008,290,734.35				1,453,470,715.09
(4) Provision for impairment					
Technical expertise					
Land use rights					
Management software					
Others					
Total					
(5) Book value					
Technical expertise	560,000.00				240,000.00
Land use rights	889,430,439.27				1,233,240,868.67
Management software	39,278,690.97				43,812,853.66
Others	79,021,604.11				176,176,992.76
Total	1,008,290,734.35				1,453,470,715.09

At the end of the period, the intangible assets arise from internal research and development accounting for 6.29% 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	68,341,844.86	128,055,741.00	11,051,521.00	107,281,869.04	78,064,195.82
Total	68,341,844.86	128,055,741.00	11,051,521.00	107,281,869.04	78,064,195.82

18. Goodwill

Items	Opening balance	Increase for the period	Decrease for the period	Closing balance
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	74,530,241.86	317,954,690.69		392,484,932.55

- (1) The Company additionally acquired RMB0.318 billion of goodwill of Shengfeng Logistics Group Co., Ltd. The subsidiaries of the Company paid cash and contingent considerations of RMB0.675 billion to acquire partial equity of Shengfeng Logistics Group Co., Ltd. In January 2015, the fair value of the equity interest was RMB0.357 billion, the difference between the cost of business combination and the share of fair value of identifiable assets acquired is recognized as goodwill.
- (2) The Company, by estimating the present value of future cash flows, calculates the recoverable amount of the asset groups. According to the cash flows in the next five years based on the financial budget approved by the management, the perpetual growth rate of cash flow in the next years is estimated to be 3% to 4%, not more than the long-term average growth rate of the asset group business. The discount rate is within the range of 13.25% to 15.00%. The management prepares the financial budget above based on the past performance and market development forecasts. Pursuant to the result of impairment test, no goodwill has been impaired by the end of the current period.

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	28,935,702.29	28,984,375.36	23,231,430.60			34,688,647.05
Expenditure for reconstruction of leased plant	56,532,084.65	10,233,431.16	13,914,427.62	744,409.54		52,106,678.65
Others	20,862,517.41	14,840,376.38	7,549,267.00	2,143,620.17	247,813.55	26,257,820.17
Total	106,330,304.35	54,058,182.90	44,695,125.22	2,888,029.71	247,813.55	113,053,145.87

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 assets
Effect on deferred income tax of temporary differences formed by provision for assets impairment	842,899,612.66	125,466,005.57	688,410,190.51	98,641,656.52
Effect on deferred income tax of temporary differences formed by liabilities	3,317,632,626.10	703,437,008.26	3,261,152,605.38	702,069,768.52
Effect on deferred income tax of temporary differences formed by government subsidies	46,004,962.52	10,002,815.63	48,613,677.84	10,464,094.46
Effect on deferred income tax of temporary differences formed by internal unrealized profit due to consolidation	973,458,143.14	176,044,215.94	773,866,294.86	138,832,956.08
Total	5,179,995,344.42	1,014,950,045.40	4,772,042,768.59	950,008,475.58

(2) Deferred income tax liabilities without consideration of the offsetting of balances

Items	Closing balance	Opening balance
Changes of the fair value	90,133,922.90	114,159,827.40
Purchase and dispose subsidiaries	33,059,596.88	28,687,449.46
The reserved foreign enterprise income tax	9,127,063.15	8,718,607.00
Depreciation of fixed assets and the difference of the tax laws	5,077,072.26	4,335,544.95
Others	19,399,402.52	4,489,227.43
Total	156,797,057.71	160,390,656.24

(3) The deferred income tax assets and the deferred income tax liabilities offset at the end of the period amounted to RMB43,466,955.60.

21. Other non-current assets

Unit and Currency: RMB

Items	Closing balance	Opening balance
Prepayments for equipment and land	316,752,155.61	312,617,960.08
Others	82,331,935.92	43,612,717.79
Total	399,084,091.53	356,230,677.87

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	61,509,124.60	
Guaranteed borrowings	1,000,728,210.00	983,758,300.00
Unsecured borrowings	790,870,906.90	1,308,182,725.91
Total	1,873,108,241.50	2,291,941,025.91

23. Financial Liabilities designated to be measured by fair value and change of which is recorded in current profit or loss

√Applicable □Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Forward foreign exchange sale and purchase agreement	7,707,414.12	42,686.85
Total	7,707,414.12	42,686.85

24. Bills payable

√Applicable □Not Applicable

Unit and Currency: RMB

Categories	Closing balance	Opening balance
Commercially acceptance bill	1,425,847,863.41	1,917,974,279.06
Bank acceptance bill	10,171,037,482.65	12,325,063,393.71
Total	11,596,885,346.06	14,243,037,672.77

25. Trade payables

Items	Closing balance	Opening balance
Trade payables	14,713,516,620.92	15,312,971,646.36
Total	14,713,516,620.92	15,312,971,646.36

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

26. Payments received in advance

Items	Closing balance	Opening balance
Payments received in advance	3,170,457,870.50	4,336,427,690.63
Total	3,170,457,870.50	4,336,427,690.63

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	1,078,052,302.02	7,415,479,096.67	7,300,763,156.37	1,192,768,242.32
Post-employment benefits-defined contribution plan	19,416,498.85	537,194,458.59	536,242,421.05	20,368,536.39
Termination benefits	30,693,772.24	5,250,435.03	15,536,720.41	20,407,486.86
Other welfare due within one year				
Total	1,128,162,573.11	7,957,923,990.29	7,852,542,297.83	1,233,544,265.57

(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	633,486,885.71	5,193,464,495.66	5,119,296,553.46	707,654,827.91
(2) Employee welfare	320,717,645.94	148,548,501.60	163,699,041.48	305,567,106.06
(3) Social benefit	9,247,445.07	277,885,586.94	280,632,314.10	6,500,717.91
(4) Housing fund	2,938,717.80	216,594,418.76	212,830,051.90	6,703,084.66
(5) Labor union fee and education fee	7,983,654.28	52,089,713.39	57,346,138.87	2,727,228.80
(6) Short-term compensated leave				
(7) Others	103,677,953.22	1,526,896,380.32	1,466,959,056.56	163,615,276.98
Total	1,078,052,302.02	7,415,479,096.67	7,300,763,156.37	1,192,768,242.32

(3) Presentation of defined contribution plan

Items	Opening balance	Increase for the period	Decrease for the period	Closing balance
Basic pension insurance	15,402,423.98	485,722,976.64	485,551,224.19	15,574,176.43
Unemployment insurance	433,600.38	27,934,821.24	27,867,442.95	500,978.67
Enterprise annuity payment	3,580,474.49	23,536,660.71	22,823,753.91	4,293,381.29
Total	19,416,498.85	537,194,458.59	536,242,421.05	20,368,536.39

(4) Presentation of termination benefits

Items	Closing balance	Opening balance
Termination compensation	20,407,486.86	30,693,772.24
Total	20,407,486.86	30,693,772.24

28. Taxes payable

Unit and Currency: RMB

Items	Closing balance	Opening balance
VAT	59,700,542.53	488,027,357.82
Business tax	5,888,947.72	6,516,054.50
Enterprise income tax	708,348,404.94	847,386,344.65
Individual income tax	16,635,460.95	14,557,491.42
Municipal maintenance tax	8,866,023.89	29,520,918.23
Education surcharge	3,363,149.08	12,787,612.68
The electrical and electronic products waste treatment fund	55,378,377.00	63,455,219.50
Additional local taxes	51,756,909.98	69,133,979.78
Total	909,937,816.09	1,531,384,978.58

29. Interests payable

Items	Closing balance	Opening balance
Interest of long-term borrowings	1,131,479.67	
Interest of short-term borrowings	6,199,909.01	7,921,318.87
Interest of corporate bond	7,750,027.66	
Total	15,081,416.34	7,921,318.87

30. Dividends payable

Name of Entity	Closing balance	Opening balance
BRAVE LION (HK) LIMITED	115,230,923.73	132,644,847.17
Other minority shareholders	18,151,086.00	14,667,528.94
Total	133,382,009.73	147,312,376.11

31. Other payables

Items	Closing balance	Opening balance
Other payables	6,056,795,354.04	7,083,921,880.47
Total	6,056,795,354.04	7,083,921,880.47

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

32. Non-current liabilities due within 1 year

√Applicable □Not Applicable

Unit and Currency: RMB

Items	Closing balance	Opening balance
Long-term borrowings due within one year	10,877,261.36	

Predicative liabilities due within one year	62,020,766.97	
Total	72,898,028.33	

33. Long-term borrowings

√Applicable □Not Applicable

Category of borrowings	Closing balance	Opening balance
Credit borrowings	297,241,293.20	
Total	297,241,293.20	

The interest rate of the long-term bank borrowings is 1.37% plus Yen London inter-bank offered rate of 3 month.

34. Bonds payable

√Applicable □Not Applicable

On 24 August 2011, Haier Electronics Group Co., Ltd., the Company's holding subsidiary, issued 100,000,000 convertible corporate bonds and 40,000,000 warrants, face value of which amounted to HK\$1,067,000,000 (equivalent to RMB874,375,557). Annual coupon rate of which is 3%, payable semi-annually in arrears on 30 June and 31 December of each year. As of 31 December 2015, all the bond holders have transferred their shares.

On 20 March 2014, Haier Electronics Group Co., Ltd., the Company's holding subsidiary, issued HK\$1,316,036,039 convertible corporate bonds (equivalent to RMB1,055,023,280), with an annual coupon rate of 1.5%. The convertible corporate bonds will be expired on 20 March 2017. The bond holders may transfer shares after one year from the issue date to 7 days before the expiration at their option.

On initial recognition, the convertible corporate bonds, issued by the Company's holding subsidiary Haier Electronics Group Co., Ltd., was divided into liabilities and equities:

Items	Convertible bonds issued in 2011	Convertible bonds issued in 2014
Initial recognition:	874,375,557.00	1,055,023,279.62
Face values of the convertible bonds and issued warrants		
Including:		
Share option	59,699,810.00	
Equity of convertible bonds	149,249,526.00	54,838,289.02

Liabilities of convertible bonds	665,426,221.00	1,000,184,990.60
----------------------------------	----------------	------------------

Change in liabilities of convertible bonds for the period:

Items	Opening balance	Increase for the period	Accrued bond interest	Less: paid bond interest for the period	The translation of the period	Effect of exchange rate	Closing balance
Convertible bonds issued in 2011	776,318,964.06		20,850,450.69	7,750,027.94	789,445,397.59	26,010.78	
Convertible bonds issued in 2014	1,024,381,665.99		34,201,853.01			49,150,997.43	1,107,734,516.43
Total	1,800,700,630.05		55,052,303.70	7,750,027.94	789,445,397.59	49,177,008.21	1,107,734,516.43

35. Long-term payables

√Applicable □Not Applicable

Items	Closing balance	Opening balance
CDB development fund investment fund	43,000,000.00	
Vehicle financing lease	16,916,852.02	
Total	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., Qingdao Haier Air Conditioner Gen Corp., Ltd., Qingdao Haier (Jiaozhou) Air-conditioning Co., Limited together with China Development Fund Co. Ltd. in 2015, China Development Fund Co. Ltd. invested RMB 20 million in Qingdao Haier Refrigerator Co., Ltd., and RMB 23 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. in two batches respectively.

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		
II. Termination benefits	33,209,406.02	24,531,136.34
III. Other long-term benefits		
Total	33,209,406.02	24,531,136.34

(2) Defined benefit plan

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

plan, payments are required to be made to an independent trustee, and the trustee is responsible to determine the investment strategies of the plan.

The plan is 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.

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	275,770,839.30
II. Defined benefit cost in current profit or loss	12,463,283.18
1. Current period service cost	9,423,103.14
2. Past service cost	-
3. Settlement profit (loss indicated in “—”)	
4. Interest expenses	3,040,180.04
III. Defined benefit cost in other comprehensive incomes	6,017,915.39
1. Actuarial loss (gain indicated in “—”)	6,017,915.39
IV. Other changes	-8,032,856.91
1. Consideration paid upon settlement	
2. Prepaid benefits	-21,964,992.54
3. Exchange difference	13,932,135.63
V. Closing balance	286,219,180.96

Fair value of plan assets

Items	Amount
I. Opening balance	283,230,286.40
II. Defined benefit cost in current profit or loss	5,641,214.64
1. Interest income	5,641,214.64
III. Defined benefit cost in other comprehensive incomes	-247,301.83
1. Return on plan assets (except those included in net interests)	-247,301.83
2. Changes in impact of asset cap (except those included in net interests)	
IV. Other changes	3,569,441.61
1. Payments made by the employer	11,955,068.05
2. Prepaid benefits	-21,964,992.54
3. Balance of exchange	13,579,366.10

V. Closing balance	292,193,640.82
--------------------	----------------

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	-7,459,447.10
II. Defined benefit cost in current profit or loss	6,822,068.54
III. Defined benefit cost in other comprehensive incomes	6,265,217.22
IV. Other changes	-11,602,298.52
V. Closing balance	-5,974,459.86

It is estimated that the payment of RMB40,964,000.00 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.

37. Estimated liabilities

Items	Closing balance	Opening balance
Estimated charges of “three guarantees” and installations	1,841,853,237.19	1,913,448,778.76
Acquirement of equity interests of minority interests	43,500,000.00	319,372,857.14
Pending action	14,190,400.00	18,725,375.08
Total	1,899,543,637.19	2,251,547,010.98

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	135,707,501.91	139,115,711.94	25,653,688.07	249,169,525.78	Government subsidies related assets
Leaseback		15,038,883.21	87,854.66	14,951,028.55	The differences on sales price and the book value of assets

Total	135,707,501.91	154,154,595.15	25,741,542.73	264,120,554.33	/
-------	----------------	----------------	---------------	----------------	---

39. Share capital

Class of shares	Opening balance	Increase for the period	Decrease for the period	Closing balance
I. Restricted shares	309,093,994	309,473,994	4,880,800	613,687,188
1. State-owned shares				
2. Shares held by domestic non-state-owned legal entities				
3. Shares held by domestic natural persons	6,101,000	6,481,000	4,880,800	7,701,200
4. Shares held by foreign non-state-owned legal entities	302,992,994	302,992,994		605,985,988
II. Non-restricted shares	2,736,841,140	2,772,625,940		5,509,467,080
1. Ordinary shares in RMB	2,736,841,140	2,772,625,940		5,509,467,080
2. Domestic listed foreign shares				
3. Overseas listed foreign shares				
4. Others				
III. Total shares	3,045,935,134	3,082,099,934	4,880,800	6,123,154,268

(1) On 18 March 2015, the Company granted restricted shares to 3 beneficiaries and acquired 190,000 RMB ordinary shares at the grant price of RMB10.06 per share by the beneficiaries, and the registered capital was increased by RMB190,000.00. The capital was increased by way of cash, and the increase has been verified by the Hexin Yan Zi (2015) No. 000012 Capital Verification Report issued by Shandong Hexin Accountants LLP (Special Ordinary Partnership).

(2) The Company's 2014 profit distribution plan was passed at the 2014 Annual General Meeting of Qingdao Haier Co., Ltd. held on 10 June 2015: a cash dividend of RMB4.92 (inclusive of tax) for every 10 shares was distributed to all shareholders, and a bonus issue was made by way of capitalizing its capital reserve on the basis of 10 shares for every 10 shares on the basis of 3,046,125,134 shares. On 15 July 2015, the Company has transferred capital reserves of RMB3,046,125,134.00 to share capital, and the increase has been verified by the Hexin Yan Zi (2015) No. 000048 Capital Verification Report issued by Shandong Hexin Accountants LLP (Special Ordinary Partnership).

(3) The Proposal on Relevant Arrangements of the First Exercise/Unlocking of Rights Firstly Granted in Phase IV Share Option Incentive Scheme was passed at the 24th Meeting of the 8th Session

of the Board of Directors held on 17 July 2015. According to the Proposal, the Company granted restricted shares to 422 beneficiaries and acquired 30,904,000.00 RMB ordinary shares at the grant price of RMB8.07 per share by the beneficiaries. The capital increase has been verified by the Hexin Yan Zi (2015) No. 000050 Capital Verification Report issued by Shandong Hexin Accountants LLP (Special Ordinary Partnership).

40. Capital reserve

Items	Opening balance	Increase for the period	Decrease for the period	Closing balance
Capital premium	5,861,864,244.94	424,771,671.27	6,286,635,916.21	
Other capital reserve	116,923,194.51	2,490,000.00	36,030,000.00	83,383,194.51
Total	5,978,787,439.45	427,261,671.27	6,322,665,916.21	83,383,194.51

(1) Movements in capital premium mainly due to: ① an increase of RMB168,528,991.27 in capital premium due to the changes in shareholding proportion held by the parent company as a result of the additional capital contributed by minority shareholders of subsidiaries during the period; ② an increase of RMB256,242,680.00 in capital premium as a result of the first exercise of Phase IV Share Option Incentive Scheme; ③ a decrease of RMB3,221,270,582.00 in capital premium as a result of common control combination during the period; ④ a decrease of RMB3,046,125,134.00 in capital premium as a result of transfer of capital reserves into share capital during the period; ⑤ a decrease of RMB19,240,200.21 in capital premium as a result of acquisition of minority interest of subsidiaries during the period.

(2) Movements in other capital reserve mainly due to: ① an increase of RMB2,490,000.00 in other capital reserve as a result of share-based payment credited into shareholders' equity during the period; ② a decrease of RMB36,030,000.00 in other capital reserve as a result of the first exercise of Phase IV Share Option Incentive Scheme.

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	47,160,730.00	1,911,400.00	18,864,292.00	30,207,838.00

Share repurchase		47,396,706.70		47,396,706.70
Total	47,160,730.00	49,308,106.70	18,864,292.00	77,604,544.70

Other explanations, including the explanations on increases or decreases during the period and the reasons thereof:

(1) Movements in restricted shares mainly due to: ① an increase of RMB1,911,400.00 in restricted shares as a result of some restricted shares reserved in the first exercise of Phase IV Share Option Incentive Scheme during the period; ② a decrease of RMB18,864,292.00 in restricted shares as a result of the restricted shares involved in the first exercise of Phase IV Share Option Incentive Scheme unlocked during the period;

(2) Movements in share repurchases mainly due to: an increase of RMB47,396,706.70 as a result of share repurchases during the period.

42. Other comprehensive income

Items	Opening balance	Amounts incurred in the current period					Closing balance
		The pre-tax amount in the current period	Less: income tax expense	Attributable to the parent company, net of tax	Attributable to minority shareholders, net of tax	Others	
a	10,696,254.05	39,595,364.70		39,584,241.91	11,122.79		50,280,495.96
b	421,754,809.35	40,320,174.29	6,106,343.18	33,989,723.80	224,107.31	-145,650.27	455,598,882.88
c	122,191,333.61	5,753,115.52		-11,593,077.82	17,346,193.34		110,598,255.79
d	22,971,042.62	-6,265,217.22		-6,265,217.22			16,705,825.40
Total	577,613,439.63	79,403,437.29	6,106,343.18	55,715,670.67	17,581,423.44	-145,650.27	633,183,460.03

Notes: (1) Item a, b and c are other comprehensive income that will be reclassified to profit or loss, including:

a Share of other comprehensive income of investments accounted for using the equity method, which will be reclassified subsequently to profit or loss.

b Change in fair value of financial assets available-for-sale.

c Exchange differences from retranslation of foreign currency financial statements.

(2) Item d represents changes arising from remeasurement of net liabilities/assets of defined benefit plans, which may not be subsequently reclassified to 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	1,976,448,731.03	194,518,642.12	192,538,873.51	1,978,428,499.64
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	2,024,105,532.62	194,518,642.12	192,538,873.51	2,026,085,301.23

Explanations on surplus reserves, including the explanations on increases or decreases during the period and the reasons thereof:

Pursuant to Company Law of the People's Republic of China and articles of association, the Company is required to appropriate the statutory surplus reserve at 10% of its net profit. Decrease for the period is resulted from the write-down of retained earnings through enterprise combinations under common control.

44. Undistributed profits

Items	Amount
Undistributed profits at the end of last year	12,855,511,059.42
Add: correction of accounting errors	
Implementation of ASBE reclassification	
Adjustment on business combination under common control	173,676,255.29
Undistributed profits at the beginning of the year	13,029,187,314.71
Add: net profit attributable to owners of the parent company	4,300,760,542.82
Profit available for appropriation for the year	17,329,947,857.53
Less: appropriation of statutory surplus reserve	194,518,642.12
Appropriation of staff incentive and welfare fund	
Dividend payable for ordinary shares	1,496,804,871.93
Retained earnings after deduction of combined offsetting under common control	1,732,849,861.60
Undistributed profits at the end of the period	13,905,774,481.88

45. Operating income and Operating cost

(1) Operating income

Categories	Current amount	Prior amount
Principal Business	89,168,902,490.15	96,201,548,720.34
Other Business	579,417,920.76	728,215,174.02
Total	89,748,320,410.91	96,929,763,894.36

(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	16,250,889,159.97	11,662,362,800.22	20,471,645,554.31	13,961,625,203.37
Refrigerator	27,588,532,137.07	18,610,588,978.98	28,266,621,414.28	19,104,177,471.13
Kitchenware and sanitary ware	6,620,603,698.64	3,730,801,944.40	6,499,294,676.18	3,685,681,952.34
Washing machine	17,469,847,901.81	11,472,567,714.01	17,259,524,173.06	11,400,672,884.91
Equipment product	1,818,035,269.39	1,576,671,700.64	4,347,020,056.55	4,045,004,617.33
Integrated channel services and others	19,420,994,323.27	17,480,791,069.94	19,357,442,845.96	17,688,045,087.81
Total	89,168,902,490.15	64,533,784,208.19	96,201,548,720.34	69,885,207,216.89

46. Business taxes and surcharge

Items	Current amount	Prior amount	Tax base
Business tax	21,692,903.23	17,686,137.75	Payable at 5% , 3% of the taxable turnover
City construction tax	249,968,408.97	261,859,781.12	Payable at 7% of the circulation tax
Education surcharge	115,023,959.01	118,905,938.21	Payable at 3%, 2% and 1% of the circulation tax
Others	10,565,768.64	6,095,205.59	
Total	397,251,039.85	404,547,062.67	

47. Expenses of sales

Unit and Currency: RMB

Items	Current amount	Prior amount
Expenses of sales	13,101,282,436.95	12,579,781,619.54
Total	13,101,282,436.95	12,579,781,619.54

Other explanation:

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	6,549,193,839.44	6,813,114,797.83
Total	6,549,193,839.44	6,813,114,797.83

Other explanation:

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

49. Financial expenses

Categories	Current amount	Prior amount
Interest expenses	119,256,405.78	153,759,585.82
Less: interest income	524,652,061.70	550,990,928.09
Exchange gain or loss	-146,355,539.67	61,428,911.71
Others	53,630,789.76	79,153,850.10

Total	-498,120,405.83	-256,648,580.46
-------	-----------------	-----------------

50. Loss in assets impairment

Categories	Current amount	Prior amount
Bad debt loss	62,099,621.05	45,338,057.93
Loss from price drop in inventory	250,882,026.95	153,904,717.94
Impairment loss on fixed assets	5,004,997.05	6,453,775.26
Impairment loss on construction in progress		17,487,960.62
Impairment loss on assets available for sale	25,000.00	
Total	318,011,645.05	223,184,511.75

51. Profit or loss of changes in fair value

Items	Current amount	Prior amount
Financial instruments measured in fair value through current profit or loss - derivative financial instruments	-90,223,059.50	112,363,366.12
Total	-90,223,059.50	112,363,366.12

52. Investment Income

√Applicable □Not Applicable

Items	Current amount	Prior amount
Long-term equity investments income calculated by the equity method	695,724,727.22	646,307,155.00
Investment income from disposal of long-term equity investments	338,777,175.29	420,123,350.96
Investment income from financial assets available for sale during the holding period	121,454,252.17	19,679,408.23
Gain on remeasurement of remaining equity by fair value upon loss of control	49,201,148.46	151,233,596.81
Investment income from disposal of financial assets available for sale	54,535,164.73	
Investment income from disposal of financial assets at fair value through profit and its changes recognized in the current profit and loss	49,703,912.97	-52,278,306.13
Wealth management products return	10,905,835.77	7,514,804.00
Total	1,320,302,216.61	1,192,580,008.87

53. Non-operating income

Items	Current amount	Prior amount
Gain on disposal of non-current assets	50,992,727.10	79,784,116.53
Government grants	307,550,180.85	119,525,560.32

Others	259,914,355.87	179,025,689.24
Total	618,457,263.82	378,335,366.09

Government grants included in current profit or loss

√Applicable □Not Applicable

Unit and Currency: RMB

Grant Items	Current amount	Prior amount
Amortization of government grants related to assets	24,873,688.07	15,686,241.90
Subsidies for profits	282,676,492.78	103,839,318.42
Total	307,550,180.85	119,525,560.32

54. Non-operating expenses

Items	Current amount	Prior amount
Loss on disposal of non-current asset	40,689,452.41	30,258,846.12
Charitable donation expenses	14,785,616.95	9,415,000.00
Others	40,441,092.69	62,600,130.44
Total	95,916,162.05	102,273,976.56

55. Income tax expense

(1) Table of income tax expense

Unit and Currency: RMB

Items	Current amount	Prior amount
Current income expense	1,123,894,772.94	1,459,762,777.16
Deferred tax income	-71,125,354.97	67,723,968.46
Total	1,052,769,417.97	1,527,486,745.62

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

Unit and Currency: RMB

Items	Current amount
Total profit	6,974,858,906.80
Income tax expenses calculated at statutory/applicable tax rate	1,743,714,727.07
Impact from different tax rates applicable to subsidiaries	-591,361,323.79
Impact from adjustment to income tax in prior periods	-123,932,932.55
Effect from non-taxable income	-127,889,968.81
Impact from non-deductible costs, fees and losses	55,762,067.59
Impact from utilization of deductible losses of unrecognized deferred income tax assets in prior periods	
Impact from deductible temporary differences or losses of unrecognized deferred income tax assets in the current period	102,383,851.62
Effect of write-off of deferred income taxes	-15,455,331.34
Others	9,548,328.18
Income tax expenses	1,052,769,417.97

56. Other comprehensive income

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

57. Cash received from other operating related activities

Unit and Currency: RMB

Items	Current amount
Deposits and securities	51,048,407.70
Government grants	282,676,492.78
Non-operating income excluding government grants	125,231,972.76
Interest income	519,444,538.53
Others	6,606,689.62
Total	985,008,101.39

58. Cash paid to other operation related activities

Unit and Currency: RMB

Items	Current amount
Cash paid on operating expenses	6,843,398,032.30
Cash paid on management expenses	3,482,472,539.26
Cash paid on financial expenses	49,228,152.40
Non-operating expenses	51,429,955.11
Others	161,261,260.81
Total	10,587,789,939.88

59. Cash received from other investment related activities

Unit and Currency: RMB

Items	Current amount
Government grants related to assets	10,972,523.38
Total	10,972,523.38

60. Cash paid on other investment related activities

Unit and Currency: RMB

Items	Current amount
Cash paid on disposal of subsidiaries	81,334,939.43
Others	266,802.77
Total	81,601,742.20

61. Cash received from other financing related activities

Unit and Currency: RMB

Items	Current amount
Cash received from leaseback business	17,063,242.50
Total	17,063,242.50

62. Cash paid to other financing related activities

Unit and Currency: RMB

Items	Current amount
Cash paid on repurchasing shares	47,396,706.70
Cash paid on repurchasing stock option	75,990,821.27
Cash paid on financial lease	30,673,525.83
Others	381,748.18

Total	154,442,801.98
-------	----------------

63. Explanation on net profit adjusted to cash flows of operating activities

Unit and Currency: RMB

Supplementary Information	Current amount	Prior amount
1 · Net profit adjusted to cash flows of operating activities		
Net profit	5,922,089,488.83	7,048,901,343.00
Plus: provisions for assets impairment	318,011,645.05	223,184,511.75
Depreciation of fixed assets, depreciation of oil and gas assets, depreciation of productive bio-assets	954,472,334.59	779,154,506.13
Amortization of intangible assets	54,390,991.97	50,961,678.41
Amortization of long term expenses payable	44,695,125.22	29,638,858.21
Loss on disposal of fixed assets, intangible assets and other long term assets (“—”represents “gains”)	-10,303,274.69	-48,412,936.61
Loss on write-off of fixed assets (“—”represents “gains”)		
Loss on change of fair value (“—”represents “gains”)	90,223,059.50	-112,363,366.12
Financial expenses (“—”represents “increase”)	119,256,405.78	153,759,585.82
Loss on investments (“—”represents “gains”)	-1,320,302,216.61	-1,192,580,008.87
Decrease of deferred income tax assets (“—”represents “gains”)	-58,736,355.41	3,728,000.79
Increase of deferred income tax liabilities (“—”represents “decrease”)	-12,388,999.56	63,995,967.67
Decrease of inventories (“—”represents “gains”)	372,583,766.58	-943,420,407.08
Decrease of operational account receivables (“—”represents “gains”)	4,490,806,802.27	-1,561,278,073.97
Increase of operational account payables (“—”represents “decrease”)	-5,183,054,157.18	2,010,844,166.64
Others	-202,144,003.41	263,247,472.58
Net cash flows generated from operational activities	5,579,600,612.93	6,769,361,298.35
2. Significant investment and financing activities not involving cash inflows and outflows		
Capital transferred from debts	789,445,397.59	
Convertible corporate bonds due within 1 year		776,318,964.06
Financial leased fixed assets	24,232,599.76	
3. Changes of cash and cash equivalents:		
Cash balance at the end of the period	24,682,826,504.09	31,120,319,710.77
Less: cash balance at the beginning of the period	31,120,319,710.77	20,974,450,271.64
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	-6,437,493,206.68	10,145,869,439.13

64. Cash and cash equivalents

Items	Closing balance	Opening balance
I. Cash	24,682,826,504.09	31,120,319,710.77
Including:: cash on hand	448,890.79	667,833.83
Bank deposit available for payment at any time	24,622,416,375.45	31,118,679,107.93
Other cash fund available for payment at any time	59,961,237.85	972,769.01
II. Cash equivalents		
Including: bond investment due within three months		
III. Closing balance of cash and cash equivalents	24,682,826,504.09	31,120,319,710.77
Including: restricted cash and equivalents used by the parent company or subsidiaries of the Group		

65. Foreign Currency Items

Items	Closing balance			Opening balance		
	Foreign currency balance	Exchange rate	RMB balance	Foreign currency balance	Exchange rate	RMB balance
Monetary capital						
Dollar	382,814,217.61	6.4936	2,485,842,403.49	584,183,095.23	6.1190	3,574,616,359.73
Euro	23,695,633.42	7.0952	168,125,258.25	41,752,731.40	7.4556	311,291,664.27
Yen	1,519,376,567.61	0.053875	81,856,412.58	3,577,239,388.37	0.051371	183,766,364.62
Others			593,664,319.50			480,513,197.43
Sub-total			3,329,488,393.82			4,550,187,586.05
Receivables						
Dollar	60,073,515.58	6.4936	390,093,380.78	32,173,707.03	6.1190	196,870,913.30
Euro	78,420,140.64	7.0952	556,406,581.87	71,043,423.47	7.4556	529,671,348.02
Yen	5,056,219,138.00	0.053875	272,403,806.06	8,044,496,625.72	0.051371	413,253,836.16
Others			1,459,452,977.77			1,577,781,202.59
Sub-total			2,678,356,746.48			2,717,577,300.07
Short-term borrowings						
Dollar	29,279,006.04	6.4936	190,126,153.60	34,923,222.99	6.1190	213,695,201.45
Euro	14,673,870.97	7.0952	104,114,049.31	17,781,421.68	7.4556	132,571,167.48
Yen	6,396,593,092.71	0.053875	344,616,452.87	17,029,608,144.67	0.051371	874,828,000.00
HK Dollars	1,194,471,484.84	0.8378	1,000,728,210.00	1,247,000,000.00	0.7889	983,758,300.00
Others			119,091,405.25			61,322,381.41
Sub-total			1,758,676,271.03			2,266,175,050.34
Payables						
Dollar	113,082,834.29	6.4936	734,314,692.73	142,790,224.82	6.1190	873,733,385.67

Euro	50,236,492.28	7.0952	356,437,960.06	105,791,736.53	7.4556	788,740,870.87
Yen	4,698,797,257.13	0.053875	253,147,702.23	5,333,730,559.14	0.051371	273,999,072.55
Others			1,008,890,397.28			1,057,481,668.02
Sub-total			2,352,790,752.30			2,993,954,997.11
Long-term borrowings						
Dollar						
Euro						
Yen	5,517,239,780.97	0.053875	297,241,293.20			
Others						
Sub-total			297,241,293.20			

VIII. Changes of consolidation scope

1. The consolidation of enterprises under non-common control

√Applicable □Not Applicable

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

√Applicable □Not Applicable

Unit and Currency: RMB

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
Shengfeng Logistics Group Co., Ltd	2015.1	675,144,595	58.08	Outsourced	2015-01-01	The relevant rights and Obligations of target interest have transferred into the Company	1,418,342,315.09	16,178,900.16

(2). Combination costs and goodwill

√Applicable □Not Applicable

Unit and Currency: RMB

Combination costs	Shengfeng Logistics Group Co., Ltd
-- Cash	605,144,595.00
-- Fair value of the non-cash asset	
-- The fair value of issued or assumed debt	
-- The fair value of issued equity securities	
-- Fair value of contingent considerations	70,000,000.00
-- The fair value of the shares held prior to the date of purchase	
--Others	
Total combination costs	675,144,595.00
Less: share of fair value of identifiable assets	357,189,904.31
Amount of goodwill /combination costs which is less than its share of the fair value of identifiable net assets acquired	317,954,690.69

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

Items	Shengfeng Logistics Group Co., Ltd	
	Fair value as at the date of acquisition	Book value as at the date of acquisition
Monetary Capital	27,357,283.97	27,357,283.97
Trading financial assets	71,687.17	71,687.17
Bills receivables	6,084,722.00	6,084,722.00
Trade receivables	227,842,735.94	227,842,735.94
Other receivables	321,688,172.93	321,688,172.93
Prepayment	73,446,979.71	73,446,979.71
Inventories	1,206,280.62	1,206,280.62
Fixed assets	199,354,775.70	199,354,775.70
Construction in progress	11,518,221.48	10,391,738.48
Intangible assets	53,838,749.06	44,209,000.67
Long-term equity investment	84,327,829.45	84,327,829.45
Other long-term assets	33,080,318.61	33,080,318.61
Less: borrowings	-160,400,000.00	-160,400,000.00
Trade payables	-119,156,731.39	-119,156,731.39
Taxes payables	-13,635,046.88	-13,635,046.88
Interests payables	-258,527.64	-258,527.64
Other payables	-53,753,792.48	-53,753,792.48
Payroll payables	-17,062,425.22	-17,062,425.22
Payment received in advance	-1,944,121.19	-1,944,121.19
Other long-term debts	-43,843,123.31	-41,154,065.46
Net assets	629,763,988.53	621,696,814.99
Less: minority interest	272,574,084.22	
Net assets acquired	357,189,904.31	

2. The consolidation of enterprises under common control

√Applicable □Not Applicable

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

Name of the combined party	The proportion of equity interest acquired in business combination	Base of transaction constituting business combination under common control	Date of combination	Base of combination date
Qingdao Haier Technology Co., Ltd	100%	Under common control of Haier Group Corporation before and after the transaction	31 December 2015	The relevant rights and obligations of target interest have transferred into the Company
Haier Singapore Investment Holding Pte. Ltd	100%	Under common control of Haier Group Corporation before and after the transaction	31 December 2015	The relevant rights and obligations of target interest have transferred into the Company

Continued

Name of combined party	Revenue of combined party from the beginning of the combined period to the date of combination	Net profit of combined party from the beginning of the combined period to the date of combination	Revenue of combined party in the comparison period	Net profit of combined party in the comparison period
Qingdao Haier Technology Co., Ltd	29,678,337.93	9,420,101.15	34,470,710.63	-703,428.95
Haier Singapore Investment Holding Pte Ltd	12,664,648,640.95	223,861,382.94	11,343,182,086.06	347,675,454.56

(2) Combination costs

Combination costs	Qingdao Haier Technology Co., Ltd	Haier Singapore Investment Holding Pte Ltd
----- Cash	9,500,000.00	4,873,700,000.00

(3) Assets and liabilities of the combined party

√Applicable □Not Applicable

Unit and Currency: RMB

	Qingdao Haier Technology Co., Ltd		Haier Singapore Investment Holding Pte Ltd	
	As at the combination date	At the end of last period	As at the combination date	At the end of last period
Assets:	24,027,026.52	11,363,453.80	7,618,655,750.87	7,285,203,936.83
Monetary capital	22,079,264.89	4,024,301.80	1,763,623,141.19	2,584,817,169.51
Accounts receivable	1,686,242.06	7,004,525.82	2,478,337,466.97	2,104,312,146.26
Inventories			1,666,319,312.42	1,490,182,775.29
Fixed assets	152,163.23	168,638.07	754,928,659.99	402,015,800.74
Intangible assets	91,148.61	161,092.82	42,643,589.34	35,742,000.55
Trading financial assets			22,015,240.31	103,668,887.71
Other current assets			387,378,681.29	186,453,623.96
Available-for-sale financial assets			1,469,316.23	1,339,735.12
Long-term equity investment			201,396,792.25	23,986,803.71
Construction in progress			164,985,677.33	255,358,596.06
Other long-term assets	18,207.73	4,895.29	135,557,873.55	97,326,397.92
Liabilities:	7,209,864.49	3,966,392.92	4,833,770,663.30	4,470,256,479.12
Borrowings			1,057,138,548.02	1,283,267,211.48
Amount payables	1,535,176.80		3,510,743,568.12	2,872,288,681.59
Trading financial assets		2,082,640.05	7,707,414.12	42,686.85

Staff remuneration payable	1,915,123.66	2,148,253.86	67,178,224.44	63,954,326.38
Taxes payable	3,759,564.03	-264,500.99	20,787,463.33	77,143,159.56
Other long-term liabilities			170,215,445.27	173,560,413.26
Net assets	16,817,162.03	7,397,060.88	2,784,885,087.57	2,814,947,457.71
Less: minority interest			41,869,546.18	34,585,696.89
Net assets acquired	16,817,162.03	7,397,060.88	2,743,015,541.39	2,780,361,760.82

3. Disposal of subsidiaries

Single disposal of investments in subsidiaries representing loss of control:

Name of subsidiaries	Qingdao Haier Special Steel Plate Research and Development Co., Ltd.	Hefei Haier Special Steel Plate Research and Development Co., Ltd.	Shenzhen Leader Chuang Zhi Jia Technology Company Limited
Consideration for disposal of equity interest	224,000,000.00	266,000,000.00	260,500,000.00
Proportion of equity disposal	70.00%	70.00%	62.89%
Method of equity disposal	Transfer	Transfer	Transfer
Date of loss-of-control	2015/11/30	2015/11/30	2015/10/31
Basis of determination of date of loss-of-control	The relevant rights and obligations of target interest have been transferred	The relevant rights and obligations of target interest have been transferred	The relevant rights and obligations of target interest have been transferred
Difference between disposal consideration and its share of net assets of the subsidiary in the consolidated financial statements as respect to the disposal of investment	83,977.36	80,459,085.31	246,387,461.25
Proportion of remaining equity on the date of loss of control	30%	30%	22.11%
Carrying amount of remaining equity on the date of loss of control	95,964,009.69	79,517,534.87	6,631,680.00
Fair value of remaining equity on the date of loss of control	95,964,009.69	114,176,814.54	21,173,548.79
Gain or loss from remeasurement of remaining equity at fair value (deduction of income tax effect)		29,460,387.72	10,906,401.59
Method and key assumptions of fair value of remaining equity on the date of loss of control	Third party valuation report	Third party valuation report	Third party valuation report
Amount transferred from other comprehensive income relating to equity investment of original subsidiary to profit and loss of investment			

continued

Name of subsidiaries	Suzhou Haipeng E-commerce Co., Ltd.	SHC International (HK) Ltd.	Ocean Vast Enterprises Ltd.	9 Goodaymart joint ventures
Consideration for disposal of equity interest	3,780,000.00	-	HK\$ 350,100	7,590,000.00
Proportion of equity disposal	70%	63%	51%	51%
Method of equity disposal	Transfer	Transfer	Transfer	Transfer

Date of loss-of-control	2015/5/31	2015/1/1	2015/1/1	2015/1/1
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	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	8,972,905.85	-284,160.60		-15,523,245.37

IX. Interests in other entities

1. Interests in subsidiaries

√Applicable □Not Applicable

(I) 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 services business	14.06%	29.78%	55.89%	common control combination
Haier Singapore Investment Holding Pte Ltd	Singapore	Singapore	Household appliances production distribution business		100.00%	100.00%	common control combination
Qingdao Haier Air Conditioner Gen Corp., Ltd	Qingdao High-tech Zone	Qingdao High-tech Zone	Manufacture and operation of household air-conditioners	99.95%		99.95%	common control combination
Guizhou Haier Electronics Co., Ltd.	Huichuan District, Zunyi City, Guizhou Province	Huichuan District, Zunyi City, Guizhou Province	Manufacture and sale of refrigerator	59.00%		59.00%	common control combination
Hefei Haier Air-conditioning Co., Limited	Hefei Haier Industrial Park	Hefei Haier Industrial Park	Manufacture and sale of air-conditioners	100.00%		100.00%	common control combination
Wuhan Haier Electronics Co., Ltd.	Wuhan Haier Industrial Park	Wuhan Haier Industrial Park	Manufacture and sale of air-conditioners	60.00%		60.00%	common control combination
Qingdao Haier Air-Conditioner Electronics Co., Ltd.	Qingdao Development Zone	Qingdao Development Zone	Manufacture and sale of air-conditioners	100.00%		100.00%	common control combination
Qingdao Haier Information Plastic	Qingdao High-tech Zone	Qingdao High-tech Zone	Manufacture of plastic products	100.00%		100.00%	common control combination

Development Co., Ltd.							ion
Dalian Haier Precision Products Co., Ltd.	Dalian Export Expressing Zone	Dalian Export Expressing Zone	Manufacture and sale of precise plastics	90.00%		90.00%	common control combination
Hefei Haier Plastic Co., Ltd.	Hefei Economic & Technological Development Area	Hefei Economic & Technological Development Area	Manufacture and sale of plastic parts	94.12%	5.88%	100.00%	common control combination
Qingdao Haier Moulds Co., Ltd.	Qingdao High-tech Zone	Qingdao High-tech Zone	Research and manufacture of precise mould and product	75.00%	25.00%	100.00%	common control combination
Qingdao Meier Plastic Powder Co., Ltd.	Qingdao Development Zone	Qingdao Development Zone	Manufacture of plastic powder, plastic sheet and high performance coatings	40.00%	60.00%	100.00%	common control combination
Chongqing Haier Precision Plastic Co., Ltd.	Jiangbei District, Chongqing City	Jiangbei District, Chongqing City	Plastic products, sheet metal work, electronics and hardware	90.00%	10.00%	100.00%	common control combination
Chongqing Haier Intelligent Electronics Co., Ltd.	Jiangbei District, Chongqing City	Jiangbei District, Chongqing City	Manufacture and sale of electronics and automatic control system equipment	90.00%	10.00%	100.00%	common control combination
Qingdao Haier Robot Co., Ltd.	Qingdao High-tech Zone	Qingdao High-tech Zone	Research, development, manufacture and sale of robot and its application, dedicated device and automatic production line	50.00%		50.00%	common control combination
Qingdao Haier Refrigerator Co., Ltd.	Qingdao High-tech Zone	Qingdao High-tech Zone	Manufacture and production of fluorine-free refrigerators	100.00%		100.00%	Establish
Qingdao Haier Refrigerator (International) Co., Ltd.	Pingdu Development Zone, Qingdao	Pingdu Development Zone, Qingdao	Manufacture and production of refrigerators	75.00%		75.00%	Establish
Qingdao Household Appliance Technology and Equipment	Qingdao High-tech Zone	Qingdao High-tech Zone	Research and development of home appliances mould and	100.00%		100.00%	Establish

Research Institute			technological equipment				
Qingdao Haier Whole Set Home Appliance Service Co., Ltd.	Qingdao High-tech Zone	Qingdao High-tech Zone	Research, development and sales of health series of small home appliance	98.33%		98.33%	Establish
Qingdao Haier Intelligent Electronics Co., Ltd.	Qingdao High-tech Zone	Qingdao High-tech Zone	Design and development of electronics and automatic control system	97.36%		97.36%	Establish
Qingdao Haier Special Refrigerator Co., Ltd.	Qingdao Development Zone	Qingdao Development Zone	Manufacture and sales of fluorine-free refrigerators	100.00%		100.00%	Establish
Qingdao Haier Dishwasher Co., Ltd.)	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.	Qingdao Development Zone	Qingdao Development Zone	Research, manufacture and sales of freezer and other refrigeration products	96.06%		96.06%	Establish
Dalian Haier Air-conditioning Co., Ltd.	Dalian Export Expressing Zone	Dalian Export Expressing Zone	Manufacture and production of air-conditioners	90.00%		90.00%	Establish
Dalian Haier Refrigerator Co., Ltd.	Dalian Export Expressing Zone	Dalian Export Expressing Zone	Manufacture and production of refrigerators	90.00%		90.00%	Establish
Qingdao Haier Electronic Plastic Co., Ltd.	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.	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.	Qingdao High-tech Zone	Qingdao High-tech Zone	Development, purchase and sales of electrical product and components	98.00%	2.00%	100.00%	Establish
Qingdao Haier	Qingdao	Qingdao	Development	98.91%	1.09%	100.00%	Establish

Intelligent Home Appliance Technology Co., Ltd.	High-tech Zone	High-tech Zone	and application of household appliances, communication, electronics and network engineering technology				
Chongqing Haier Air-conditioning Co., Ltd.	Jiangbei District, Chongqing City	Jiangbei District, Chongqing City	Manufacture and sales of air conditioners	76.92%	23.08%	100.00%	Establish
Qingdao Haier Precision Products Co., Ltd.	Qianwangang Road, Jiaonan City	Qianwangang Road, Jiaonan City	Development and manufacture of precise plastic, metal plate, mould and electronic products for household appliances		70.00%	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.	Dalian Export Expressing Zone	Dalian Export Expressing Zone	Domestic trade		100.00%	100.00%	Establish
Dalian Free Trade Zone Haier Refrigerator Trading Co., Ltd.	Dalian Export Expressing Zone	Dalian Export Expressing Zone	Domestic trade		100.00%	100.00%	Establish
Qingdao Ding Xin Electronics Technology Co., Ltd.	Qingdao Development Zone	Qingdao Development Zone	Manufacture and sale of electronic Parts.		100.00%	100.00%	Establish
Chongqing Haier Electronics Sales Co., Ltd.	Jiangbei District, Chongqing City	Jiangbei District, Chongqing City	Household appliance sales	95.00%	5.00%	100.00%	Establish
Chongqing Haier Refrigeration Appliance Co., Ltd.	Jiangbei District, Chongqing City	Jiangbei District, Chongqing City	Manufacture and production of refrigerator	84.95%	15.05%	100.00%	Establish
Hefei Haier Refrigerator Co., Ltd.	Hefei Haier Industrial Park	Hefei Haier Industrial Park	Manufacture and production of refrigerator	100.00%		100.00%	Establish
Wuhan Haier Energy and Power Co., Ltd.	Wuhan Haier Industrial Park	Wuhan Haier Industrial Park	Energy service		75.00%	75.00%	Establish
Qingdao Haier HVAC Engineering Co., Ltd.	Qingdao Development Zone	Qingdao Development Zone	Air-conditioning		100.00%	100.00%	Establish
Chongqing Gooddaymart Electric Appliance Sale	Jiangbei District, Chongqing City	Jiangbei District, Chongqing City	Sales of household appliances and		51.00%	51.00%	Establish

Co., Ltd			electronics				
Qingdao Haier (Jiaozhou) Air-conditioning Co., Limited	Jiaozhou City, Qingdao	Jiaozhou City, Qingdao	Manufacture and sale of air-conditioners		100.00%	100.00%	Establish
Qingdao Haier Component Co., Ltd	Jiaozhou City, Qingdao	Jiaozhou City, Qingdao	Manufacture and sales of plastic and precise sheet metal products		100.00%	100.00%	Establish
Haier Shareholdings (Hong Kong) Limited	Hong Kong	Hong Kong	Investment	100.00%		100.00%	Establish
Shenyang Haier Refrigerator Co., Ltd.	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.	Shanshui District, Foshan City	Shanshui District, Foshan City	Manufacture and sales of freezer	100.00%		100.00%	Establish
Zhengzhou Haier Air-conditioning Co., Ltd.	Zhengzhou Economic and Technological Development Zone	Zhengzhou Economic and Technological Development Zone	Manufacture and sales of air conditioner	100.00%		100.00%	Establish
Qingdao Haidayuan Procurement Service Co., Ltd.	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.	Qingdao High-tech Zone	Qingdao High-tech Zone	Development and research of household appliances	100.00%		100.00%	Establish
Qingdao Hai Ri High-Tech Model Co., Ltd.	Qingdao High-tech Zone	Qingdao High-tech Zone	Design, manufacture and sales of product model and mould		75.00%	75.00%	common control combination
Qingdao Hai Gao Design and Manufacture Co., Ltd.	Qingdao High-tech Zone	Qingdao High-tech Zone	Industrial design and prototype production		75.00%	75.00%	common control combination
Beijing Haier Guangke Digital Technology Co., Ltd.	Beijing	Beijing	Development, promotion and transfer of technology		55.00%	55.00%	common control combination
Shanghai Haier Medical Technology Co., Ltd.	Shanghai	Shanghai	Wholesale and retail of medical facility		100.00%	100.00%	Establish
Qingdao Haier Technology Co., Ltd.	Qingdao	Qingdao	Development and sales of software and information	100.00%		100.00%	common control combination

			product				
Qingdao Haier Technology Investment Co., Ltd.	Qingdao	Qingdao	Entrepreneurship investment and consulting	100.00%		100.00%	Establish
Qingdao Casarte Smart Living Appliances Co., Ltd.	Qingdao	Qingdao	Development, production and sales of appliances		100.00%	100.00%	Establish
Qingdao Haichuangyuan Appliances Sales Co., Ltd.	Qingdao	Qingdao	Sales of household appliances and digital products		100.00%	100.00%	Establish

Beijing ASU Tech Co., Ltd.	Beijing	Beijing	Technical services, import and export business		100.00%	100.00%	Establish
Haiyike (Beijing) Tech Co., Ltd.	Beijing	Beijing	Technical services, software development		100.00%	100.00%	Establish
Haier Overseas Electric Appliance Co., Ltd.	Qingdao	Qingdao	Sales of household appliances, international freight forwarding	100.00%		100.00%	Establish
Qingdao Haier Central Air-conditioner Co., Ltd.	Qingdao	Qingdao	Production and sales of air conditioners and refrigeration equipment		100.00%	100.00%	Establish
Beijing Tongyuan Technology Co., Ltd.	Beijing	Beijing	Technology development, promotion and transfer		100.00%	100.00%	Establish
Small companies such as Qingdao Hai Heng Feng Electrical Appliances Sale & Service Co., Ltd	All over the country	All over the country	Sales of household appliances				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	1,589,954,949.08	200,573,175.94	9,173,408,636.09
Guizhou Haier Electronics Co., Ltd.	41.00	10,827,554.19	12,300,000.00	101,700,855.57
Wuhan Haier Electronics Co., Ltd.	40.00	30,554,666.63	8,000,000.00	192,742,430.20
Qingdao Haier Refrigerator (International) Co., Ltd.	25.00	-3,779,586.67		78,950,314.05

(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.	23,044,810,093.72	7,019,431,512.78	30,064,241,606.50	12,309,170,141.12	2,107,776,134.64	14,416,946,275.76
Guizhou Haier Electronics Co., Ltd.	314,706,629.02	43,195,339.38	357,901,968.40	109,851,101.19		109,851,101.19
Wuhan Haier Electronics Co., Ltd.	549,813,441.00	138,467,728.19	688,281,169.19	206,425,093.69		206,425,093.69
Qingdao Haier Refrigerator	278,517,080.54	55,808,808.81	334,325,889.35	18,524,633.17		18,524,633.17

(Internatio nal) Co., Ltd.						
----------------------------------	--	--	--	--	--	--

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.	23,409,589,144.57	3,705,899,222.63	27,115,488,367.20	12,146,570,349.37	3,028,630,902.15	15,175,201,251.52
Guizhou Haier Electronics Co., Ltd.	338,553,939.22	54,889,192.16	393,443,131.38	141,800,932.93		141,800,932.93
Wuhan Haier Electronics Co., Ltd.	689,222,958.63	143,426,976.88	832,649,935.51	407,180,526.59		407,180,526.59
Qingdao Haier Refrigerator (International) Co., Ltd.	279,107,969.13	58,042,793.71	337,150,762.84	6,231,159.98		6,231,159.98

Name of subsidiaries	Current amount			
	Operating income	Net profit	Comprehensive income	Cash flows from operating activities
Haier Electronics Group Co., Ltd.	62,831,627,407.20	2,821,288,343.71	29,669,272.02	2,602,853,409.58
Guizhou Haier Electronics Co., Ltd.	1,071,734,860.12	26,408,668.76		26,016,651.42
Wuhan Haier Electronics Co., Ltd.	1,709,531,738.51	76,386,666.58		33,442,718.25
Qingdao Haier Refrigerator (International) Co., Ltd.		-15,118,346.68		23,547,247.02

Continued

Name of subsidiaries	Prior amount			
	Operating income	Net profit	Comprehensive income	Cash flows from operating activities
Haier Electronics Group Co., Ltd.	67,146,203,802.89	2,512,707,253.07	-4,410,494.34	3,018,221,639.68
Guizhou Haier Electronics Co., Ltd.	1,306,368,920.51	29,756,452.63		15,968,522.51
Wuhan Haier Electronics Co., Ltd.	2,588,103,169.17	76,132,973.02		23,109,264.39
Qingdao Haier Refrigerator (International) Co., Ltd.	194,357,325.75	-62,199,081.59		143,390,719.69

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

√Applicable □Not applicable

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

During the period, shareholding proportion held by the Company changed as a result of the exercise of share options and additional capital contributed by minority shareholders of Haier Electronics Group Co., Ltd., Qingdao Haier Special Freezer Co., Ltd., and Haiyike (Beijing) Tech Co., Ltd., all of which are subsidiaries of the Company; shareholding proportion held by the Company also changed as a result of unilateral increase capital contribution to Qingdao Haier Intelligent Appliances Technology Co., Ltd., and Haier Appliances (India) Co., Ltd. by the Company.

(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		249,239,125.42
Less: share of net assets of subsidiaries calculated with reference to the proportion of the share acquired/disposed	161,323,089.29	256,445,027.40
The difference	-161,323,089.29	-7,205,901.98
Including: adjustment and increase to capital reserve	161,323,089.29	7,205,901.98

3. Interests in joint ventures and associates

√Applicable □Not applicable

(1). Interests in joint ventures and associates

Unit and Currency: RMB

Name of joint ventures or associates	Principal place of business	Registration place	Business nature	Shareholding percentage (%)		Accounting method for the investment of joint venture and 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.	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.	Qingdao	Qingdao	Software development		25	Equity method
Qingdao Haier Special Steel Plate Research and Development Co., Ltd.	Qingdao	Qingdao	Manufacture of steel plate	30		Equity method
Hefei Haier Special Steel Plate Research and Development Co., Ltd.	Hefei	Hefei	Manufacture of steel plate	30		Equity method
Qingdao Haier SAIF Smart Home Industry Investment Center (limited partnership)	Qingdao	Qingdao	Venture capital investment	63		Equity method

Haier Tongchuang Investment Partnership (limited partnership)	Guangzhou	Guangzhou	Investment		50	Equity method
Qingdao HSW Water Appliance Co., Ltd.	Qingdao	Qingdao	Sales		25	Equity method
Qingdao Roca Water Appliance Co., Ltd.	Qingdao	Qingdao	Sales		49	Equity method
China Shengfeng Microfinance limited in Jin'an District of Fuzhou City	Fuzhou	Fuzhou	Microfinance		20	Equity method
Fujian ATL-Shengfeng Logistics Co., Ltd.	Fuzhou	Fuzhou	Logistics		40	Equity method
Shenzhen Storm Leader Technology Co., Ltd.	Shenzhen	Shenzhen	Sales		22	Equity method
Konan Electronic Co., Ltd.	Hunan	Hunan	Motor Manufacturing		50	Equity method
HPZ Limited	Nigeria	Nigeria	Manufacture of household appliances		25.01	Equity method
HNR Company (Private) Limited	Pakistan	Pakistan	Manufacture of household appliances		31.72	Equity method
Beijing Mr. Hi Network Technology Company Limited	Beijing	Beijing	Technology development		25	Equity method

(2). Basic information and financial information of important associates

① Basic information of important associates: Haier Group Finance Co., Ltd. is established by Haier Group Corporation and its three affiliates. Registration place and principal place of business: Qingdao High-tech Zone Haier Park. The Company's subsidiaries hold an aggregate of 42.00% equity interest in Haier Group Finance Co., Ltd.

② Financial information of major associates

Items	Closing balance / Current amount	Opening balance/Prior amount
	Haier Group Finance Co., Ltd.	Haier Group Finance Co., Ltd.
Current assets	56,908,243,695.90	62,826,102,544.12
Non-current assets	4,185,942,298.04	6,053,424,346.06
Total assets	61,094,185,993.94	68,879,526,890.18
Current liabilities	48,277,090,860.06	57,417,592,987.45
Non-current liabilities	4,234,302,863.48	4,476,584,039.45
Total liabilities	52,511,393,723.54	61,894,177,026.90
Minority interests		
Equity interest attributable to	8,582,792,270.40	6,985,349,863.28

shareholders of the parent company		
Share of net assets calculated based on shareholding percentage	3,604,772,753.58	2,933,846,942.59
Operating income	2,720,546,605.87	2,395,047,078.12
Net profit	1,523,290,481.78	1,462,326,161.93
Other comprehensive income	74,151,925.35	110,295,772.41
Total comprehensive income	1,597,442,407.13	1,572,621,934.34
Dividend received from associates for the year		

(3). Summarized financial information of insignificant associates

Investment to associates	Closing balance / Current amount	Opening balance/Prior amount
Haier Medical and Laboratory Products Co., Ltd.	283,507,786.33	270,141,291.60
Wolong Electric Zhangqiu Haier Motor Co., Ltd.	119,968,184.53	110,995,187.75
Qingdao Haier Software Investment Co., Ltd.	17,033,872.46	16,323,729.58
Qingdao Haier SAIF Smart Home Industry Investment Center (limited partnership)	200,266,832.77	202,000,000.00
Qingdao Haier Special Steel Plate Research and Development Co., Ltd.	95,207,113.86	
Hefei Haier Special Steel Plate Research and Development Co., Ltd.	114,000,000.00	
Beijing Mr. Hi Network Technology Company Limited	2,606,883.28	
Haier Tongchuang Investment Partnership (limited partnership)	160,012,400.00	
Qingdao HSW Water Appliance Co., Ltd.	39,437,684.81	
Qingdao Roca Water Appliance Co., Ltd.	13,300,791.62	
China Shengfeng Microfinance limited in Jin'an District of Fuzhou City	78,598,195.59	
Fujian ATL-Shengfeng Logistics Co., Ltd.	12,630,535.81	
Shenzhen Storm Leader Technology Co., Ltd.	16,168,507.04	
Konan Electronic Co., Ltd.	31,904,236.23	23,986,803.71
HPZ Limited	73,342,754.13	
HNR Company (Private) Limited	96,149,801.89	
Hefei Huadong Packaging Co., Ltd.		25,302,522.69
Total book value of investment	1,354,135,580.35	648,749,535.33
Total amount of the following items calculated based on shareholding percentage		
--Net profit	55,942,724.88	32,130,166.99
--Other comprehensive income	8,451,556.05	-2,930,435.77
--Total comprehensive income	64,394,280.93	29,199,731.22

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 6 business segments,

including refrigerator segment, air-conditioner segment, washing machine segment, kitchenware and sanitary ware segment, equipment components segment, integrated channel services segment and other segment. The management of the Company assesses operating performance of each segment and allocates resources according to the division. Sales between segments were mainly based on market price.

Refrigerator segment mainly engaged in manufacture and sales of refrigerator and freezers products.

Air-conditioner segment mainly engaged in manufacture and sales of household air conditioners and commercial air conditioners.

Washing machine segment mainly engaged in manufacture and sales of washing machine products.

Kitchenware and sanitary ware segment mainly engaged in manufacture and sales of water heater and kitchen appliances products.

Equipment components segment mainly engaged in procurement, manufacture and sales of upstream matching accessories for household appliances, manufacture and sales of mould.

Segment of integrated channel services and others mainly engaged in distribution business, logistics business, after-sale business, small home appliance business and others.

The Company's 3rd and 4th tier markets channel business is treated as integrated channel services and assessed separately with other segments. Accordingly, operating profit from 3rd and 4th tier markets of refrigerator, air-conditioner, kitchenware and sanitary ware, washing machine business segment was not reflected in operating profit of each segment.

As the centralized management under the headquarters or not being included in the assessment scope of segment management, the total assets of segment exclude monetary capital, financial assets held for trading, dividends receivable, other current assets, available-for-sale financial assets, long-term equity investment, goodwill, deferred income tax assets; the total liabilities of segment exclude long-term and short-term borrowings, financial liabilities held for trading, dividends payables, tax payable, bonds payable, deferred income tax liabilities; operating profit of segment exclude profit/loss in fair value and income from investment.

(1) Information of segment information

Segment information for the year of 2015 and as of 31 December 2015

Segment information	Air-conditioner segment	Refrigerator segment	Kitchenware and sanitary ware segment	Washing machine segment
Segment revenue	16,623,263,912.64	25,353,653,900.06	5,788,906,482.77	15,740,751,019.45
Including: revenue from external consumers	6,341,544,098.49	10,081,565,549.44	1,071,717,018.93	4,897,345,078.20
Inter-segment revenue	10,281,719,814.15	15,272,088,350.62	4,717,189,463.84	10,843,405,941.25
Total segment operating cost	16,258,478,653.85	23,262,032,956.30	5,133,865,136.46	14,284,872,060.44

Segment operating profit	364,785,258.79	2,091,620,943.76	655,041,346.31	1,455,878,959.01
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	30,510,178,653.76	73,680,295,098.27	-77,749,534,982.29	89,947,514,084.66
Including: revenue from external consumers	2,100,221,913.89	65,455,120,425.71		89,947,514,084.66
Inter-segment revenue	28,409,956,739.87	8,225,174,672.56	-77,749,534,982.29	
Total segment cost	29,968,099,587.42	73,014,812,425.67	-77,396,079,057.15	84,526,081,762.99
Segment profit	542,079,066.34	665,482,672.60	-353,455,925.14	5,421,432,321.67
Total segment assets	14,782,886,743.90	22,179,686,713.16	-15,068,970,516.46	40,526,702,039.33
Total segment liabilities	19,020,827,626.04	20,223,679,095.98	-14,140,358,350.64	39,115,969,351.32

Segment information for the year of 2014 and as of 31 December 2014

Segment information	Air-conditioner segment	Refrigerator segment	Kitchenware and sanitary ware segment	Washing machine segment
Segment revenue	19,765,699,327.37	26,382,928,039.46	5,635,160,017.75	15,694,184,750.60
Including: revenue from external consumers	6,468,804,139.96	10,903,551,930.59	991,210,568.51	5,345,676,232.92
Inter-segment revenue	13,296,895,187.41	15,479,376,108.87	4,643,949,449.24	10,348,508,517.68
Total segment cost	18,975,141,221.03	24,323,833,747.22	5,026,020,068.83	14,257,949,190.46
Segment profit	790,558,106.34	2,059,094,292.24	609,139,948.92	1,436,235,560.14
Total segment assets	5,579,677,929.54	7,570,105,286.06	1,525,338,071.19	4,207,163,131.38
Total segment liabilities	3,898,364,094.73	6,760,589,840.82	1,472,655,683.43	2,360,136,721.84

Continued

Segment	Equipment	Segment of	Inter-segment	Total
---------	-----------	------------	---------------	-------

information	components segment	integrated channel services and others	elimination	
Segment revenue	33,588,605,445.91	72,855,666,416.37	-76,992,480,103.10	96,929,763,894.36
Including: revenue from external consumers	4,722,654,407.97	68,497,866,614.41		96,929,763,894.36
Inter-segment revenue	28,865,951,037.94	4,357,799,801.96	-76,992,480,103.10	
Total segment cost	32,847,795,174.41	71,297,684,265.42	-76,794,043,097.11	89,934,380,570.26
Segment profit	740,810,271.50	1,557,982,150.95	-198,437,005.99	6,995,383,324.10
Total segment assets	18,073,539,645.32	14,322,347,023.41	-7,111,558,603.30	44,166,612,483.60
Total segment liabilities	23,098,480,393.55	12,953,797,746.35	-6,019,796,049.28	44,524,228,431.44

(2) Geographical information

“Other countries/regions” in this report refers to all other countries/regions (including Hong Kong and Macau Special Administration Region and Taiwan) other than the mainland China for the purpose of information disclosure.

External transaction income	For the year 2015	For the year 2014
Mainland China	71,297,057,103.80	78,233,675,569.40
Other countries/regions	18,650,456,980.86	18,696,088,324.96
Total	89,947,514,084.66	96,929,763,894.36

Continued

Total non-current assets	31 December 2015	31 December 2014
Mainland China	10,899,308,703.78	9,582,602,315.11
Other countries/regions	1,033,929,423.11	732,673,229.33
Total	11,933,238,126.89	10,315,275,544.44

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
Recurring fair value measurement			

I. Financial asset designated to be measured by fair value and change of which is recorded in current profit and loss	22,069,897.04		22,069,897.04
II. Financial liability designated to be measured by fair value and change of which is recorded in current profit and loss	7,707,414.12		7,707,414.12
III. Available-for-sale financial assets	30,558,837.86	1,423,434,405.53	1,453,993,243.39

1. Basis for determination of level 1 fair value at recurring and non-recurring fair measurement

Unadjusted quoted prices of similar assets or liabilities in active markets as at the measurement date.

2. Qualitative and quantitative information about valuation technique and key parameters of level 2 fair value at recurring and non-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

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.

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	311,180,000	Zhang Ruimin	Parent company	17.52%	17.52%
Haier Electric Appliances International Co., Ltd.	Joint stock company	Qingdao High-tech Zone Haier Park	631,930,635	Zhang Ruimin	Persons acting in concert with the parent company	20.56%	20.56%
Qingdao Haier	Limited	Qingdao Free	30,000,000	Zhang	Persons	2.62%	2.62%

Venture & Investment Information Co., Ltd.	liability company	Trade Zone		Ruimin	acting in concert with the parent company		
Qingdao Haier Kitchen Facilities Co., Ltd	Limited liability company	Qingdao Economics and Technology Developing 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 associates and joint ventures

Information about the associates and joint ventures 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 APPLIANCES LIMITED	Subsidiary of Haier Group
FISHER&PAYKEL AUSTRALIA PTY	Subsidiary of Haier Group
HAH(HK) Company Limited	Subsidiary of Haier Group
HAIER INFORMATION APPLIANCES S.R.L.	Subsidiary of Haier Group
HAIER INTERNATIONAL CO., LTD	Subsidiary of Haier Group
HAIER INTERNATIONAL(HK)LTD.	Subsidiary of Haier Group
Feima Electronic (Qingdao) Co., Ltd.	Subsidiary of Haier Group
Haier Group (Dalian) Electrical Appliances Industry Co., Ltd.	Subsidiary of Haier Group
Haier Group Finance Co., Ltd.	Subsidiary of Haier Group
Haier Group Electric Appliance Industry Co., Ltd	Subsidiary of Haier Group
Haier Group Technology Research and Development Center	Subsidiary of Haier Group
Haier Energy Power Co., Ltd.	Subsidiary of Haier Group
Haier Brothers Animation Industry Co., Ltd.	Subsidiary of Haier Group
Hefei Haier Logistics Co., Limited	Subsidiary of Haier Group
Laiyang Haier Electrical Co. Ltd.	Subsidiary of Haier Group
Lizhu Haier Built Facilities (Qingdao) Co., Ltd.	Subsidiary of Haier Group
Qingdao Haier Fungchoi Exquisite Indian Express Co., Ltd.	Subsidiary of Haier Group
Qingdao Haier Tooling Development and Manufacturing Co., Ltd.	Subsidiary of Haier Group
Qingdao Haier International Travel Agency Co., Ltd.	Subsidiary of Haier Group
Qingdao Haier International Trading Co., Ltd	Subsidiary of Haier Group
Qingdao Haier Household Integration Co., Ltd	Subsidiary of Haier Group

Qingdao Haier Parts Procurement Co., Ltd.	Subsidiary of Haier Group
Qingdao Haier Software Investment Co., Ltd.	Subsidiary of Haier Group
Haier Medical and Laboratory Products Co., Ltd.	Subsidiary of Haier Group
Qingdao Haier Special Plastic Development Co., Ltd.	Subsidiary of Haier Group
Qingdao Haier Logistics Consulting Co., Ltd.	Subsidiary of Haier Group
Qingdao Haier New Material Research and Development Co., Ltd.	Subsidiary of Haier Group
Qingdao Haiyongda Property Management Co., Ltd.	Subsidiary of Haier Group
Goodaymart Electronics Co., Ltd.	Subsidiary of Haier Group
Mitsubishi Heavy Industries Haier (Qingdao) Air-conditioners Co., Ltd.	Subsidiary of Haier Group
Xingyang International Co., Ltd.	Subsidiary of Haier Group
BRAVE LION (HK) LIMITED	Subsidiary of Haier Group
Chongqing Haier Electrical Appliances Sales Co., Ltd.	Subsidiary of Haier Group
Chongqing Haier Logistics Co., Ltd.	Subsidiary of Haier Group
Konan Electronic Co., Ltd.	Joint venture
HNR Company (Private) Limited	Joint venture
Qingdao Haier Special Steel Plate Research and Development Co., Ltd.	Joint venture
Hefei Haier Special Steel Plate Research and Development Co., Ltd.	Joint venture
Wolong Electric Zhangqiu Haier Motor Co., Ltd.	Joint venture

1. Information on related transaction

(1). Connected transactions regarding purchase and sale of goods and rendering and receipt of services

√Applicable □Not applicable

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

Related parties	Current amount	Prior amount
Qingdao Haier Parts Procurement Co., Ltd.	6,675,153,029.96	12,881,805,063.32
Chongqing Haier Electrical Appliances Sales Co., Ltd.	5,503,218,700.70	4,965,913,649.03
Chongqing Haier Logistics Co., Ltd.	1,628,537,521.70	2,414,391,500.84
Qingdao Haier International Trading Co., Ltd	960,755,418.06	1,292,105,147.38
Haier Group (Dalian) Electrical Appliances Industry Co., Ltd.	1,271,334,765.31	1,091,225,602.49
Haier Group Electrical Appliances Industry Co., Ltd.	4,199,545,118.50	3,083,247,568.19
Haier Energy Power Co., Ltd.	452,034,595.44	453,685,752.74
Qingdao Haier Household Integration Co., Ltd	156,111,132.01	6,663,186.20
Haier Group Technology Research and	36,542,616.47	223,799,546.72

Development Center		
Qingdao Haier Special Plastic Development Co., Ltd.	607,921,553.32	523,127,531.98
Qingdao Haiyongda Property Management Co., Ltd.	169,008,958.41	193,198,934.77
Wolong Electric Zhangqiu Haier Motor Co., Ltd.	573,416,379.71	286,450,137.02
Hefei Haier Logistics Co., Limited	1,166,640,621.44	147,804,207.71
HAIER INTERNATIONAL CO., LTD	389,354,690.48	1,584,193,730.40
HAIER INFORMATION APPLIANCES S.R.L.	227,035,537.04	334,319,232.06
HAIER INTERNATIONAL(HK)LTD.	216,381,269.39	184,811,362.19
HNR Company (Private) Limited	1,004,079,518.17	903,062,781.53
Konan Electronic Co., Ltd.	216,902,186.20	92,733,415.93
Other related parties	2,162,156,392.11	2,043,988,872.48
Total	27,616,130,004.42	32,706,527,222.98

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

Name of related parties	Current amount	Prior amount
Haier Group Electric Appliance Industry Co., Ltd	2,958,400,103.88	5,616,759,920.69
Qingdao Haier Parts Procurement Co., Ltd.	76,087,939.66	2,131,489,369.07
Haier Group (Dalian) Electrical Appliances Industry Co., Ltd.	1,128,406,336.11	1,301,911,526.72
Chongqing Haier Logistics Co., Ltd.	23,235,938.29	438,682,830.04
Qingdao Haier New Material Research and Development Co., Ltd.	476,339,702.18	406,578,922.37
Wolong Electric Zhangqiu Haier Motor Co., Ltd.	583,990,560.40	359,445,959.19
Qingdao Haier Special Plastic Development Co., Ltd.	175,369,533.76	117,572,897.25
Qingdao Haier International Travel Agency Co., Ltd.	110,651,599.25	107,499,395.32
Qingdao Haier Tooling Development and Manufacturing Co., Ltd.	109,459,024.01	118,624,452.63

QINGDAO HAIER INTERNATIONAL TRADING CO., LTD.	487,308,824.30	127,698,599.08
HAIER INTERNATIONAL CO., LTD	37,525,630.99	129,914,421.73
HAH(HK) Company Limited		55,764,041.30
FISHER&PAYKEL AUSTRALIA PTY	316,305,245.47	
Other related parties	1,081,121,611.73	725,950,476.01
Total	7,564,202,050.03	11,637,892,811.40

(2). 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 31 December 2015 was RMB1,048 million and the accrued interest and fees payable to Haier Group Finance Co., Ltd. in 2015 was RMB34.22 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	1,000,728,210.00	Haier Group Corporation
Total	1,000,728,210.00	

(3) The accrued interest income from bank deposits with Haier Group Finance Co., Ltd. deposited by the Company and its subsidiaries in the full year of 2015 was RMB258.38 million.

(4) Qingdao Haier Goodaymart Logistic Co., Ltd., a subsidiary of the Company and other companies provided logistics services to other related companies under Haier Group, the logistics income for the year of 2015 was RMB128.71 million, and that for the year of 2014 was RMB103.62 million.

(5) Leasing

Lessees	Lessors	Application of leased assets	Lease expense recognized for the period
Subsidiary of the Company	Qingdao Haier Investment and Development Co., Ltd. and its subsidiaries	Production and operation	23,869,740.00
Subsidiary of the Company	Other companies of Haier Group	Production and operation	71,904,383.56
Total	/	/	95,774,123.56

2. Amounts due from/to related parties

√Applicable □Not applicable

Items and name of consumers	Ending balance		Beginning balance	
Bills receivables:				
Haier Group Electric Appliance Industry Co., Ltd	580,500,000.00		380,000,000.00	
Wolong Electric Zhangqiu Haier Motor Co., Ltd.			79,410,269.85	
Other related parties	1,792,043.36			
Dividends receivables:				
Wolong Electric Zhangqiu Haier Motor Co., Ltd.	50,000,000.00		50,000,000.00	
Qingdao Haier Software Investment Co., Ltd.	4,524,472.84		4,524,472.84	
Qingdao Haier Special Steel Plate Research and Development Co., Ltd.	6,301,362.54			
Trade receivables:				
Items and name of consumers	Carrying balance	Provision for bad debts	Carrying balance	Provision for bad debts
Haier Group Electric Appliance Industry Co., Ltd	174,630,258.08	8,731,512.90	1,474,306,101.96	73,715,305.10
Haier Group (Dalian) Electrical Appliances Industry Co., Ltd.	207,921,660.16	10,396,083.01	221,964,815.34	11,098,240.77
Qingdao Haier Parts Procurement Co., Ltd.	763,720.68	38,186.03	12,075,463.81	603,773.19
Chongqing Haier Logistics Co., Ltd.	9,597.75	479.89	2,484,717.32	124,235.87
Wolong Electric Zhangqiu Haier Motor Co., Ltd.	110,510,547.68	5,525,527.38	137,780,626.24	6,889,031.31
Haier Medical and Laboratory Products Co., Ltd.	8,419,069.02	420,953.45	37,704,028.23	1,885,201.41
Qingdao Haier International Travel Agency Co., Ltd.	123,890,004.37	6,194,500.22	89,417,323.67	4,470,866.18
Qingdao Haier New Material Research and Development Co., Ltd.	47,541,824.58	2,377,091.23	84,802,398.87	4,240,119.94
HAIER INTERNATIONAL CO., LTD	115,557,090.93	5,777,854.55	31,935,683.07	1,596,784.15
Hefei Haier Special Steel Plate Research and Development Co., Ltd.	76,285,963.56	3,814,298.18		
Qingdao Haier Special Steel Plate Research and Development Co., Ltd.	22,351,319.72	1,117,565.99		
HNR Private Limited Company	32,073,631.86	1,603,681.59		
Mitsubishi Heavy Industries Haier (Qingdao) Air-conditioners Co., Ltd.	29,966,338.37	1,498,316.92	431,130.97	21,556.55
FISHER & PAYKEL APPLIANCES LIMITED	158,810,441.99	7,940,522.10		
Qingdao Haier International Trading Co., Ltd	85,283,740.22	4,264,187.01	29,134.60	1,456.73
Other related parties	165,146,632.71	8,257,331.64	156,025,187.61	7,801,259.38
Prepayments:				
Qingdao Haier International Trading Co., Ltd	26,873,715.41		110,687,664.04	
Goodaymart Electronics Co., Ltd.	12,538,028.12		25,682,607.70	

Qingdao Haier Parts Procurement Co., Ltd.	16,879,474.20		7,028,547.95	
Mitsubishi Heavy Industries Haier (Qingdao) Air-conditioners Co., Ltd.			12,238,106.36	
Other related parties	9,556,559.99		31,990,235.22	
Interests receivables:				
Haier Group Finance Co., Ltd.	91,036,865.15		96,503,804.13	
Other receivables:				
Items and name of consumers	Book balance	Provision for bad debts	Book balance	Provision for bad debts
HAIER INTERNATIONAL CO., LTD			191,683,291.58	9,584,164.58
Goodaymart Electronics Co., Ltd.	6,025,082.15	301,254.11		
Qingdao Haier Logistics Consulting Co., Ltd.	13,593,017.74	679,650.89	13,593,017.74	679,650.89
Other related parties	35,868,639.60	1,793,431.98	39,340,346.66	1,967,017.33
Bills payable:				
Laiyang Haier Electrical Co. Ltd.	29,649,819.07			
Qingdao Haier Fungchoi Exquisite Indian Express Co., Ltd.	5,910,415.02		20,929,728.42	
Other related parties	12,574,392.12		22,269,163.16	
Trade payables:				
Qingdao Haier Parts Procurement Co., Ltd.	663,349,767.52		1,050,103,108.32	
Hefei Haier Logistics Co., Limited	201,205,529.62		41,948,091.58	
Haier Group (Dalian) Electrical Appliances Industry Co., Ltd.	533,547,117.67		538,844,269.75	
Chongqing Haier Logistics Co., Ltd.	139,178,244.68		162,611,663.58	
Chongqing Haier Electrical Appliances Sales Co., Ltd.	759,596,919.13		69,805,044.81	
Goodaymart Electronics Co., Ltd.	10,614,831.51		1,559,351.13	
Qingdao Haier International Trading Co., Ltd	149,918,593.84		229,414,178.34	
Qingdao Haier New Material Research and Development Co., Ltd.	817,525.38		1,328,676.53	
Qingdao Haier Special Plastic Development Co., Ltd.)	74,845,920.73		52,202,976.39	
Haier Group Electric Appliance Industry Co., Ltd	187,995,713.20		593,288,327.64	
HAIER INTERNATIONAL(HK)LTD.	20,541,494.39		97,844,763.62	
HAIER INTERNATIONAL CO., LTD	22,060,139.07		288,756,788.20	
HAIER INFORMATION APPLIANCESS.R.L.	102,725,606.14		108,982,353.26	
Feima Electronic(Qingdao) Co., Ltd.	203,253,438.63			
Lizhu Haier Built Facilities(Qingdao) Co., Ltd.	39,063,792.08			

HNR Private Limited Company	83,188,898.42	69,132,247.62
Other related parties	387,875,450.85	252,662,924.21
Receipts in advance:		
Haier Group Electric Appliance Industry Co., Ltd	18,701,475.03	25,336,903.89
Qingdao Haier Parts Procurement Co., Ltd.		2,819,955.86
HAIER INTERNATIONAL CO., LTD	18,158.64	34,970,939.50
Other related parties	18,596,856.89	25,156,256.95
Other payable:		
Haier Brothers Animation Industry Co., Ltd.	393,253,947.83	397,445,354.81
Goodaymart Electronics Co., Ltd.	18,990,955.78	14,990,955.78
Chongqing Haier Logistics Co., Ltd.	51,830,739.06	51,830,739.06
Haier Group Electric Appliance Industry Co., Ltd	27,962,633.21	148,340,987.33
Xingyang International Co., Ltd.	13,885,076.40	269,935,646.21
BRAVE LION (HK) LIMITED		825,681,434.10
Haier Group Corporation		137,294,659.26
Other related parties	138,432,347.41	292,029,050.33
Interests payables:		
Haier Group Finance Co., Ltd.	5,697,476.64	7,152,237.84
Dividends payables:		
BRAVE LION (HK) LIMITED	115,230,923.73	132,644,847.17
Other related parties	17,051,346.99	6,413,171.90

		Ending balance	
	Feima Electronic(Qingdao) Co., Ltd.		
	Lizhu Haier Built Facilities(Qingdao) Co., Ltd.		
	HNR Private Limited Company		
	Haier Brothers Animation Industry Co., Ltd.		
Dividends payable			
Dividends payable			

3. Others

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 brown goods). As such, the Company entered into a Sales Framework Agreement with Haier Group Corporation. Under which, it was agreed that the Company and Haier Group Corporation will sell products and provide sales-related services (including but not limited to agency sales services, after-sales services and technical support) on a reciprocal basis for a term of three years.

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. ("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. and other companies (the “vendors”). 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. and Hefei Haier Special Steel Plate Research and Development Co., Ltd. (the “vendors”). 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	0.84 million shares
2.Total equity instruments exercised during the period	35.7848 million shares
3.Total equity instruments lapsed during the period	59.5632 million shares
4.Range of exercise price	RMB8.07 per share, RMB10.06 per share
5.The remaining term of contract	Nil

6.Share option outstanding at the end of the period	0.1360 million shares
7.Total expense recognized for share-based payments	RMB2.49 million
8.Total amount of employee services as a result of the share-based payments	RMB2.49 million
9.Total amount of other services as a result of the share-based payments	Nil

The Company adopted B-S model to determine the fair value of the equity instruments, parameters for the valuation method include: (1) exercise price of option; (2) duration of option; (3) the price of the underlying shares at the grant date; (4) risk-free interest rate; (5) dividend yield of the underlying shares; (6) expected volatility of share price.

XIV. Commitment and contingencies

1. Critical commitment

☐Applicable ☒Not applicable

2. Contingencies

☒Applicable ☐Not applicable

As of 31 December 2015, the Company has no material contingencies that need to be disclosed.

3. Events Subsequent to the Balance Sheet Date

1. According to the resolution of the 31th meeting of the 8th session of the Board of Directors of the Company held on 28 April 2016, the profit for the year is proposed to be distributed on the basis of the total number of shares on the registration date when the plan is implemented in the future, the Company will declare cash dividend of RMB2.12 (including taxes) for every 10 shares to all shareholders.

2. On 14 January 2016, the Company entered into an Equities and Assets Purchase Agreement with General Electric Company (hereinafter referred to as “General Electric”). Pursuant to which, the Company intended to acquire the household appliances business of General Electric and relevant assets for a consideration of US\$5.4 billion by way of cash. The total consideration for this transaction shall be paid in cash with self-raised funds and funds obtained through a variety of financing methods including application for M&A loans. The amount of M&A loans used in this transaction did not exceed 60% of the transaction consideration. Please refer to the Report on the Acquisition of Major Assets by Qingdao Haier Co., Ltd. for further details.

3. The Company has no material events subsequent to the balance sheet date need to be disclosed.

XV Financial Instruments Related Risks

The Company’s financial assets include notes receivables, receivables and etc., and the Company’s financial liabilities include bills payable, payables, long- and short- term borrowings and etc. Please refer to relevant items in Note V for detailed descriptions of various financial instruments. Risks relating to these financial instruments and the risk management policies the Company adopts to mitigate these

risks are summarized below. The Company's management manages and monitors these risk exposures in order to ensure these risks are well within their respective risk limits.

1. Credit risk

The credit risk the Company exposed to mainly comes from bank deposits, notes receivables, accounts receivables, interest receivables, other receivables and wealth management products in other current assets.

(1) The Company's bank deposits and wealth management products are mainly deposited with Haier Group Finance Co., Ltd., national banks and other large and medium size listed banks. The interest receivables mainly refer to the accrued interest from time deposits placed with the aforesaid banks. The Group doesn't believe there is any significant credit risk due to defaults of its counterparties which would cause any significant loss.

(2) Accounts receivables and notes receivables: The Company only trades with recognized and creditworthy third parties. It is the Company's policy that all consumers who wish to trade on credit terms are subject to credit verification procedures. The payment terms shall be determined on a reasonable basis. The Company monitors the balances of accounts receivables on an ongoing basis and maintains credit insurances for significant accounts receivables due from its credit clients, so as to ensure the Company will not expose to significant risk of bad debts.

(3) The Company's other receivables mainly include export tax rebate receivable, recurrent loans and advances to its employees. The Company strengthened the management of these receivables and corresponding business activities based on their historical reasons of occurrence, and 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 loans and bonds payables which are interest-bearing. Financial liabilities with floating interest rates expose the Company to cash flow interest rate risk, while financial liabilities with fixed interest rates expose the Company to fair value interest rate risk. The Company determines the percentage of fixed-interest rate and floating interest rate contracts in light of the prevailing market conditions.

XVI. Other Important Events

The Company has no other important events need to be disclosed.

XVII. Notes to Main Items of Financial Statements of the Parent Company

1. Trade receivables

(1) Disclosure of trade receivables by consumer 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	219,582,372.06	10,979,118.60	440,870,327.34	22,043,516.37
Individual insignificant trade receivables of which provision for bad debts is made on an individual basis				
Total	219,582,372.06	10,979,118.60	440,870,327.34	22,043,516.37

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

Aging	Closing balance		Opening balance	
	Book balance	Provision for bad debts	Book balance	Provision for bad debts
Within one year	208,577,829.57	10,428,891.47	424,530,078.86	21,226,503.95
One to two	914,539.56	45,726.98	16,340,248.48	817,012.42

years				
More than two years	10,090,002.93	504,500.15		
Total	219,582,372.06	10,979,118.60	440,870,327.34	22,043,516.37

(3) The total debt amount of the top 5 debtors in the ending trade receivables amounted to RMB218,490,054.10, representing 99.50% of the book balance of the trade receivables.

2. Other receivables

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

Items	Closing balance		Opening balance	
	Book balance	Provision for bad debts	Book balance	Provision for bad debts
Individual significant other receivables of which provision for bad debts is made on an individual basis				
Other receivables of which provision for bad debts is made on a group basis	64,573,075.32	3,228,653.77	997,921.00	49,896.05
Individual insignificant other receivables of which provision for bad debts is made on an individual basis				
Total	64,573,075.32	3,228,653.77	997,921.00	49,896.05

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

Aging	Closing balance		Opening balance	
	Book balance	Provision for bad debts	Book balance	Provision for bad debts
Within one year	64,573,075.32	3,228,653.77	997,921.00	49,896.05
Total	64,573,075.32	3,228,653.77	997,921.00	49,896.05

(3) The total debt amount of the top 5 debtors in the ending trade receivables amounted to RMB61,990,047.14, representing 96.00% of the book balance of the trade receivables.

3. Long-term equity investments

√Applicable □Not applicable

(1) Details of long-term equity investments:

Item	Closing balance		Opening balance	
	Book balance	Impairment provision	Book balance	Impairment provision
Long-term equity investments				
Including: long-term equity investments to subsidiaries	13,506,982,541.50	7,100,000.00	8,012,639,498.46	7,100,000.00

Long-term equity investments to associates	641,850,570.99		592,290,666.30	
Total	14,148,833,112.49	7,100,000.00	8,604,930,164.76	7,100,000.00

(2) Long-term equity investments to subsidiaries

Name of Investee Companies	Opening balance	Changes for the Period	Closing balance	Impairment provision Closing balance
I. Subsidiaries:				
Chongqing Haier Electronics Sales Co., Ltd.	9,500,000.00		9,500,000.00	
Qingdao Haier Refrigerator Co., Ltd.	382,667,504.64	20,000,000.00	402,667,504.64	
Qingdao Haier Special Refrigerator Co., Ltd.	329,832,047.28		329,832,047.28	
Qingdao Haier Information Plastic Development Co., Ltd.	102,888,407.30		102,888,407.30	
Dalian Haier Precision Products Co., Ltd.	41,836,159.33		41,836,159.33	
Hefei Haier Plastic Co., Ltd.	42,660,583.21		42,660,583.21	
Qingdao Haier Moulds Co., Ltd.	273,980,796.30		273,980,796.30	
Qingdao Haier Intelligent Electronics Co., Ltd.	271,380,000.00		271,380,000.00	
Qingdao Household Appliance Technology and Equipment Research Institute	66,778,810.80		66,778,810.80	
Qingdao Meier Plastic Powder Co., Ltd.	24,327,257.77		24,327,257.77	
Chongqing Haier Precision Plastic Co., Ltd.	47,811,283.24		47,811,283.24	
Chongqing Haier Intelligent Electronics Co., Ltd.	11,870,511.98		11,870,511.98	
Qingdao Haier Electronic Plastic Co., Ltd.	48,000,000.00		48,000,000.00	
Dalian Haier Refrigerator Co., Ltd.	99,000,000.00		99,000,000.00	
Dalian Haier Air-conditioning Co., Ltd.	99,000,000.00		99,000,000.00	
Guizhou Haier Electronics Co., Ltd.	96,904,371.71		96,904,371.71	
Hefei Haier Air-conditioning Co., Limited	67,110,323.85		67,110,323.85	
Qingdao Haier Refrigerator (International) Co., Ltd.	158,387,576.48		158,387,576.48	
Qingdao Haier Robot Co., Ltd.	3,149,188.69		3,149,188.69	
Qingdao Haier Air-Conditioner Electronics Co., Ltd.	885,787,953.99	227,645,090.52	1,113,433,044.51	
Qingdao Haier Air Conditioner Gen Corp., Ltd	218,245,822.50		218,245,822.50	
Qingdao Haier Special Freezer Co., Ltd.	442,684,262.76		442,684,262.76	
Qingdao Haier Dishwasher Co., Ltd.	156,192,042.82	50,402,250.00	206,594,292.82	
Wuhan Haier Freezer Co., Ltd.	47,310,000.00		47,310,000.00	
Wuhan Haier Electronics Co., Ltd.	100,715,445.04		100,715,445.04	
Chongqing Haier Air-conditioning Co., Ltd.	100,000,000.00		100,000,000.00	

Hefei Haier Refrigerator Co., Ltd.	49,000,000.00		49,000,000.00	
Qingdao Haier Whole Set Home Appliance Service Co., Ltd.	118,000,000.00		118,000,000.00	
Chongqing Haier Refrigeration Appliance Co., Ltd.	91,750,000.00		91,750,000.00	
Haier Shareholdings (Hong Kong) Limited	2,081,316,920.00	5,000,000,000.00	7,081,316,920.00	
Shenyang Haier Refrigerator Co., Ltd.	100,000,000.00		100,000,000.00	
Foshan Haier Freezer Co., Ltd.	100,000,000.00		100,000,000.00	
Zhengzhou Haier Air-conditioning Co., Ltd.	100,000,000.00		100,000,000.00	
Qingdao Haidayuan Procurement Service Co., Ltd.	20,000,000.00		20,000,000.00	
Qingdao Haier Intelligent Technology Development Co., Ltd.	130,000,000.00		130,000,000.00	
Haier Electronics Group Co., Ltd.	669,830,769.26		669,830,769.26	7,100,000.00
Qingdao Haidarui Procurement Service Co., Ltd.	107,800,000.00		107,800,000.00	
Qingdao Haier Intelligent Household Appliances Co., Ltd.	176,400,000.00	150,000,000.00	326,400,000.00	
Qingdao Haier Special Steel Plate Research and Development Co., Ltd.	70,549,422.43	-70,549,422.43		
Hefei Haier Special Steel Plate Research And Development Co., Ltd.	69,972,037.08	-69,972,037.08		
Qingdao Haier Technology Investment Co., Ltd.		120,000,000.00	120,000,000.00	
Qingdao Casarte Smart Living Appliances Co., Ltd.		10,000,000.00	10,000,000.00	
Qingdao Casarte Smart Living Appliances Co., Ltd.		40,000,000.00	40,000,000.00	
Qingdao Haier Technology Co., Ltd.		16,817,162.03	16,817,162.03	
Total	8,012,639,498.46	5,494,343,043.04	13,506,982,541.50	7,100,000.00

(4) 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
		Investment income recognized under the equity method	Declare the distribution of cash dividends	Others		
Haier Medical and Laboratory Products Co., Ltd.	142,192,892.50	21,910,767.42			164,103,659.92	
Wolong Electric Zhangqiu Haier Motor Co., Ltd.	87,709,990.04	12,754,879.07			100,464,869.11	
Qingdao Haier Special Steel Plate Research and Development Co., Ltd.	93,262,112.05	1,945,001.81			95,207,113.86	
Hefei Haier Special Steel Plate Research and Development Co., Ltd.	67,125,671.71	14,682,423.62			81,808,095.33	
Qingdao Haier SAIF	202,000,000.00	-1,733,167.23			200,266,832.77	

Smart Home Industry Investment Center (limited partnership)						
Total	592,290,666.30	49,559,904.69			641,850,570.99	

4. Operation Income and Operation Expense

Unit and Currency: RMB

Item	Current amount		Prior amount	
	Income	Expense	Income	Expense
Principal Business	2,563,999,764.21	1,923,914,958.87	2,165,891,389.21	1,611,051,693.59
Other Business	9,182,671.10	2,856,661.71	27,075,005.45	13,123,156.82
Total	2,573,182,435.31	1,926,771,620.58	2,192,966,394.66	1,624,174,850.41

5. Investment Income

Item	Current amount	Prior amount
Long-term equity investments income calculated by the equity method	49,559,904.69	47,822,106.37
Investment income from disposal of long-term equity investments	174,478,540.49	508,370,366.00
Long-term equity investments income calculated by cost method	1,436,445,351.14	91,739,754.15
Investment income from financial assets available for sale during the holding period	35,145,802.66	343,343.12
Total	1,695,629,598.98	648,275,569.64

XVIII. Supplementary Information

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

Unit and Currency: RMB

Item	Amount
Gains or losses from disposal of non-current assets	13,327,370.03
Government grants credited to profit or loss in the period (exclusive of government grants which are closely related to the operations of the Company and received in fixed amount or quantity in accordance with the national unified standards)	95,078,644.93
Net gain or loss of subsidiaries from the beginning of the period to the consolidation date arising from the consolidation of enterprises under common control	223,063,608.99
Other non-operating income and expenses	205,936,250.61
Effect of income tax	-95,984,291.44
Effect of minority interests	-257,738,419.70
Total	625,808,032.67

1. Basic and diluted earnings per share

Item	Current amount		Prior amount	
	Weighted average	Earnings per share (RMB)	Weighted average	Earnings per share (RMB)

	return on net assets	Basic earnings per share	Diluted earnings per share	return on net assets	Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of parent company	16.22%	0.705	0.705	29.34%	0.933	0.932
Net profit attributable to ordinary shareholders of the parent company after deduction of non-recurring gain or loss	13.86%	0.603	0.603	23.89%	0.754	0.753

2. Difference on figures by domestic and foreign Accounting Standards

☐Applicable ☒Not applicable

SECTION XII DOCUMENTS AVAILABLE FOR INSPECTION

Documents Available for Inspection	(I) Financial statements with signatures and seals of the legal representative, chief accountant and person in charge of accounting department.
	(II) Original audit report with seals of accounting firm, signatures and seals of registered accountants.
	(III) Original of all documents and announcements of the Company which have been publicly disclosed on the newspaper designated by China Securities Regulatory Commission during the reporting period.

Chairman: Liang Haishan

Publish approved by the Board on 28 April 2016