
Stock Code: 600690

Short Name: Qingdao Haier

Qingdao Haier Co., Ltd. 2017 Annual Report



Important Notice

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

II. 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
Independent Director	Dai Deming	Personal affair	Shi Tiantao

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

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

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

Proposal of profit distribution for the reporting period examined and reviewed by the Board: to declare a cash dividend of RMB3.42 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

Applicable Not applicable

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

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

No

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

No

IX. Important Risk Warnings

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

X. Others

Applicable Not applicable

Chairman: Liang Haishan

Qingdao Haier Co., Ltd.

24 April 2018

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

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Section I DEFINITIONS

I. Definitions

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

Definition of frequently used terms	
CSRC	China Securities Regulatory Commission
MOFCOM	Ministry of Commerce of the PRC
SSE	Shanghai Stock Exchange
The Company, Qingdao Haier	Qingdao Haier Co., Ltd.
Four Major Securities Newspapers	China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily
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)
GEA	GE Appliances, Household Appliance Assets and Business of General Electric
FPA	Fisher & Paykel Appliances Holdings Limited (Chinese Name: 斐雪帕克) was established in 1934 and is known as the national appliance brand of New Zealand, the global top-level kitchen appliance brand and the famous luxury brand of the world. It has products including ventilator, gas stove, oven, dishwasher, microwave oven, freezer, washing machine, clothes dryer and etc. Its business covers over 50 countries/regions across the world. In 2012, it became a wholly owned subsidiary of Haier Group. In order to perform the undertaking of Haier Group in respect of eliminating horizontal competition, the Company entered into the Trust Agreement on Fisher & Paykel Appliances Holdings Limited between Haier Group Corporation and Qingdao Haier Co., Ltd. on 25 May 2015, whereby Haier Group entrusted its assets held in Fisher & Paykel Appliances Holdings Limited to the Company for operation and management.
CMM	China Market Monitor Co., Ltd., established in 1994, has been focusing on research on retail sales in China consumption market for a long term and is the nationally recognized market research institute in terms of appliance area.
Euromonitor	Euromonitor, established in 1972, is the leading strategic market information supplier and owns over 40-year experience in respect of publishing market report, commercial reference data and on-line

		database. They create data and analysis on thousands of products and services around the world.
The Stevenson Company		Based in Kentucky, the U.S., the firm is an institution specializing in market survey, research and analysis. The market research and analysis business of the Company started in 1995. Its “TraQline” product is a world-famous survey and research report on market share. The “TraQline” product offers customers with analysis based on global market share and consumer behaviors and supports the decision-making of various businesses.
IEC		The International Electrotechnical Commission. Founded in 1906, it is the world’s first organization for the preparation and publication of international standards of electro technologies, and is responsible for international standardization for electrical engineering and electronic engineering. The goals of the commission include: to ensure that the standards and conformity assessment programs are applied globally in a prioritized manner and to the greatest extent; to assess and improve the quality of products and services involved in its standards; to create conditions for the common use of complicated systems; to improve the effectiveness of the industrialization process; to improve human health and safety, and to protect the environment.
9 Interconnected Factories		Shenyang Refrigerator Interconnected Factory, Foshan Front-Loading Washing Machine Interconnected Factory, Zhengzhou Air-conditioner Interconnected Factory, Qingdao Mold Interconnected Factory, Qingdao Water Heater Interconnected Factory, Qingdao FPA Electrical Machine Interconnected Factory, Jiaozhou Air-Conditioner Interconnected Factory, Huangdao Central Air-Conditioner Interconnected Factory, Huangdao Smart Kitchen Interconnected Factory
“4+7+N” smart full scene & customized solution package		“4” refers to the four areas where Haier keeps upgrading: smart lounge, smart kitchen, smart bathroom and smart bedroom. “7” refers to the air, water, cleansing and maintenance, security, voice-control, health and informatization of a house while “N” refers to variables, i.e. users may customize their own smart living scene based on their living habit, realizing unlimited possibilities.
The mode people plus goal		“Individual” means staff; “goal” means the need of users, rather than the “orders” in narrow sense. The mode “people plus goal” encourages the integration of staff with users, and “win-win” means to realize every employee’s value while creating value for users.

Section II GENERAL INFORMATION OF THE COMPANY AND FINANCIAL INDICATORS

I. Information of the Company

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

II. Contact Person and Contact Information

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

III. General Information

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

IV. Place for Disclosure and Deposit of Information

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

V. Summarized Information of Shares of the Company

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

VI. Other Related Information

Accounting firm engaged by the Company (domestic)	Name	Shandong Hexin Certified Public Accountants (LLP)
	Business address	26th – 27th Floor, Century Building, No.39 Donghai Road West, Qingdao City
	Name of signing accountant	Wang Hui (王辉), Han Xiaojie (韩晓杰)
Financial advisor responsible for continuing supervision during the reporting period	Name	China International Capital Corporation Limited
	Business address	27th & 28th Floor, China World Office 2, 1 Jianguomenwai Avenue, Beijing
	Name of signing representative of financial advisor	Chen Jingjing (陈静静), Hu Xiaojun (胡霄俊)
	Period of continuing supervision	12 January 2017 to 31 December 2018

Notes:

- (1) Financial advisor responsible for continuing supervision during the reporting period: On 12 January 2017, the Company issued the Report on the Execution of Acquisition of Significant Assets by Qingdao Haier Co., Ltd., according to which, the acquisition of significant assets related to the acquisition of the appliance assets of General Electric had been completed. As the financial advisor for this acquisition of significant assets, China International Capital Corporation Limited will carry out continuing supervision on the Company during the continuing supervision period from 12 January 2017 to 31 December 2018.
- (2) Sponsor responsible for continuing supervision during the reporting period: During the reporting period, the Company had a public issuance of convertible bonds. As at the disclosure date of this report, the issue has not yet completed. China International Capital Corporation Limited, the sponsor of such issue, will carry out continuing supervision on the Company starting from the completion of such issuance of

convertible bonds.

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

(I) Key accounting data

Unit and Currency: RMB

Key accounting data	2017	2016		YoY change (%)	2015
		After adjustment	Before adjustment		
Operating revenue	159,254,466,909.46	119,132,261,662.60	119,065,825,201.51	33.68	89,797,165,994.89
Net profit attributable to shareholders of the Company	6,925,792,321.27	5,041,782,280.78	5,036,652,240.84	37.37	4,303,751,562.92
Net profit after deduction of non-recurring profit or loss attributable to shareholders of the Company	5,624,061,708.46	4,332,453,050.07	4,332,453,050.07	29.81	3,674,952,510.15
Net cash flows from operating activities	16,086,588,028.31	8,135,878,351.88	8,054,704,601.30	97.72	5,604,166,955.11
	As of December 31 2017	As of December 31 2016		YoY change (%)	As of December 31 2015
		After adjustment	Before adjustment		
Net assets attributable to shareholders of the Company	32,215,515,201.45	26,438,188,226.56	26,364,725,409.83	21.85	22,733,334,660.35
Total assets	151,463,110,707.63	131,469,157,348.79	131,255,290,325.24	15.21	75,960,718,327.49

(II) Key financial indicators

Key financial indicators	2017	2016		YoY change (%)	2015
		After adjustment	Before adjustment		
Basic earnings per share (RMB per share)	1.136	0.827	0.826	37.36	0.706
Diluted earnings per share (RMB per share)	1.088	0.824	0.823	32.04	0.706
Basic earnings per share after deducting non-recurring	0.922	0.71	0.71	29.86	0.603

profit or loss (RMB per share)					
Weighted average return on net assets (%)	23.59	20.38	20.41	Increased by 3.21 pct pt	16.22
Weighted average return on net assets after deducting non-recurring profit or loss (%)	19.15	17.56	17.56	Increased by 1.59 pct pt	13.86

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

Applicable Not applicable

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

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

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

IX. Key financial data of 2017 by quarters

Unit and Currency: RMB

	Q1 (January-March)	Q2 (April-June)	Q3 (July-September)	Q4 (October-December)
Operating revenue	37,741,143,448.27	39,834,606,531.83	41,613,863,654.10	40,064,853,275.26

Net profit attributable to shareholders of the Company	1,738,763,572.81	2,688,304,831.70	1,255,293,313.13	1,243,430,603.63
Net profit after deduction of non-recurring profit or loss attributable to shareholders of the Company	1,461,794,756.85	2,315,544,698.1	917,996,951.12	928,725,302.39
Net cash flows from operating activities	5,809,318,531.26	2,583,882,374.92	5,766,852,092.76	1,926,535,029.37

Reasons for difference between quarterly data and regular reporting data

Applicable Not applicable

X. Non-recurring Profit or Loss Items and Amount

Applicable Not applicable

Unit and Currency: RMB

Non-recurring profit or loss items	2017
Loss and profit from disposal of non-current assets	64,634,658.86
Tax refund, reduction or exemption with approval exceeding authority or without official approval or occasionally	
Government grants included in current profit or loss, except that closely related to the normal operating business, complied with requirements of the national policies, continued to be granted with the amount and quantity determined under certain standards	527,612,997.16
Gains from the costs of investment in the acquisition of subsidiaries, associated companies and joint ventures being lower than the share of the fair value of the transferor's identifiable net assets	9,660,529.47
Enterprises' restructuring costs, such as the replacement cost of employees, the cost of integration, etc.	-120,358,066.45
Current net profit or loss of subsidiaries from the consolidation of enterprises under common control from the opening of the period to consolidation date	500,041.82
In addition to the effective hedging business related to the normal operations of the Company, profit or loss of changes in fair value arising from holding of trading financial assets and trading financial liabilities, as well as investment gain realized from disposal of trading financial assets, trading financial liabilities and financial assets available for sale	663,407,128.53

Trust fee income from entrusted business	2,830,188.68
Other non-operating net income and expenses except the aforementioned items	523,346,200.57
Minority interests	-250,957,566.29
Income tax	-118,945,499.54
Total	1,301,730,612.81

XI. Items Measured by Fair Value

Applicable Not applicable

Unit and Currency: RMB

Name	Opening balance	Closing balance	Change	Impact on profit
Forward foreign currency contract	81,620,979.45	117,512,866.08	35,891,886.63	663,407,128.53
Interest rate swap agreement	16,502,325.25	51,339,181.17	34,836,855.92	
Contingency consideration		-5,384,860.29	-5,384,860.29	
Available-for-sale financial assets	30,354,194.80	26,931,420.99	-3,422,773.81	369,851.42
Total	128,477,499.50	190,398,607.95	61,921,108.45	663,776,979.95

XII. Other

Applicable Not applicable

Section III SUMMARY OF THE COMPANY’S BUSINESS

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

(I) Major Business of the Company

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

Since its establishment, the Company has been upholding the concept of “taking the user as right and ourselves as wrong”, while adhering to the spirit of entrepreneurship and innovation and the strategy of keeping up with new developments. Through its persistent efforts and the acquisition of the white goods business of Sanyo of Japan and the household appliances business of GE, the entrusted management of the Fisher & Paykel business in New Zealand, and shares of MABE in Mexico, the Company has established its competitive edge with integrated capabilities in R&D, manufacturing and marketing at home and abroad, realizing a layout deployment and global operation of a world-class brand. In 2017, revenue from overseas operation represented 42% of the total revenue while near 100% of the revenue was generated from self-owned brands.

According to retail sales statistics on the large home appliances published by Euromonitor, the world’s leading independent provider of strategic market research, in 2017, sales of Haier’s large home appliances represented a global market share of 10.6%, and ranked No. 1 in the world for the 9th consecutive year. Meanwhile, global sales of Haier’s refrigerators, washing machines, wine cellars and freezers continued to rank No. 1 in the world. The Company’s smart air-conditioners accounted for 30.5% of global sales, ranking No. 1 in the segment of interconnected air-conditioners (including smart air-conditioners) for the 2nd consecutive year.

In face of the opportunities and challenges arising in the Internet of Things (“IOT”) era, the Company, through strategic market moves, has initiated the transformation to the IOT platform and established three leading platforms, including U+ Smart Life platform, COSMO Plat industrial internet cloud platform, and Shunguang social group platform. By offering smart homes solutions and introducing full-range smart life experiences to consumers, Haier has satisfied the needs of a better life for its customers.

(II) Industry Background

2017 witnessed a global economic recovery and a steady growth in the global home appliance market. According to the statistics of Euromonitor, an annual increase of 4% for the sales volume of global home appliances and an increase of 6% in sales were recorded in 2017. In terms of regions, sales in the Asia Pacific region maintained an increment of 7%, performing better than other regions including a 4% increase for Middle and East Africa, and 2% increase for North America, Latin America, Australia and Europe individually.

In 2017, economic performance of the PRC economy was steady with continuous improvement while increasing domestic income further supported the consumer confidence index. In terms of cost, with significant increase in bulk materials prices, the profit margin of the industry was pressured. Fluctuations in foreign exchange rates, especially the strong performance of RMB in the second half of 2017, have led to challenges in the home appliances export business of the Company. In terms of demand, the white goods sector in the domestic market grew at different rates in various sub-sectors: (1) the air-conditioner sector experienced rapid growth due to high ambient temperatures, development of the real estate industry, higher penetration in rural areas and other factors. According to the statistics of CMM, in 2017, retail sales and retail volume of air-conditioners increased by 27.5% and 32.6%, respectively; (2) the refrigerator sector experienced a turnaround in growth rate, from negative to positive 3.7%. Benefiting from the increase in price caused by enhanced market structure, retail sales increased by 9.8%; (3) growth in washing machines maintained stable while its retail sales and retail volume increased by 6.2% and 11.4%, respectively; (4) the domestic kitchenware and sanitary ware market saw steady growth: growth rates of retail sales for water heaters and kitchen appliances were 9.69% and 15.26%, respectively.

Demands for upgrading to a new generation of white goods led the development of the domestic market. Brand, quality, design and technology have become decision-making factors for consumers who are willing to pay a higher price for 'quality goods'. Consumption of upgraded appliances is therefore inevitable. Products with larger volume, intelligent and stylish design become more welcomed in the market with average prices stepping up steadily. With the promising growth of the intelligent home appliances market, sales of intelligent air-conditioners accounted 34.7% of all air-conditioner sales, while the corresponding share of washing machines and refrigerators was 23.1% and 13.1%, respectively.

Competent players are getting stronger under the current market condition. By leveraging on comprehensive advantages gained from long-term competition, leading enterprisers which have focused on long-term research and development, establishment of quality brands and leading the market trend will continue to benefit from rewards generated by domestic consumption upgrade and market centralization.

The rapid development of IOT, Big Data, Cloud computation, Artificial Intelligence (“AI”) and other technologies has enhanced the connections between human and equipment and between equipment and ecosystem. Also, users' consumption habits have been gradually changed and the trend of consumption has developed towards advanced economy, social group economy and sharing economy. Frequent replacement with newer products and sectoral changes have resulted in shifting competition focus, from product competition to users' value and experience, which have forced the transformation of enterprises and the change of business model, from selling products to selling services.

Industry Outlook

Influenced by factors such as favorable conditions for the air-conditioner sector and regulatory policies of the real estate industry, the growth rate of overall demand for national home appliances is expected to slow down in 2018 and progress with moderate growth driven by life quality-enhancing product consumption. According to CMM, white goods sales in the PRC are expected to reach RMB370.5 billion, with a year-on-year increment of 0.3%. While demand for white goods and black appliances in general are denominated by upgrading and replacement, kitchen appliances and home appliances will become the new growing points of consumption,

with expected year-on-year growth of 11.5% and 13.5%, respectively. Online and offline retail channels moved closer together. Online business in 2018 is expected to keep its rapid growth trend and CMM expects that the market share of online home appliances will account for 33% in 2018. The home appliance industry is expected to demonstrate a development trend with product upgrading, intelligent products and brand centralization.

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

Applicable Not Applicable

III. Analysis on core competitiveness

Applicable Not Applicable

Since the foundation in 1984, the Company always adhered to the principle of driving the sustainable and healthy development with innovation focusing on the needs of users, and over the decades 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 corporate strategy and operating mode, brand, research and development, intelligent manufacturing, establishment of foreign and domestic markets to achieve competitiveness and remain adapting to ever-changing conditions.

(I) World-class brand competitiveness, comprehensive layout

According to the data published by Euromonitor, Haier has ranked No. 1 among global large home appliances brands for 9 consecutive years. In the segments of refrigerators, washing machines, wine cellars, freezers, the Company continues to be No. 1 in the world. To meet the personalized and diversified needs of users, we have broken down the global technical barriers in the household appliances industry and promoted the healthy development of the industry through the global strategic synergy among six brands of household appliances, namely Haier, GE Appliances in the USA, Fisher & Paykel in New Zealand, AQUA in Japan, Casarte and Leader.

Haier has built the largest household appliances industry cluster in the world, which covers the global market and communities.

High-end brand, leader in market share. In 2017, Casarte accounted for 35% of the market of home appliances priced at RMB10,000 or above, up 9 pct pts. MONOGRAM, a high-end home appliance brand of GEA, accounted for 20% of the high-end market in the USA, up 1 pct pt. Fisher & Paykel, a world-known home appliance brand, accounted for 36% of the New Zealand market, up 1 pct pt.

(II) Leader in R&D and technological competitiveness

1. Layout of R&D resources around the world: with its 10 large R&D centers around the world, Haier has established its global network of resources and users by establishing an open and innovative system “10+N” based on “N” innovative centers, which are accessible for users seeking solutions. Haier has also attracted world-class resources to participate in R&D with its “cooperation, win-win and sharing mechanism”, thus playing a leading role in the development of products and technologies in the industry and providing excellent experience for its users.

2. Leadership in industrial standards. With its sustained innovation capacity, Haier has become a leader in the household appliances industry in the PRC and worldwide. As at December 2017, Haier holds a total of 66 expert seats in IEC and ISO, two international standardization organizations. Haier also holds 28 expert seats in the UL standardization organization. Haier has participated in the development of and amendment of international standards and has put forward 90 proposals. Haier ranks No. 1 among household appliances companies in the PRC in terms of the number of proposals raised. Haier also ranks No. 1 among domestic home appliances companies in terms of the number of national standards initiated, leading or participating in 445 developments of national/industry standards and their amendments in total, while 391 of which have been promulgated, and has been granted 11 national innovative contribution awards. In terms of international participations, Haier is the only home appliance company in the PRC, which joined the Market Strategic Board of International Electrotechnical Commission (hereinafter “IEC/MSB”). Haier, as the only PRC home appliance company joining a technology sub-committee of an international standards commission, takes up secretary assignment for the IEC/SC59A International Washing Machines Sub-committee, and has participated in the

establishment of IEC TC59/SC59M WG4 Refrigerators and Fresh-keeping International Standards Working Group, taking a leading role in the formulation of first international standards for fresh-keeping capabilities of refrigerators, which has realized a breakthrough in the home appliances sector.

3. Currently, Haier has accumulated more than 25,000 patents application, and more than 15,000 of which are invention patents, covering 25 countries and regions, making Haier the leader in household appliances companies in the PRC in terms of overseas invention patents. In 2017, among more than 7,000 patent applications, the proportion of invention patents was higher than 60%, leading the sector in terms of patents. In the 19th PRC Patent Awards held in December 2017, Haier was honored with a gold award in patent, the only winner in the home appliance sector, and 2 appearance design gold awards. It was also awarded with 5 patent outstanding awards. Haier has won 5 gold awards from all the previous PRC Patent Awards, ranking No. 1 among the competitors in terms of total number of gold awards. Haier has become the only household appliance enterprise being awarded twice with gold awards and the only enterprise gained 3 gold awards in one time for the past 29 years. Haier has been awarded 14 national technology advancement awards, representing two-thirds of the sector.

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

(III) Competitiveness of smart manufacturing, leading the transformation

1. The core competitiveness of Haier's smart manufacturing lies in its commitment to realizing long-term value for users through its user-oriented approach and the transition from large-scale manufacturing to large-scale customization. In practical operation, Haier has established 9 global-leading sample interconnected factories, as well as the interconnected capabilities and ecological system covering the whole process. Such businesses cover refrigerators,

washing machines, air-conditioners, water heaters, kitchen appliances, electric motors, molds and other fields, meeting our user's need for perfect experience in high-end personalized products and services. Such initiatives have produced notable effects: the orders from large-scale customization in which users are involved in the whole process accounted for 16% of the total, while the orders from large-scale customization in which customers are involved accounted for 52% and achieved a breakthrough which eliminated or shortened the period of products in warehouses. In addition, operational efficiency throughout the process has been enhanced. For example, the development cycle for new products has been reduced by more than 50%.

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

(IV) Efficient and in-depth networking channels and logistics layout

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

2. The network of the warehouses of Gooday Logistics covers more than 100 cities and regions in the PRC, with a total storage area of 3.6 million square meters, and 90,000 motor vehicles for deployment. Gooday Logistics offers around-the-clock service combining delivery and installation, and is dedicated to providing users with comprehensive, timely and care-free services.

(V) Excellent global operation capability

We have been adhering to the strategy of building our own brand independently. Through self-development and mergers and acquisitions, the Company has completed its triple network comprising of R&D, manufacturing and marketing for major overseas markets, which helped us gain insight into and meet the needs of local consumers in a short time. The successful global transformation from single-brand to cross-border and cross-sector multi-brand demonstrated its achievements by going global and developing integrated global resources. As at the end of 2017, its capacity of overseas markets (America, Europe, South Asia and other regions) reached more than 20 million units while revenues from overseas markets in 2017 amounted to 42% with almost 100% generated from self-owned brands.

(VI) Based on credibility culture and win-win model of people plus goal

Credibility culture based on quality and service is the core driver of Haier's growth, and is also the essential reason for the constant success of Haier. Leveraging the 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 a leading position in world-wide innovation in the 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 progress into the future and continuously improve and challenge itself, in order to seize development opportunities. The win-win model of people plus goal is the assurance of a sustainable operation of Haier. In exploring the "individual-goal combination 2.0", "Co-create" and "Win-win ecosystem", Haier endeavors to build a win-win ecosystem based on user value interaction in the new stage of e-commerce to make every employee his/her own CEO and realize

their own value while creating value for users, so as to achieve a win-win situation, which is critical to all parties in the system.

Section IV DISCUSSION AND ANALYSIS ON OPERATIONS

In 2017, the Company focused on technological innovation and leading position in products, deepened corporate retail transformation, and adhered to global branding and the local triple network layout. Thus, it achieved quality results growth, with revenue, net profit and net cash flow from operating activities hitting historical highs.

Revenue of the year reached RMB159.254 billion, representing an increase of 33.68%. ① Excluding the effect of consolidating the financial results of GEA, the original businesses of the Company, i.e. refrigerator, washing machine, air-conditioner and kitchen products recorded increases of 18%, 20%, 48% and 25%, respectively, each representing their highest growth in recent years; ② GEA recorded a revenue of RMB 45.894 billion, a new high in ten years. ③ High-end brand Casarte recorded an increase in revenue of 41% in 2017.

Net profits attributable to the parent company for the year was RMB6.926 billion, up by 37.37%; Net profit after deduction of non-recurring profit or loss attributable to the parent company was RMB5.624 billion, with an increase of 29.81%. Net cash flow from operating activities amounted to RMB16.087 billion, representing a year-on-year increase of 97.72%.

Noticeable increase in market share: ① **In the global market, according to the data as published by Euromonitor, in 2017, the market share of brands of Haier's large household appliances reached 10.6%, the top ranking for nine consecutive years.** ② **In the domestic market, a full range of products recorded increases in market shares:** according to the data released by CMM, retail market shares of refrigerator, washing machine, air-conditioner, water heater, ventilator and gas stove of Haier increased by 3.4, 2.3, 0.5, 1.3, 1.12 and 1.06 pct pts., respectively; the refrigerator and washing machine businesses maintained and continued to extend their leading position, with retail sales accounting for 31.83% and 29.89%, which were 2.5 times and 1.7 times of the brands in second places, respectively, reinforcing the Company's leading position. ③ **In the U.S. market,** according to a report issued by the Stevenson Company, in terms of sales, GEA's market share in the U.S. household appliances market was 20.4% in 2017. The breakdown of share by products was as follows: 28.7% for kitchenware, 21.2% for

dishwasher, 19.8% for refrigerator, 15.4% for washing machine. In particular, the market shares of kitchenware ranked No. 1 in the industry with a clear competitive edge.

The Company's works in 2017 were mainly as follows:

1. Capitalizing on the open innovation system of 10+N under the global layout, the Company led the industry with product differentiation through technological upgrades and disruptive innovation, and promoted structural adjustment: regarding brands, Casarte's revenue increased by 41%; and regarding product category, mid-to-high end products continued to grow at a rapid rate. For instance, revenue from side-by-side & multi-door refrigerators and front-loading washing machines increased by 45% and 43%, respectively, in the domestic market.

Refrigerators/freezers industry: the Company led the trend of integrated home services and health preservation in the industry, introduced resolutions for free-embedded, cell-level preservation and full-space preservation, etc., satisfying users' demands for quality life. The Company kept its leading position driven by iterations, maintained the leading position in each price range while achieving a breakthrough in the high-end market. According to the data of CMM, retail sales of refrigerators above RMB10,000 increased by 59.6%, and retail sales of refrigerators above RMB15,000 increased by 221.1%, respectively.

The free-embedded F+MSA nutrition controlling and preservation 520 multi-door refrigerator launched by the Company adopts the advanced MSA nutrition controlling and preservation technology which is able to reduce the concentration of oxygen in a specific compartment, achieve a double preservation period, and lower the loss rate to around 1/10 than that of the ordinary refrigerators. The storage period for strawberry can reach 8 days with a nutrient loss rate of only 1.5%, while the storage period for strawberry of the ordinary refrigerators can reach only 3 days with a nutrient loss rate of 12%.

Washing machine industry: with the application of advanced technologies such as washing in clean water, smart laundry and identification of laundries, the Company kept upgrading its washing solutions to cater the needs of healthier, more water saving, partition washing, and large drum diameter demands. According to the data of CMM, the market share of washing machines above RMB8,000 was 60%.

Casarte “Fiber Care” (纤见) washing machine launched by the Company is the world’s first washing machine product equipped with an IOT fiber-level washing program. Adopting the direct-drive variable frequency motor of Fisher & Paykel, a luxury brand from New Zealand, through innovating washing technology, upgrading the internal structure and creating a 601 mm super large drum diameter, the Casarte “Fiber Care” washing machine expands the laundry capacity, makes picking-up and placing of laundry more convenient, while its larger washing space can better protect the clothing. At the same time, being connected to the IOT intelligent detection of fiber and combined with automatically set washing programs, it provides an exclusive washing solution with one-button control for users, which gives tender care precisely to every 1ml fiber at a temperature of 2°, ensuring perfect protection of silk, Su embroidery, fur and other materials.

Household air-conditioner industry: in view of the evolving consumers’ demand towards healthy, comfortable, smart and customized products, the Company is dedicated to leveraging on leading technologies to create a differentiated consumer experience, and to forge differentiated core competitiveness with a focus on innovation of intelligent, effective and healthy products. In 2017, the Company realized a new type of air-conditioner from blowing clean airflow to allowing users to breath clean air, and launched the air purification-integrated series, Casarte Yunding (云鼎) and Tianxi (天玺) series, clean cool series and other differentiated products, which are able to complete home air purification in just 15 minutes, allowing users to enjoy clean air at home. Riding on the competitiveness brought by product and technological innovation, product are continuously improved. According to the statistics of CMM, there is an obvious increase in market shares of Haier’s mid-to-high-end air-conditioners, where market shares of wall-mounted air conditioners in the price range of above RMB4,100 and packaged air conditioners in the price range of above RMB8,000 increased by 6.8 pct pts. to 15.2% and by 10.5 pct pts. to 22.9%, respectively, and the market share of packaged air conditioners in the price range of above RMB16,000 ranked the first place in the industry, amounting to 40%, with a ratio to the second placed of 1.70.

Euromonitor issued a certification for Haier air-conditioners – according to retail market sales statistics of the 2017 interconnected air-conditioners (including smart air-conditioners), Haier

ranked first in the world with a market share of 30.5%, the top ranking for two consecutive years. According to the 2017 export statistics, Haier air-conditioner ranked first in China's own-brand air-conditioner exports, accounting for 22%.

The air purification-integrated, clean cool and self-cleaning air-conditioner released by the Company, is the only professional air-conditioner equipped with purifying function, and it is able to complete home air purification rapidly to create a clean air environment for users. The products realized full-mode purification by adopting direct-extraction technology and electric purification technology of the space capsule purification system, enabling itself to automatically capture dust and high purifying efficiency assisted by negative ion purification technology. With humidity-coupled sensing technology and PID flexible variable frequency humidity-control technology innovated on the basis of flexible variable frequency humidity technology, it is able to adjust the indoor air environment to the comfort zone of the human body and optimize the air quality. Supported by Haier's inner and outer self-cleaning technology, which was granted six patents, it makes the air cleaner and healthier. Assisted with unique patented technology of natural airflow and positioning airflow, combined with smart app management, it provides users with a comfortable and healthy air experience and smart and convenient use in an all-round way.

Central air-conditioner industry: to cater users' needs of energy-saving in the industry, the Company continued to make iteration of magnetic levitated products, leading the industry with magnetic levitated central air-conditioners, and realizing "multi-speed" growth of magnetic levitated products. In the meantime, the Company launched the first IOT central air-conditioner in the world, realized integration of IOT and central air-conditioners for the first time and gained a leading position of IOT central air-conditioners capitalizing on a differentiated experience of automatic connection to the internet, automatic energy saving and independence. Simultaneously, the Company introduced temperature and humidity independently-controlled, cloud service and smart cloud control and other technologies to maintain its leading advantage in respect of energy saving and intelligence, continued to implement innovation in order to achieve product innovation driven by differentiation. According to data released by China Industry Online, in 2017, the domestic market share of Haier's central air-conditioner achieved the greatest growth in the industry with an increase in market share of 1.9 pct pts. year-on-year.

For instance, ① on top of the leading position of magnetic levitated products and in the face of customization needs of the industry community, the Company launched evaporative cooling magnetic levitated air-conditioners applicable to the rail transit industry, corrosion-resistant magnetic levitated air-conditioners applicable to the aluminum oxidation industry, free cooling magnetic levitated air-conditioners applicable to the data center industry and other differentiated customized products to achieve continuous leadership of magnetic levitated air-conditioners; ② to cater the growing demand for central air-conditioning updates, the Company launched multi-split central air-conditioners as a new product, the industry's first new product of '5 no' (no pipe changing, no line changing, no indoor unit changing, no decoration destroying and no affecting of business), and achieved "no renovation destroying while changing new central air-conditioner", occupying a leading position in central air conditioning retrofits. ③ in view of the needs and growth of unmanned convenience stores and unmanned gas stations and other stores, the Company took the lead in the industry to launched central air-conditioning for unmanned shops, and obtained the first share.

Water heater industry: Relying on the full range of layout of electric, gas, solar and heat pump water heaters, the Company carried out core technological innovations and product structure upgrades to provide consumers with comfortable bathing solutions. ① In respect of electric water heaters, the Company introduced "instantaneous heating & washing technology" which realizes rapid heating and capacity expanding and solves the 'pain points' of long waiting time for heating. The Company introduced the "double-effect discharge inhibition technology and three-level purification technology" to effectively inhibit the generation of discharge and purify and remove harmful substances such as sediment, residual chlorine and bacteria in water, so as to better protect mothers and babies. ② In respect of gas water heaters, the Company released six major core technologies such as the active elimination of carbon monoxide safety systems and zero-cold-water systems in response to user values such as safety and constant temperature. According to the data of CMM, our water heaters obtained a market share of 18.77% in terms of retail sales volume in the domestic market, taking first place.

To strengthen the Company's technological reserves in power plants and thermosiphon, in May 2017, the company acquired 51% equity interests in GREENoneTEC Solarindustrie GmbH

("GoT"), the largest solar thermal power plants manufacturer in the world located in Austria. GoT has advanced technology and facilities in the fields of solar thermal power plants and large-scale multi-source water heating systems.

The Company released the Haier instantaneous heating electricity insulation wall water heater Plus9. Equipped with a unique instantaneous heating waterfall washing, discharge-inhibiting cleaning washing, heating electricity insulation wall 3.0, cloud SMART 2.0 smart technology and outer shaped design and black technologies, the products tackled lots of 'pain points' of users, such as slow heating, small amount of water, dirty washing, disconnection and big white bucket, which are typical challenges of the electric water heater industry, and gained the "APE Appliance Innovation Award" beating more than 500 exhibits.

Kitchen appliances industry: The Company manufactures a variety of kitchen appliances in all segmented markets, with particular focus on smart home appliances that can be interconnected to form a "smart kitchen". Leveraging on the R&D resources of Fisher & Paykel and GEA, the Company has also developed tailor-made products for Chinese consumers to meet their requirements for Chinese cuisine, and covered segmented markets of different consumer groups with 5 major brands, namely luxury brand's social kitchen Fisher & Paykel, high-end Italian embedded kitchen Casarte, professional complete set of American kitchen GEA, the public brand smart kitchen Haier, and the young market kitchen brand Leader. The Company took the lead in publishing the industry's first "dry heating prevention home gas cooker standard (防干烧家用燃气灶具标准)" and "residential open kitchen standard (住宅开放式厨房标准)", leading the industry standards. Our core kitchen products include range hoods, stoves, built-in ovens, steamers, coffee makers and dishwashers. In 2017, revenue from kitchen appliances in the domestic market increased by 47% year-on-year; the sales volume of high-end brand Casarte kitchen appliances increased by more than 125% in 2017 while the share increased by 1 pct pt year-on-year.

The Company has released a series of star products. ① Range hoods of Yunchu (云厨) series. it can be operated through the touch screen and mobile application to achieve convenient functions such as entertainment and recipes in the kitchen. It is equipped with a unique deep cavity and Fisher & Paykel variable frequency motor to achieve ultra-quiet large suction effect. Its

unique net core module tackled the biggest kitchen “pain point” of users, the difficulty to clean hardened oil. ② Gas stove products with dry heating prevention. Supported by the Company’s unique patented technology of dry heating prevention and inter-connection technology, it is able to detect the temperature inside the pot automatically, therefore, under the circumstance where the pan is dried up, the gas will be cut to prevent harmful consequences for safety risks, which sets a global safety & dry heating prevention standard. ③ Casarte steam oven. Its steam surrounds the cell-grade nutrition. Supported by three core technologies, a steam cruise system and steam surround system, it meets people’s needs for a delicious and healthy diet. ④ High-temperature self-cleaning oven products. With the application of the exclusive hot air with constant temperature technology developed by GEA, the product is capable of performing carbonization decomposition of oil pollutants at a temperature of 420 degrees and is easy to clean, thus releasing users from the trouble of cleaning.

(II) Domestic market: Focusing on user experience and customer value, deepening network, optimizing efficiency and improving structure.

In 2017, the Company continued to promote retail transformation of its China business and enhanced the market competitiveness of the entire process. It achieved more than 20% revenue growth for five consecutive quarters since the fourth quarter of 2016, and an increase in market share. By increasing the proportion of mid-to-high-end products, the average price of the Company’s white home appliance in the domestic market increased by more than 10 pct pt in 2017.

Further penetration of store network and operation improvement of stores. ① The Company upgraded the business district core store showroom to realize the transformation from product display to full-scale scene-based experience, and promoted the refinement of the store’s “people-to-store-to-model” to increase the order conversion rate. ② In the home building materials channel, the Company promoted the construction of smart complete set of scene experience stores, provided users with “one-stop, full-scene, customized” solutions with package display, package design, package sales and package services. By the end of 2017, the Company has built one city experience center, 100 smart home experience stores, and 800 smart home

integration stores. ③ The Company propelled the construction of smart cloud stores, built asset-light stores based on the principle of “small but smart”, and achieved deep coverage of users’ touchpoints in communities, decoration companies, townships and village-level networks.

In terms of e-commerce channels, the Company further improved the layout of JD.com assistance, JD.com POP, and Tmall authorized stores to achieve channel structure optimization and expansion of users’ touchpoints; increased the proportion of mid- to high-end products and differentiated delivery of products based on channels; strengthened content marketing and realized strong interaction with users. In 2017, e-commerce revenue increased by more than 70% and the average price of products increased by more than 20%.

The Shunguang (顺逛) platform connects on-line stores, off-line stores and micro-enterprises by integrating the three into one, and coordinating marketing, logistics, information and service network, and build a multi-entry and 24 x 7 community interaction platform. Based on community interaction, the Company addresses users’ ‘pain points’ and consumer trends, promotes product and service upgrades and iterations, provided community foundation and user orientation for the implementation of Haier’s full scene-based and customized smart solution package, and builds a differentiated competitive edge for Haier’s smart family. In 2017, the Shunguang platform actively took advantage of the entire process chain to open up its entrance, build a comprehensive community ecosystem with rich resource, and upgraded the value of a single brand to the win-win platform of the whole ecosystem. In 2017, the Shunguang platform had 800,000 micro-store owners, 20,000 offline stores, 30,000 user communities in aggregate, and reached total platform transactions of RMB4.5 billion.

Constantly increasing the construction of Casarte brand in terms of product portfolio brand marketing, network layout and point-of-sales experience to address the domestic consumer trend upgrading. In 2017, revenues from Casarte brand increased by 41%. In the domestic high-end home electric appliances market above RMB10,000, the market share of Casarte reached 35%, an increase of 9 pct pt over 2016. In the refrigerators and washing machines market above RMB10,000, market shares of Casarte refrigerator and washing machine were 30% and 69%, respectively; in the air-conditioner market of above RMB16,000, market share of Casarte air-conditioner reached 40%.

Upgrading digital marketing platform to improve operational efficiency: The Company realized online real-time purchase, sales and inventory management on town and country-level network through Yilihuo (易理货) platform, facilitating product delivery to customers and users of town and country-level at the fastest speed and the lowest cost. The Company promoted the construction of smart cloud store platforms, and through digitizing product information and training video integrated with the delivery of the latest product information to the terminal in a timely fashion and accurate manner, it optimized the product launch cycle. By the end of 2017, the number of screen coverage reached 110,000.

Innovation on marketing model. ① In the point-of-sales stores, through the coin activities of washing machines, the Company provided users with clothes “air wash” services to demonstrate non-copyable leading technology in an intuitive and vivid way, and achieved strong word-of-mouth promotion; ② Through various types of marketing investment such as the CCTV national brand plan, local media cooperation, product placement in a variety of show, film and television dramas, the Company achieved a strong brand recognition.

The Company stimulated the vitality of the organization by micro-market mechanism and the model of people plus goal. The Company promoted self-operation under the micro-micro mechanism, and realized the exercise of employment rights, allocation rights and decision-making rights. Through the excess profit sharing mechanism, the Company facilitated driver enhancement of employees, changes in personnel concepts and ability. And through the model of people plus goal, the Company promoted the collaboration in parallel and operational innovation of the entire-process logistics hubs focusing on the market.

(III) Overseas market: Building brands, establishing high-end image, concentrating on experience in an attempt to boost synergies and comprehensive development

During the reporting period, the overseas market concentrated on branding and earnings, facilitated the implementation of the model of people plus goal in respective regions, promoted integration of culture and mindset, boosted synergies with GEA concerning procurement, products and R&D, which delivered healthy performance.

Principle operating conditions in respective regional markets are as follows:

1. The European market. Revenue from the European market increased by 16% in 2017. ① **Products:** a. Revenue from refrigerators increased by 37% through high-end products including the launch of third-generation products of Italian refrigerators, 521-series hinged door refrigerators; boosted synergies with GEA in the European market, launched GE air-conditioners targeted at the mid to high-end market in Italy. Household air conditioners and commercial air conditioners increased by 15% and 29% in 2017, respectively. b. Air-cooled refrigerators with large capacity, front-loading washing machines with large diameter and direct-drive electric motor rolled out in the Russian market continued to enhance structure and price, with retail price index of refrigerators and washing machines amounting to 150% and 130%, respectively; market share of household air-conditioners ranked No.1 with retail price index reaching 115%. ② Regarding **retailing**, the Company established shop-in-shop in important channels and engaged direct sellers to interact directly with users with a view to enhance operating efficiency; strengthened strategic cooperation with core channel M.V in the Russian market; expanded chain channels in the region and commenced comprehensive strategic cooperation with national chain channel SULPAK in Kazakhstan. ③ **Increased productivity and efficiency at local manufacturing base.** Production capability of the refrigerator factory in Russia doubled in 2017; actively capitalized on the opportunities brought by the national development strategy of “Belt and Road” and started special railway transport to lower material transportation costs and increase gross profit of products in the second half of the year; facilitated procurement with localization rate increasing to 65%.

2. South Asian market. The South Asian region continued to grow rapidly in 2017, of which the Indian market achieved an increase of 40% in revenue, four times higher than the growth in the industry; revenue from the Pakistan market increased by 42%, four times higher than the growth in the industry. The market shares of white goods ranked No.1, which was 1.5 times higher than that of the second largest market participant.

① **Adhered to the positioning of high-end products, accomplished branding transformation and consolidated its position as a branding leader.** In the Indian market, the Company launched mid to high-end and differentiated products covering BM refrigerators, washing machines featured partition washing functions and variable-frequency air-conditioners that targeted at local market needs and habits. The market shares of BM refrigerators accounted

for 71% in terms of the same segment, lead to an increase of 19% in the average selling price of refrigerators and an increase of 19% in revenue. In the Pakistan market, refrigerators offered the best food preservation experience through the “TURBO COOLING” product program; with the leading “A-PAM” technology and full DC inverter technologies, and through high-end intelligent product terminal standardization display, air-conditioner products successfully consolidated its leading market position and won the favor of customers. ② the Company exerted its efforts in mid to high-end product marketing, promoted point-of-sales retail transformation. Establishing store display standardized system, the Company focused on competitive product segments and stores, strengthened the display of products well-received in the market; enhanced group training for direct sellers, increased output efficiently per capita. ③ By the end of 2017, Haier Industrial Park in India was put into production. The production capability of refrigerators, washing machines, air-conditioners, water heaters increased by 3.8 million units, which will efficiently improve speed and cater to the needs of the local market.

3. Asia Pacific Region. (1) Japan market: the Company promoted adjustment in channel structure and product structure to optimize profitability; the AQUA commercial washing machine was upgraded through an IOT system, the market share of which exceeded 75% in 2017. (2) Southeast Asia market: ① consolidated product and manufacturing resources in the headquarter, improved brand image through the launch of glass hinged door refrigerator, T-type four-door refrigerator, twin drum washing machine, front-loading washing machine, self-cleaning air-conditioner and other products and optimized product structure and profitability. ② Expanded local chain channels and established specialty stores channels. ③ Lowered costs through focused design and promoted lowering of costs through competition mechanism introduced at suppliers under global procurement platforms; introduced SAP system in Vietnam and Indonesia’s manufacturing base to accomplish IT upgrade and standardization in factory operations.

4. Other market. ① Established whole process synergy mechanism with MABE team in Latin American market, interacted with the market to enhance product R&D to ensure main product projects in countries in Latin America so as to successively roll out new products. The Company entered the largest retail channel “falabella” in the Chilean market to introduce a product series to the market. ② Middle East and African Market: despite the stagnant economy

and sluggish demand in the region, profitability increased through branding strategy transformation; launched leading products covering T-door and hinged door refrigerators, DD direct-drive electric motor front-loading washing machines and other products; initiated agency's strategic transformation from trading to branding; established more than 300 Haier specialty stores in Nigeria and Saudi Arabia. The implementation of measures mentioned above effectively enhanced the industry position of the Company in the region. The market shares of T-door refrigerators increased from 5% in 2016 to 15% in 2017 in Israel, ranking top 3 in the market; the market shares of refrigerator and washing machine products maintained its leading market position in Nigeria.

5. GEA's adoption of the People plus goal Model has helped improve the business'

performance, including: continued strong sales growth in a highly competitive environment, with GEA outpacing the industry and achieving its highest sales revenues in recent history; share increases in every product category, with cooking products continuing to hold the leading position in the industry. GEA share of refrigeration, washing machines, air-conditioners and dishwasher products has increased by 0.1pts, 0.4pts, 9pts and 0.3pts, respectively.

① With the people plus goal model, GEA shifted its view of users and the marketplace and restructured into eight product microenterprises that focus on delivering for users and achieving market-leading goals. The business introduced new profit-sharing approaches to drive microenterprises success, with team members awarded for achieving leadership with users. ② GEA also is transforming its approach to marketing and branding to know and reach users better than anyone. The business conducted deep research into consumer behavior and the identification of target user segments for each of its brands. As a result, GEA is developing a new mass premium strategy for the Café brand, with plans for a new, iconic look and full-featured cooktop, door-in-door refrigerator and built-in oven. For the Black Friday holiday event in Nov. 2017, GEA altered its previous strategy. First, it carried out a series of premium brand experience marketing activities to allow it to adopt a differentiated channel strategy and get closer to the right customer for each channel. As a result, GEA's sales growth for the whole Black Friday week was twice as that of the whole industry, and sales revenue for Café, GEA's brand in the mass premium channel, increased by 40% compared with the Black Friday in 2016.

② Global business synergies released continuously: ① Procurement synergy. In 2017, 261 global synergy projects were conducted, resulting in savings of US\$89 million worldwide during the year. The Company expects total savings from procurement synergies for the period 2016-2019 to exceed expectations. ② R&D synergy. Global R&D collaboration and synergy projects are focused on four leading principles: product leading, technology leading, efficiency leading and innovative culture leading. Progress was achieved in each area in 2017 through a variety of projects and initiatives, including: A. Two Global Product Council Summits resulted in agreement on 18 global universal product platforms. Of all the product lines, more than 10 products were launched into the market in 2017, and more than 50 products are in R&D progress, which are estimated to be launched between 2018 and 2019. B. Haier Home Appliances Industry Group opened an innovation center in the Silicon Valley, developing various disruptive innovation synergies with Haier's global R&D center. C. CVI(Component Value Initiating) system online. All product component data from GEA, MABE and Fisher & Paykel, along with some data from Qingdao, is now included in an online CVI system. The system dramatically boosts the global universality of product components, accelerates R&D process and reduces related procurement cost. ③ **Market synergy.** Eight GE Appliances Experience Centers were opened in China in 2017, benefiting from the strength of Haier's channel leadership and relationships., Likewise, with GEA's strong commercial relationships in the US Haier has established strategic cooperative relationships with mainstream large retailer channels like The Home Depot. ④ **Manufacturing synergy.** Haier and GEA are working closely together to bring the interconnected factory model to GEA. With mass-scale customization, GEA could realize zero-distance to users through end-to-end interaction.

(IV) Continuous and stable growth in the logistics business.

The business of Gooday Logistics continued to grow solidly and rapidly in 2017, of which e-commerce logistics and household furniture logistics both achieved rapid growth. The e-commerce logistics sector provides warehousing, line-haul transportation and last-mile delivery and installation services to Tmall platform, JD.com platform and Haier's online shopping mall. While providing customers with integrated supply chain solutions, the Company also enhanced the capability in value-added businesses such as reverse logistics and maintenance. During the

11.11 Shopping Carnival, Gooday Logistics' on-time delivery rate reached 92.7%, which was higher than the industry average.

Leveraging on the advantage in the field of bulky home appliances and the understanding of the household furniture industry by Boyol New Brothers, a subsidiary of Gooday Logistics, Gooday Logistics actively expanded the service capability in household product logistics, and the revenue of online household furniture sector increased by more than 40% in 2017. We developed our nationwide household furniture delivery and installation network through franchises, standardized our service process and provided training for the network, and planned to set up household furniture logistics centers in Guangdong to provide warehousing and collection services for customers at the household furniture distribution areas. Shanghai Boyol New Brothers recorded a growth of 18.4% in revenue during the year. Along with the increase in orders from its existing major customers such as IKEA and Kohler, Boyol New Brothers also actively expanded its customer base into household furniture, household chemicals and nutritional products. During the year, we completed an investment in Shanghai Grand Logistics Co., Ltd. and realized a controlling shareholding. We also further developed the cold chain logistics and fresh food supply chain businesses. During the year, Gooday Logistics actively arranged its warehousing and transportation platforms and tested automatic sorting warehouses for bulky items such as home appliance products. By the end of 2017, the total area of the warehouses amounted to 3.60 million square meters. Targeting the bulky home appliances market, Gooday Logistics is exploring the automated warehouse in the country in order to have differentiated competitiveness in the aspects of smart equipment, smart management and smart services and set up the industry standards for bulky goods logistics.

(V) The core capability of U+ SmartLife platform secured its leading position, and the effective implementation of smart scenes contributed to substantial growth in platform scale.

① Continued to carry out technological innovation, standardized output, and enhance product experience in smart household appliances sector. In 2017, UHomeOS was approved by the authorities as a CIB project, becoming the only CIB project with IOT security operating system in the industry; the U+ IoT platform passed EAL3 security certificate, the IOT security of which was approved; launched the first AI voice solution program and open platform in the industry, realizing voice interconnectivity and coherent experience; Haier took the leading role in

the formulation of IEC/MSB first AI standard white paper, providing strategic guidance for industry development, accelerating the integration of AI and the industry and forming global AI standard. ② Pioneered in the global market to launch the complete set of smart household appliances equipped with interconnected features of whole-scenes, providing users with more than 200 smart home scenes covering four spaces of living room, kitchen, bathroom and bedroom. Released Store, the first scene of smart home to make it more convenient for users to customize their own scene solutions on the U+ app. In 2017, the number of devices on the U+ SmartLife platform underwent a breakthrough in growth, the sales of which achieved a growth of 100%. The accumulated number of user access devices on the platform exceeded 20 million, becoming the largest IOT platform in the smart home industry. ③ Promoted the establishment of ecosystem and sought opportunities for business model transformation, such as the transformation of the smart kitchen ecosystem from IOT food management to household health; created extreme washing experience for users in the washing ecosystem with a view to accomplishing the upgrade from smart control to the internet of clothes ecosystem.

(VI) Promoted the establishment of COSMO Plat platform and accelerated smart manufacturing transformation.

During the reporting period, the Company actively promoted the transformation of the internal supply chain system from inventory production to user production. In 2017, the Company developed Huangdao Smart Kitchen Interconnected Factory with the total number of 9 connected factories, which in turn enhanced the capability and ecosystem of interconnectivity during the whole process and improved operating efficiency of the supply chain; the rate for products without being stored reached 69% and the order delivery cycle shortened to 50%, thereby achieving high efficiency in a precise manner.

Strengthened the development of the smart manufacturing industry: Acquired Fisher & Paykel Appliances Holdings Limited (“PML”), integrated mutual resources and created a smart equipment business platform; incorporated COSMOLine developed by PML into COSMO Plat and encouraged its establishment and promotion. In February 2018, COSMO Plat was approved by authorities as the first industrial internet demonstration platform at a national level to accomplish cross-industry and cross-field expansion and services; based on 9 interconnected factories. The Company copied the model to 12 industries and 11 regions to accelerate the transformation and

upgrade of manufacturing corporations in China to commence smart manufacturing with a view to lead the trend of smart manufacturing in the future.

II. Principle operating conditions during the reporting period

Please refer to relevant information contained in this Section headed “DISCUSSION AND ANALYSIS OF OPERATIONS”.

(I) Analysis of principal business

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

Unit and Currency: RMB

Items	Current period	Corresponding period of last year	Change (%)
Operating revenue	159,254,466,909.46	119,132,261,662.60	33.68
Operating cost	109,889,621,609.45	82,166,530,321.02	33.74
Sales expense	28,276,014,979.78	21,254,103,195.32	33.04
Administration expenses	11,133,225,318.88	8,404,150,036.49	32.47
Financial expenses	1,392,872,274.21	720,408,216.53	93.34
Net cash flows generating from operating activities	16,086,588,028.31	8,135,878,351.88	97.72
Net cash flows generating from investing activities	-5,621,820,618.20	-39,625,802,967.02	85.81
Net cash flows generating from financing activities	922,886,793.22	29,849,765,650.55	-96.91
Loss of impairment on assets	655,916,881.23	490,548,371.52	33.71
Income from change in fair value	614,071,259.47	94,648,076.07	548.79
Income from disposal of assets	10,764,209.65	231,246,918.49	-95.35
Other income	908,561,990.40		100
Non-operating income	692,963,237.76	1,170,564,378.20	-40.8

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

- 1) Operating revenue increased by 33.68% as compared with the corresponding period, which was mainly due to the endogenous growth of the original business of the Company and revenue contribution from GEA acquired by the Company;
- 2) Operating cost increased by 33.74% as compared with the corresponding period, which was mainly due to the growth in sales that resulted in the corresponding increase in costs;

3) Loss of impairment on assets increased by 33.71% as compared with the corresponding period, which was mainly due to an increase in inventory impairment balance at the end of the year;

4) Income from change in fair value increased by 548.79% as compared with the corresponding period, which was mainly due to the impact from the change in fair value of derivative financial instruments such as forward exchange contract;

5) Income from disposal of assets decreased by 95.35% as compared with the corresponding period, which was mainly due to disposal of assets occurred more last year than this year;

6) Other income increased by 100% as compared with the corresponding period, which was mainly attributable to the implementation of the Accounting Standards for Business Enterprises No. 16 - Government grants (2017 Revision) at the time, as requested by the MOF during the year. Government grants included in current profit or loss and related to daily operation in 2017 were recognized in other income, while such item was not restated in the comparative financial statement of 2016;

7) Non-operating income decreased by 40.8% as compared with the corresponding period, which was mainly attributable to the implementation of the Accounting Standards for Business Enterprises No. 16 - Government grants (2017 Revision) at the time, as requested by the MOF during the year. Government grants included in current profit or loss and related to daily operation in 2017 were recognized in other income, while such item was not restated in the comparative financial statement of 2016.

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

Unit and Currency: RMB0'000

Principle operating activities by products						
By product	Operating revenue	Operating cost	Gross profit margin (%)	Operating revenue increased/decreased yoy (%)	Operating cost increased/decreased yoy (%)	Gross profit margin increased / decreased yoy (%)
Air-conditione	2,874,455.	1,960,798.	31.79	53.91	55.05	Decrease

rs	50	49				d by 0.50 pct pt
Refrigerators	4,711,359. 49	3,198,458. 88	32.11	29.95	31.84	Decrease d by 0.97 pct pt
Kitchenware and sanitary ware	2,856,036. 26	1,720,507. 33	39.76	50.21	53.78	Decrease d by 1.40 pct pt
Washing machines	3,089,540. 91	1,990,340. 38	35.58	31.58	29.70	Increased by 0.94 pct pt
Equipment components	302,483.38	283,388.23	6.31	14.09	14.98	Decrease d by 0.72 pct pt
Channel integrated services business and others	2,038,758. 31	1,830,188. 76	10.23	10.21	13.69	Decrease d by 2.75 pct pt
Principle operating activities by regions						
Region	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 /decrease d when compared with last year (%)
Mainland China	9,168,668. 15	6,235,336. 38	31.99	28.34	28.89	Decrease d by 0.29 pct pt
Other countries/regio ns	6,703,965. 70	4,748,345. 69	29.17	42.23	41.21	Increased by 0.51 pct pt

Information on operating activities by industries, products and regions

Applicable Not Applicable

(2). Analysis of production and sales

Applicable Not Applicable

Main Products	Production	Sales volume	Inventory	Production increased/	Sales volume increased/decreased	Inventory increased/
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(10k units /set)				decreased yoy (%)	yoy (%)	decreased yoy (%)
Home appliance	6,566	8,193	1,227	23.07	24.42	51.29

(3). Analysis of cost

Unit: RMB0'000

Sub-industry							
Sub-industry	Component of cost	2017	% as of total cost	2016	% as of total cost	Changes in amount (%)	Remarks
Household electric appliance industry	Raw materials	7,625,896.27	85.97	5,450,795.44	85.92	39.90	
	Labor	614,318.47	6.93	406,834.63	6.41	51.00	
	Depreciation	163,758.71	1.85	137,048.97	2.16	19.49	
	Energy	39,436.93	0.44	49,489.27	0.78	-20.31	
	Others	426,694.69	4.81	299,852.54	4.73	42.30	

Other information on Analysis of cost

Applicable Not Applicable

(4). Major customers and major suppliers

Applicable Not Applicable

Revenue from the top five customers was RMB31,831.3952 million, representing 20.0% of the total sales for the year; among the revenue from the top five customers, the revenue from related parties was 0, representing 0% of the total sales for the year.

The purchase amount from the top five suppliers amounted to RMB36,745.4741 million, representing 24.6% of the total purchase amount for the year; among the purchase amount from the top five suppliers, the purchase amount from related parties was RMB26,177.0483 million, representing 17.5% of the total purchase amount for the year.

1. Expenses

Applicable Not Applicable

1) Selling expenses increased by 33.04% compared with the corresponding period, which was mainly due to the inclusion of selling expenses of GEA (the corresponding period only included the selling expenses of GEA during the period from 6 June to 30 June 2016);

2) Administration expenses increased by 32.47% compared with the corresponding period, which was mainly due to the inclusion of selling expenses of GEA (the corresponding period only included the selling expenses of GEA during the period from 6 June to 30 June 2016);

3) Financial expenses increased by 93.34% compared with last year, which was mainly due to the increase of the average balance of borrowings for the year as compared with the corresponding period of last year.

2. R&D expenditure

Table of R&D expenditure

Applicable Not Applicable

Unit: RMB

R&D expenditure	4,334,471,020
Capitalized R&D expenditure	254,515,080
Total R&D expenditure	4,588,986,100
Total R&D expenditure as a percentage in operating revenue (%)	2.88
Number of R&D personnel	11,301
Number of R&D personnel as a percentage in total employees (%)	14.70
Proportion of capitalization of R&D expenditure (%)	5.55

Information on R&D expenditure

Applicable Not Applicable

3. Cash flows

Applicable Not Applicable

1) Net cash flow from operating activities increased by 97.72% from the corresponding period, which was mainly due to an increase in revenue and enhancement in supply chain management this year;

2) Net cash flow from investing activities decreased by 85.81% from the corresponding period, which was mainly due to higher payment for acquisition of GEA during the corresponding period last year;

3) Net cash flow from financing activities decreased by 96.91% from the corresponding period, which was mainly due to substantial debt financing for acquisition of GEA during the corresponding period last year but decreased this year.

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

Applicable Not Applicable

(III) Analysis of assets and liabilities

Applicable Not Applicable

1. Assets and liabilities

Unit: RMB0'000

Items	As the end of 2017	As a percentage of total assets in 2017 (%)	As the end of 2016	As a percentage of total assets in 2016 (%)	Change in percentage yoy (%)	Remarks
Monetary Capital	3,517,727.69	23.22	2,358,223.90	17.94	49.17	
Financial assets at fair value and its change consolidated in profit/loss for the period	2,068.17	0.01	8,043.24	0.06	-74.29	
Interest receivable	20,363.75	0.13	13,531.98	0.10	50.49	
Dividend receivable	452.45	0.00	10,164.89	0.08	-95.55	
Inventories	2,150,352.48	14.20	1,528,490.43	11.63	40.68	
Other current assets	438,976.00	2.90	265,746.22	2.02	65.19	
Other non-current assets	125,406.42	0.83	85,846.14	0.65	46.08	
Short-term borrowing	1,087,858.03	7.18	1,816,553.19	13.82	-40.11	
Bills payable	1,637,869.97	10.81	1,240,488.98	9.44	32.03	
Interests payable	5,765.65	0.04	3,057.03	0.02	88.60	
Debentures payable	621,108.84	4.10			100.00	
Deferred income	49,714.11	0.33	34,282.56	0.26	45.01	
Deferred income tax liabilities	27,911.46	0.18	13,324.31	0.10	109.48	
Total non-current liabilities	117,093.68	0.77	58,278.51	0.44	100.92	
Other equity instruments	43,142.45	0.28			100.00	
Capital reserve	82,688.31	0.55	8,338.32	0.06	891.67	
Treasury stock			104.20	0.00	-100.00	
Other comprehensive income	-3,636.38	-0.02	56,698.74	0.43	-106.41	

Other explanations

1) Monetary Capital increased by 49.17% as compared with the beginning of the year, which was mainly due to an increase in net cash flows from operating activities during the year;

2) Financial assets measured at fair value and its change included in profit or loss for the period decreased by 74.29% as compared with the beginning of the year, which was mainly due to the change in fair value of derivative financial instruments such as exchange contracts for the year;

3) Interests receivable increased by 50.49% as compared with the beginning of the year, which was mainly due to the increase of interest of wealth management products recognized but yet received for the year;

4) Dividend receivable decreased by 95.55% as compared with the beginning of the year, which was mainly attributable to the declared and unpaid dividend by participating companies received during the year;

5) Inventories increased by 40.68% as compared with the beginning of the year, which was due to concentrated stock preparation by the Company based on the order and future estimates at the end of the year;

6) Other current assets increased by 65.19% as compared with the beginning of the year, which was mainly due to new wealth management products for the year;

7) Other non-current assets increased by 46.08% as compared with the beginning of the year, which was mainly due to the change in fair value of forward exchange contracts held by the Company at the end of the year;

8) Short-term borrowings decreased by 40.11% as compared with the beginning of the year, which was mainly due to repayment of certain borrowings by the Company during the year;

9) Bills payable increased by 32.03% as compared with the beginning of the year, which was mainly due to substantial procurement made by the Company at the end of the year based on the order and future expectations;

10) Interests payable increased by 88.6% as compared with the beginning of the year, which was mainly due to the increase of interest which has been provided but not paid;

11) Debentures payable increased by 100% as compared with the beginning of the year,

which was mainly due convertible bonds issued by the Company during the year that were attributable to liabilities;

12) Deferred income increased by 45.01% as compared with the beginning of the year, which was mainly due to the increase of government grants related to assets for the year;

13) Deferred income tax liabilities increased by 109.48% from the beginning of the year, which was mainly due to the increase of reserved foreign enterprise income tax;

14) Other non-current liabilities increased by 100.92% as compared with the beginning of the year, which was mainly due to the increase in the repurchase obligations of minority interest and the decrease in change in fair value of hedging instruments;

15) Other equity instruments increased by 100% as compared with the beginning of the year, which was mainly due to exchangeable bonds issued by the Company this year that were attributable to equity;

16) Capital reserve increased by 891.67% from the beginning of the year, which was mainly due to changes in other owners' equity for investee accounted for using the equity method during the year on prorata basis by the Company;

17) Treasury stock decreased by 100% as compared with the beginning of the year, which was mainly due to the cancellation of restricted shares by the Company for the year.

18) Other comprehensive income decreased by 112.59% as compared with the beginning of the year, which was mainly due to the decrease of other comprehensive income to be subsequently reclassified into profit or loss and changes in translation reserve.

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

Applicable Not Applicable

3. Other explanations

Applicable Not Applicable

(IV) Analysis on industry operating information

Applicable Not Applicable

(V) Analysis on investment

1. Overall analysis on external equity investment

Applicable Not Applicable

During the reporting period, investments in external significant equities of the Company amounted to RMB856 million.

Name of company invested	Principle operating activities	Percentage of the equity interest of the company invested (%)	Remarks	Amount of investment (RMB 100 million)	Amounted Invested (RMB 100 million)
Fisher & Paykel Production Machinery Limited (“PML”)	Manufacturing of automatic and customized intelligent equipment and offering businesses such as solutions for the management system of factories	100	For details, please refer to the Announcement on the Transfer of the 100% Equity of Fisher & Paykel Production Machinery Limited by Qingdao Haier Co., Ltd. and Connected Transaction disclosed on 21 June 2017 as well as relevant announcement of the Board.	3.31	0
Qingdao Haier Multi-media Co., Ltd. (青岛海尔多媒体有限公司)	Communication equipment, home appliances, R&D, sales, etc.	20.20	For details, please refer to the Announcement on the Transfer of Certain Equity of Qingdao Haier Multi-media Co., Ltd. (青岛海尔多媒体有限公司) by Qingdao Haier Co., Ltd. and Capital Increase and Connected Transaction disclosed on 28 February 2017 as well as relevant announcement of the Board.	5.25	0
Haier Group Finance Co., Ltd.	Financing	42	For details, please refer to the Announcement on the Subscription of Capital Increase of Haier Group Finance Co., Ltd. by Qingdao Haier Co., Ltd. and Connected Transaction disclosed on 31 October 2017 as well as relevant announcement of the Board.	2.10	2.10

(1) Significant equity investment

Applicable Not Applicable

Please refer to the content in “1. Overall analysis on external equity investment” as set out above.

(2) Significant non-equity investment

Applicable Not Applicable

(3) Financial assets measured at fair value

Applicable Not Applicable

Financial assets measured at fair value	Initial cost of investment	Sources of funds	Current 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		369,851.42	599,390.88
BAILIAN (600827)	154,770.00	Own funds			-34,267.56
Eastsoft (300183)	18,713,562.84	Own funds			-4,299,273.00
Others	2,267,603.59	Own funds	-91,193.43		364,636.08
Forward foreign exchange contract				49,335,869.06	614,071,259.47
Total	22,939,705.93		-91,193.43	49,705,720.48	610,701,745.87

Note: As of 31 December 2017, the aggregate balance of foreign exchange derivative transactions amounted to approximately US\$3.2 billion.

(VI) Material Assets and Equity Disposal

Applicable Not Applicable

(VII) Analysis on Major Controlling Companies

Applicable Not Applicable

Unit: RMB0'000

Name of company	Scope of business	Total assets	Net assets	Net Profit
Haier Electronics Group Co., Ltd.	Production and sale of home appliances	4,336,823	2,302,911	358,169
Haier US APPLIANCE SOLUTIONS, INC.	Shareholding in GEA	4,643,124	1,504,903	189,598
Qingdao Haier Technology Co., Ltd.	Software and IT services	111,871	99,640	77,104

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

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

Applicable Not Applicable

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

(I) General Conditions and Trends of the Industry

Applicable Not Applicable

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

(II) Development Strategy of the Company

Applicable Not Applicable

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

(III) Operation Plan

Applicable Not Applicable

The Company will grasp the industry trend and lead the industry consumption upgrade through product iterations in order to maintain the leading position of the global white home appliance industry, and continue to strengthen the development of air-conditioner industry and kitchen appliance industry, while maintaining leading advantages in the refrigerator and washing machine and water heater industry. Focusing on Haier’s smart homes, the Company will promote the implementation of the full scene smart & customized solution package of “4+7+N” in the

market to customize a high-quality life for consumers and promote the transformation of the Company.

(I) Domestic market:

The Company aims to improve its differentiated competitiveness in the domestic market in terms of brand, network as well as market models, and expand its leading edge. ① The Company will accelerate the development of the Casarte brand and achieve a leading position of high-end brands;② The Company aims to improve the differentiated competitiveness of town and country-level networks, promote the transformation of service providers from “wholesale to service”, make goals, activities, resources, personnel available for stores through information tools such as Yilihuo, achieve a leading service capacity at town and country-level and establish a platform mechanism to serve the town and country-level network; ③ The Company will promote the implementation of smart home resolutions featured by package design, package sales and service in building materials & home improvement, chain, specialty stores and other channels so as to transform from selling products to selling solutions.

(II) Overseas market:

The Company aims to focus on branding and sustainable profitability and continue to stimulate micro vitality through the implementation of localization of the model of people plus goal. ① The Company aims to continue to pursue a high-end differentiated product strategy, increase the proportion of high-end products and increase profitability. ② The Company aims to continuously enhance the global supply chain layout, increase the proportion of local manufacturing of products and improve the localization planning R&D capability, with an aim to quickly meet the market demand. ③ The Company aims to achieve retail transformation of service-oriented from overstock of policy-oriented, focus on mid-to-high end, strengthen point-of-sales construction, enhance channel operation capabilities and optimize the retail network layout in order to ensure business development.

(III) U+ SmartLife platform:

The Company aims to focus on the large-scale implementation of Haier’s smart homes, and strengthen its user interactive entrance, IoT+AI empowering scene experience and user service scene customization. ① The Company aims to upgrade interactive entrance, enrich users’

interactive entrance and modes to realize distributed multi-model interactive entrance that supports app operation and control, voice interaction, touch interaction, and multi-screen interaction. The Company will upgrade the U+ app to enhance the personalized experience of the whole house smart scene. ② The Company aims to conduct an update of the platform engine to realize smart IOT through the IoT + AI dual-engine empowerment, as well as smart active services based on the combination of network big data and small data of users, upgrading user experience of smart home appliances product. ③ The Company aims to be engaged in customer-centric service scene customization, including customized interaction, customized scene and customized services, in order to lead smart homes into the era of full scene service customization.

(IV) Interconnected factories and creative convergence customization:

1. Interconnected factories: The Company aims to reorganize Haier’s smart manufacturing assets and business to turn the COSMO Plat platform into a new industry of smart manufacturing ecological services and provide overall solutions of transformation and upgrading in respect of smart manufacturing for external enterprises.

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

(V) Logistics business:

The Company aims to promote the construction of smart warehouse and delivery of large-format logistics, improve the operational efficiency of warehousing, conduct more in-depth expansion of product category in the large-format market, and build the end-to-end large-format logistics network with most extensive coverage and deepest penetration in China.

(IV) Potential risks

Applicable Not Applicable

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

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

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

3. Risk of rise in cost. Bulk raw materials such as copper, aluminum, steel plate, and oil-related plastic particles and foam materials account for a large proportion in the cost of white home appliance production. The Company will endure more cost pressure if price of raw material continues to rise.

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

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

(V) Others

Applicable Not Applicable

Future capital expenditure plan: In 2018, the Company's investment will focus on the research and development of leading technologies and modules, the construction of smart interconnected factories at home and abroad, the construction of complete set of smart home experience stores, and the investment and construction of U+ SmartLife and COSMO Plat platform. The Company will actively seize opportunities for external development and promote

the Company's leapfrog development in related industries and regions. Investment funds will be financed through the Company's own funds, equity financing and bond financing.

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

Applicable Not Applicable

Section V SIGNIFICANT EVENTS

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

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

✓ Applicable Not Applicable

The Company's 2016 profit distribution plan was passed on its Annual General Meeting held on 28 June 2017: based on the Company's total existing shares of 6,097,402,727, it is proposed that the Company will distribute cash dividends of RMB2.48 (tax inclusive) per 10 shares to all shareholders, with a total expected amount before tax of RMB1,512,155,876.30. The plan has been implemented and completed in August 2017. Details are set out in the Announcement of Qingdao Haier Co., Ltd. on the Implementation of Interests Distribution for 2016 (No. L 2017-026) published by the Company on the four major securities newspapers and the website of Shanghai Stock Exchange on 26 July 2017.

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

roles. Minority shareholders were also given the opportunity to fully express their views and demands, and the legitimate interests of minority shareholders were adequately protected.

The dividend distribution plan of 2017 of the Company: based on the total shares as at the date of profit distribution, it is proposed that the Company will distribute cash dividend of RMB3.42 per 10 shares (tax inclusive) with expected cash dividend of RMB2,085,311,732.63. The remaining reserved profits were carried forward to the next year. The amount of this distribution totally accounts for 30.11% of the net profit attributable to parent company of the Company in 2017. All dividend of bonus scheme is paid in cash.

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

Unit and Currency: RMB

Year	Number of bonus share for per 10 shares (share)	Cash dividend per 10 shares (RMB) (tax inclusive)	Number of shares converted per 10 shares (share)	Cash dividend (tax inclusive)	Net profit attributable to shareholders of ordinary shares of the Company in the consolidated financial statement during the year of distribution	Percentage of the net profit attributable to the ordinary shareholders of the Company in the consolidated financial statement (%)
2017	0	3.42	0	2,085,311,732.63	6,925,792,321.27	30.11
2016	0	2.48	0	1,624,803,749.32	5,036,652,240.84	32.26
2015	0	2.12	0	1,340,094,420.82	4,300,760,542.82	31.16

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

Applicable Not Applicable

(IV) The Company made profits and the profits for distribution to the shareholders of ordinary shares 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

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

√ Applicable □ Not Applicable

Background	Type	Covenanter	Content	Date and term	A deadline for performance	Performed in a timely and strict way
Undertaking related to significant reorganization	Eliminate the right defects in land property and etc.	Haier Group Corporation	<p>During the period from September 2006 to May 2007, the Company issued shares to Haier Group Corporation (“Haier Group”) to purchase the controlling equity in its four subsidiaries, namely Qingdao Haier Air-Conditioner Electronics Co., Ltd. (青岛海尔空调电子有限公司), Hefei Haier Air-conditioning Co., Limited (合肥海尔空调器有限公司), Wuhan Haier Electronics Co., Ltd. (武汉海尔电器股份有限公司), and Guizhou Haier Electronics Co., Ltd. (贵州海尔电器器有限公司).</p> <p>With regard to the land and property required in the operation of Qingdao Haier Air-Conditioner Electronics Co., Ltd. (青岛海尔空调电子有限公司), Hefei Haier Air-conditioning Co., Limited (合肥海尔空调器有限公司), and Wuhan Haier Electronics Co., Ltd. (武汉海尔电器股份有限公司) (the “Covenantees”), Haier Group made an undertaking (the “2006 Undertaking”). According to the content of 2006 Undertaking and current condition of each Covenantee, Haier Group will constantly assure that Covenantees will lease the land and property owned by Haier Group for free. Haier Group will make compensation in the event that the Covenantees suffer loss due to the unavailability of such land and property.</p>	27 September 2006, long term	YES	YES

Undertaking related to refinancing	Eliminate the right defects in land property and etc.	Haier Group Corporation	Haier Group Corporation undertakes that it will assure Qingdao Haier and its subsidiaries of the constant, stable and unobstructed use of the leased property. In the event that Qingdao Haier or any of its subsidiaries suffers any economic loss due to the fact that leased property has no relevant ownership certificate, Haier Group Corporation will make 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 subsidiaries to obtain alternative property as soon as possible, if Haier Group Corporation anticipates it is unable to cope with or eliminate the external obstruction and impact with its reasonable effort. For details, please refer to the Announcement of Qingdao Haier Co., Ltd. on the Formation, Current Situation of the Defective Property, the Influence on Operation of Issuer Caused by Uncertainty of Ownership, Solution for the Defect and Guarantee Measures (L 2014-005) published by the Company on the four major securities newspapers and the website of Shanghai Stock Exchange on 29 March 2014.	24 December 2013 long term	YES	YES
	Eliminate the right defects in land property and etc.	Qingdao Haier Co., Ltd.	The Company undertakes that it will eliminate the property defects of the Company and main subsidiaries within five years with reasonable business effort since 24 December 2013, so as to achieve the legality and compliance of the Company and main subsidiaries in terms of land and property. For details, please refer to the Announcement of Qingdao Haier Co., Ltd. on the Formation, Current Situation of the Defective Property, the Influence on Operation of Issuer Caused by Uncertainty of Ownership, Solution for the Defect and Guarantee Measures (L 2014-005) published by the Company on the four major securities newspapers and the website of Shanghai Stock Exchange on 29 March 2014.	24 December 2013 five years	YES	YES

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

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

Reached Not reached Not Applicable

In December 2015 and January 2016, the meetings of the Board of Directors/Shareholders of the Company reviewed and approved related resolutions to acquire 45% equity of Mitsubishi Heavy Industries Haier (Qingdao) Air Conditioner Co., Ltd. (hereinafter referred to as "Mitsubishi Heavy Industries Haier") and 49% equity of Qingdao Haier Carrier Refrigeration Equipment Co., Ltd. (hereinafter referred to as "Haier Carrier") held by Haier Group Corporation. According to the Profit Compensation Agreement signed between the Company and Haier Group, the corresponding predictive net profit from 2015 to 2018 of Mitsubishi Heavy Industries Haier are RMB90.66 million, RMB92.86 million, RMB100.66 million and RMB108.69 million, respectively and the corresponding predictive net profit from 2015 to 2018 of Haier Carrier are RMB76.05 million, RMB76.05 million, RMB76.72 million, and RMB76.98 million respectively. If the audited net profit in any year of the target companies during the commitment period is lower than the predictive net profit, the gap will be compensated by Haier Group in cash (For more details, please refer to the Announcement of Qingdao Haier Co., Ltd. on the Acquisition of Equity in Sino-foreign Joint Venture Held by Haier Group Corporation and Related Party Transaction (L 2015-062) published on the four major securities newspapers and the website of Shanghai Stock Exchange on 23 December 2015).

According to the Special Verification Report on the Completion of the Predictive Profit ["Hexin Zhuan Zi (2018) No.000076" and "Hexin Zhuan Zi (2018) No. 000077"] and Special Statement of Qingdao Haier Co., Ltd on the Completion of the Predictive Profit in 2017 issued by Shandong Hexin Accountants LLP, the actual net profit of Mitsubishi Heavy Industries Haier in 2017 was RMB157.62 million, cumulative net profit of RMB369.98 million in 2015 to 2017, the actual net profit exceeded the Predictive Profit; the actual net profit of Haier Carrier was RMB10.38 million, cumulative net profit of RMB 162.97 million in 2015 to 2017. The gap between the actual net profit and the predictive profit has been made up to the Company by Haier Group in cash.

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

Applicable Not Applicable

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

Applicable Not Applicable

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

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

Applicable Not Applicable

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

Applicable Not Applicable

(III) Communication with former accounting firm

Applicable Not Applicable

(IV) Other explanations

Applicable Not Applicable

In 2017, the Ministry of Finance issued the Accounting Standards for Business Enterprises No. 42 – Non-current Assets Held for Sale, Disposal Groups and Discontinued Operations, effected on 28 May 2017. The non-current assets held for sale, disposal groups and discontinued operations existing on the date of the implementation shall be handled with prospective application method. The Ministry of Finance also revised the Accounting Standard for Business Enterprises No. 16 – Government Grant, the revised standard shall be implemented since 12 June 2017. The government grant existing on 1 January 2017 shall be handled with prospective application method; and the new government grant from 1 January 2017 to the date of the implementation shall also be adjusted according to the revised standard.

The resolution on the Change in Accounting Policies of Qingdao Haier Co., Ltd. was considered and approved at the 7th meeting of the 9th session of the Board of the Company on 25 August 2017, the change of the aforesaid accounting policies were considered on the meeting.

VI. Appointment and Dismissal of Accounting Firm

Unit and Currency: RMB0’000

	Current appointment
Name of domestic accounting firm	Shandong Hexin Accountants LLP
Name of domestic accounting firm	715
Name of domestic accounting firm	5

	Name	Remuneration
Internal control audit accounting firm	Shandong Hexin Accountants LLP	245
Financial Adviser	China International Capital Corporation Limited	2,236.5

Information on Appointment and Dismissal of Accounting Firm

Applicable Not Applicable

Explanation of change of accounting firm during the auditing period

Applicable Not Applicable

VII. Possibility of listing suspension

(I) Reasons of listing suspension

Applicable Not Applicable

(II) Response to be taken by the Company

Applicable Not Applicable

VIII. Circumstances and reasons for listing termination

Applicable Not Applicable

IX. Matters relating to bankruptcy and restructuring

Applicable Not Applicable

X. Material litigation and arbitration matters

Material litigation and arbitration matters during the year No material litigation and arbitration matters in the reporting year

XI. Penalties to the Listed Company and its Directors, Supervisors, Senior Management, Controlling Shareholders, Actual Controllers, Acquires and the Issue of Rectification

Applicable Not Applicable

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

Applicable Not Applicable

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

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

Applicable Not Applicable

Summary	Index for details
<p>Cancelation of Exercise/Unlocking of Equity under Phase IV Share Option Incentive Scheme: on 28 April 2017, the 5th meeting of the 9th session of Board of Directors of the Company considered and approved the Resolution on Cancelation of Exercise/Unlocking of Retained Equity Interests under Phase IV Share Option Incentive Scheme of Qingdao Haier Co., Ltd. As the 2016 annual result of the Company did not reach the exercise/unlocking condition, the Company canceled the exercise/unlocking of the equity incentives based on the evaluation period of 2016.</p>	<p>For details, please refer to the Announcement on Cancelation Arrangement of Exercise/Unlocking Part of Retained Equity Interests under Phase IV Share Option Incentive Scheme of Qingdao Haier Co., Ltd. (L 2017-014) disclosed on 29 April 2017 and other relevant announcements on resolutions of Board Meeting, Announcement on Cancelation of Repurchased Restricted Shares under the Share Option Incentive Scheme (L 2017-025) disclosed on 19 July 2017.</p>

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

Applicable Not Applicable

Other explanations

Applicable Not Applicable

Employee shareholding plan

Applicable Not Applicable

(1) Phase II Stock Ownership Scheme of Core Employees Stock Ownership Scheme:

The Company considered and adopted the Phase II Stock Ownership Scheme of Core Employees Stock Ownership Scheme of Qingdao Haier Co., Ltd. (Draft) and its Summary (the “Stock Ownership Scheme”) at the 4th meeting of the 9th session of the Board of Directors held on 27 February 2017. The total number of the participants of the Stock Ownership Scheme is 576, all of them are the directors (excluding independent directors), supervisors, senior management of the Company and regular employees who serve at the Company and its subsidiaries and sign employment contracts with the Company or its subsidiaries and receive remuneration from them, and the amount of incentive fund is RMB266.10 million. On 29 March 2017, the Announcement of Qingdao Haier Co., Ltd. regarding the Completion of Share Subscription of the Phase II Stock Ownership Scheme of Core Employees Stock Ownership Scheme (the “Announcement”) was disclosed by the Company. 兴证证券资产管理有限公司 (Industrial Assets Management Co., Ltd.*) was entrusted to manage the Stock

Ownership Scheme by establish the directional assets management plan for the Phase II Stock Ownership Scheme of Core Employees Stock Ownership Scheme of Qingdao Haier Co., Ltd. (the “Assets Management Plan”). As of 28 March 2017, the Assets Management Plan has purchased 22,820,787.00 shares of the Company in total, representing 0.37% of the total share capital of the Company, from the secondary market at an average trading price of approximately RMB11.43 per share with a trading volume of approximately RMB260,768,338.35, according to which, the share subscription of the Phase II Stock Ownership Scheme of Core Employees Stock Ownership Scheme has been completed. The shares subscribed as above were locked as required. The lock-up period was 12 months from the date of the Announcement, i.e. from 29 March 2017 to 28 March 2017.

- (2) Initial vesting of the Phase I Core Employees Stock Ownership Scheme: on 7 December 2017, the Announcement of Qingdao Haier Co., Ltd. regarding the Allocation and Vesting of the Phase I Core Employees Stock Ownership Scheme was disclosed by the Company, pursuant to which, on 30 November 2017, the management commission reviewed and determined that 9,138,000 shares (with a market value of RMB91.56 million) shall be vested to 490 participants of the Phase I of Stock Ownership Scheme for Core Employees according to the annual result of 2016. According to the appraisal of individual performance, the relevant shares of 25 participants among the aforesaid participants would not be vested tentatively or would be adjusted due to the failure to complete satisfactorily performance or dimission. 1,722,200 shares shall be vested to seven of the directors, supervisors and senior management (pursuant to the application by Mr. Gong Wei, the Chief financial officer and vice president, 121,325 shares under his name would not be vested tentatively), the actual number of vested shares in this vesting was 1,600,900. Any changes of shareholdings of the directors, supervisors and senior management of the Company shall be subject to the Management Rule for Shareholdings and the Changes of the Directors, Supervisors and Senior Management of the Listed Company and other requirements.

Other incentives

Applicable Not Applicable

XIV. Significant Related-party Transactions

(I) Related-party transaction from routine operation

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

Applicable Not Applicable

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

Applicable Not Applicable

The Company made a forecast on the daily related-party transaction matters of the Company for the year of 2017 at the 5th meeting of the 9th session of Board Meeting held on 28 April 2017, and relevant proposals were reviewed and approved at 2016 Annual General Meeting on 28 June 2017. For details, please refer to the Announcement of Qingdao Haier Co., Ltd. regarding the Anticipation on the Daily Related-party Transactions for 2017 and the announcement on the relevant resolutions of the Board disclosed on 29 April 2017, and 2016 Annual General Meeting Announcement disclosed by the Company on 29 June 2016.

For the details of actual implementation of the Related-party transaction of 2017, please refer to “Note12–Related Parties and Related-party Transactions” under Section XI “FINANCIAL REPORT” set out in this report.

3. Matter not disclosed in temporary announcements

Applicable Not Applicable

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

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

Applicable Not Applicable

Summary	Index for details
Acquisition the shareholding of PML Company: in order to consolidate and expand the strengths in smart manufacturing, and to facilitate the establishment and implementation of the digital platform of smart manufacturing (COSMO Plat), the Company acquired 100% shareholding of Fisher & Paykel Production Machinery Limited (斐雪帕克生产设备有限公司, “PML Company”) holding by Fisher & Paykel Appliances Limited (斐雪帕克电器有限公司, “Fisher & Paykel”, a overseas subsidiary of Haier Group Corporation) through an overseas subsidiary by cash, the overseas subsidiary of the Company paid considerations in cash of US\$48.62 million (equivalent to RMB330.68 million) to acquire PML Company.	For details, please refer to the Announcement of Qingdao Haier Co., Ltd. regarding the Acquisition of 100% Shareholding of Fisher & Paykel Production Machinery Limited and Related-party Transaction (L2017-022) disclosed on 21 June 2017.
Acquisition the shareholding of Multi-media company: in order to further facilitate the implementation of U+ Smart Life strategy, along with the establishment of the layout in respect of the ecological circle of smart family, and further grasp the economic entrance of living room by the carrier of TV, the Company acquired part of the shareholding of Qingdao Haier Multi-media Co., Ltd. (青岛海尔多媒体有限	For details, please refer to the Announcement of Qingdao Haier Co., Ltd. regarding the Acquisition of Part of Shareholding of Qingdao Haier Multi-media Co., Ltd. (青岛海尔多媒体有限公司) and Capital Increase and Related-party

<p>公司), and subscribed part of the new registered capital, the total amount was RMB525 million.</p>	<p>Transaction (L 2017-003) disclosed on 28 February 2017.</p>
<p>Subscription for Capital Increase of Finance company: in order to increase the capital adequacy ratio and support the business development, Finance company intended to increase registered capital by transferring the undistributed profit into the additional capital contribution, pursuant to which, the registered capital would be increase from RMB6,000 million to RMB6,500 million. According to above capital increase, the holding subsidiaries and related parties of the Company have subscribed the additional capital contribution in proportion to each of their existing shareholding; of which the additional capital contribution subscribed by the holding subsidiaries and related parties of the Company was RMB210 million and RMB290 million, respectively.</p>	<p>For details, please refer to the Announcement of Qingdao Haier Co., Ltd. regarding the Subscription for Capital Increase of Haier Group Finance Co., Ltd. and Related-party Transaction (L2017-039) disclosed on 31 October 2017.</p>

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

Applicable Not Applicable

3. Matter not disclosed in temporary announcements

Applicable Not Applicable

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

Applicable Not Applicable

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

(III) Significant related-party transactions of joint external investment

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

Applicable Not Applicable

For details, please refer to the statements in “Acquisition the shareholding of Multi-media Company” and “Subscription for Capital Increase of Finance Company” in “(II) Related-party

transactions regarding acquisition or disposal of assets/equity - 1. Matter disclosed in temporary announcements and with no subsequent progress or change” in this section.

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

Applicable Not Applicable

3. Matter not disclosed in temporary announcements

Applicable Not Applicable

(IV) Amounts due to or from related parties

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

Applicable Not Applicable

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

Applicable Not Applicable

3. Matter not disclosed in temporary announcements

Applicable Not Applicable

(V) Others

Applicable Not Applicable

XV. Significant Contracts and Their Execution

(I) Trusteeship, contracting and leasing

1. Trusteeship

Applicable Not Applicable

During the reporting period, there was no material trusteeship. To date, the following trusteeships have been considered and approved on the general meeting of the Company and still within the validity period:

(1) According to the 2011 Haier Group's commitment to further support the development of Qingdao Haier and resolve intra-industry competition to reduce related-party transactions, Haier Group should strive to resolve the problems of intra-industry competition with the Company within five years. However, based on the current market and financial factors of FPA, Haier Group was unable to transfer the assets under custody to the Company before the completion of the aforementioned commitment. In order to resolve the problems of intra-industry competition between

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

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

2. Contracting

Applicable Not Applicable

3. Leasing

Applicable Not Applicable

(II) Guarantee

Applicable Not Applicable

Unit and Currency: RMB0'000

External guarantees provided by the Company (excluding guarantees for subsidiaries)													
Guarantor	Relationship between the guarantor and the listed company	Secured party	Amount of guarantee	Date of occurrence of the guarantee (date of agreement)	Starting date of guarantee	Expiration date of guarantee	Type of guarantee	Whether the guarantee has been fulfilled	Whether the guarantee is overdue	Overdue amount of the guarantee	Whether there is a counter-guarantee	Whether it is related party guarantee or not	Relationship
Total amount of guarantee occurred during the reporting period (excluding guarantees for subsidiaries)							0						
Total balance of guarantee at the end of the reporting period (A) (excluding guarantees for subsidiaries)							0						
Guarantees provided by the Company and its subsidiaries for subsidiaries													
Total amount of guarantees for subsidiaries occurred during the reporting period							3,833,144.91						
Total balance of guarantees for subsidiaries at the end of the reporting period (B)							2,907,898.74						
Total amount of guarantees provided by the Company (including guarantees for subsidiaries)													
Total guarantee (A + B)							2,907,898.74						
Ratio of total amount of guarantees to net assets of the Company (%)							90.43%						
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)	797,128.51
The amount of total amount of guarantee in excess of 50% of net assets (E)	1,297,122.98
Total amount of the above three guarantees (C + D + E)	2,094,251.50
Explanation of possibly bearing related discharge duty for premature guarantees	None
Explanation of guarantee status	<p>1. In 2016, the Company acquired the assets of GEA at a total consideration of US\$5.61 billion, which was sourced from self-owned funds and loan for merger, of which, the loan for merger in the amount of US\$3.3 billion was applied for by Haier US Appliance Solutions, Inc., a wholly-owned subsidiary of the Company, to China Development Bank Co., Ltd. The loan was fully secured by the Company and Haier Group Corporation. At the end of the reporting period, the amount of guarantee was equivalent to approximately RMB16.411 billion. The balance of the guarantee amounted to RMB13.862 billion as at the end of the reporting period. The provision of guarantee had been considered and approved by the Board and the general meeting of shareholders of the Company;</p> <p>2. In June 2017, the resolution on the Expected Provision of Guarantee for a Subsidiary in 2017 was passed on the 2016 Annual General Meeting of the Company, according to which, the Company had provided guarantee in respect of the application for comprehensive facility made by certain subsidiaries to financial institutions. During the reporting period, the accumulated amount of guarantee offered by the Company to subsidiaries was approximately RMB21.921 billion. As at the end of the reporting period, the balance of the guarantee was RMB15.217 billion.</p>

(III) Entrusted others to manage cash assets
1. Entrusted wealth management
(1). Overall of entrusted wealth management

Applicable Not Applicable

Unit and Currency: RMB

Type	Sources of funds	Amount	Premature balance	Past due uncollected amount
Principal-guaranteed wealth management products and structured deposit	Own funds	1,974,265,336	1,974,265,336	0.00

Note: As an independently operating Hong Kong listed company, Haier Electric Co., Ltd. has purchased some short-term principal-protected wealth management and structural deposits from the four major banks in order to increase the efficiency of the use of idle funds within the authorities of the management. In the purchase process, all the necessary board reports were subject to the procedures such as filing and management's review according to the regulations requirements for Hong Kong listed company, so as to ensure sufficient funds for the day-to-day operations of the main business and improve the shareholders' returns.

Others

Applicable Not Applicable

(2). Individual 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	Sources of funds	Investment	Determination of return	Annualized yield	Expected return (if any)	Actual gains or losses	Collection	Whether approved by due process	Any future plan for entrusted wealth management	Provision for impairment loss (if any)
Qingdao branch of Mitsubishi Tokyo UFJ Bank	Principal-guaranteed wealth management	260,449,305.68	29 April 2016	28 April 2017	Own funds		Annualized yield 3.37%	3.37%	8,874,665	8,874,665	Collected	YES		
Qingdao branch of Bank of Communications	Principal-guaranteed wealth management	176,000,000.00	10 March 2017	9 June 2017	Own funds		Annualized yield 4.25%	4.25%	1,864,877	1,864,877	Collected	YES		
Qingdao branch of Bank of Communications	Principal-guaranteed wealth management	177,000,000.00	12 June 2017	20 July 2017	Own funds		Annualized yield 4.4%	4.40%	810,805	810,805	Collected	YES		
Haier Road sub-branch of Construction Bank	Principal-guaranteed wealth management	195,000,000.00	8 June 2017	5 September 2017	Own funds		Annualized yield 3.9%	3.90%	1,854,370	1,854,370	Collected	YES		
Beijing branch of Societe Generale	Principal-guaranteed wealth management	197,551,588.60	15 June 2017	14 September 2017	Own funds		Annualized yield 4.5%	4.50%	2,247,149	2,247,149	Collected	YES		

Qingdao branch of Bank of Communications	Principal-guaranteed wealth management	178,000,000.00	21 July 2017	16 October 2017	Own funds		Annualized yield 4.4%	4.40%	1,866,805	1,866,805	Collected	YES		
China Minsheng Bank	Structured deposit	100,000,000.00	20 July 2017	20 October 2017	Own funds		Annualized yield 4.2%	4.20%	1,073,333	1,073,333	Collected	YES		
Qingdao branch of Mitsubishi Tokyo UFJ Bank	Principal-guaranteed wealth management	269,323,971.08	28 April 2017	26 October 2017	Own funds		Annualized yield 4.25%	4.25%	5,754,930	5,754,930	Collected	YES		
Haier Road sub-branch of Construction Bank	Principal-guaranteed wealth management	100,000,000.00	2 August 2017	31 October 2017	Own funds		Annualized yield 3.9%	3.90%	961,644	961,644	Collected	YES		
Qingdao branch of Bank of China	Principal-guaranteed wealth management	100,000,000.00	1 August 2017	1 November 2017	Own funds		Annualized yield 3.8%	3.80%	957,808	957,808	Collected	YES		
Qingdao branch of Mitsubishi Tokyo UFJ Bank	Principal-guaranteed wealth management	100,000,000.00	2 August 2017	2 November 2017	Own funds		Annualized yield 4.3%	4.20%	1,073,333	1,073,333	Collected	YES		
Qingdao branch of Bank of China	Principal-guaranteed wealth management	200,000,000.00	11 November 2016	10 November 2017	Own funds		Annualized yield 2.9%	2.90%	5,784,110	5,784,110	Collected	YES		

Haier Road sub-branch of Construction Bank	Principal-guaranteed wealth management	205,000,000.00	7 September 2017	6 December 2017	Own funds		Annualized yield 3.9%	3.90%	1,971,370	1,971,370	Collected	YES		
Haier Road sub-branch of Construction Bank	Principal-guaranteed wealth management	400,000,000.00	15 September 2017	14 December 2017	Own funds		Annualized yield 3.7%	3.70%	3,649,315	3,649,315	Collected	YES		
Qingdao branch of Bank of Communications	Principal-guaranteed wealth management	180,000,000.00	19 October 2017	20 December 2017	Own funds		Annualized yield 4.2%	4.20%	1,284,164	1,284,164	Collected	YES		
Qingdao branch of Mitsubishi Tokyo UFJ Bank	Principal-guaranteed wealth management	199,878,741.21	21 September 2017	21 December 2017	Own funds		Annualized yield 4.26%	4.26%	2,152,361	2,152,361	Collected	YES		
China Minsheng Bank	Structured deposit	101,070,000.00	20 October 2017	19 January 2018	Own funds		Annualized yield 4.25%	4.25%	1,070,927			YES		
Qingdao branch of Bank of Communications	Principal-guaranteed wealth management	181,000,000.00	21 December 2017	20 April 2018	Own funds		Annualized yield 4.9%	4.90%	2,915,836			YES		
Qingdao branch of Bank of China	Principal-guaranteed wealth management	100,000,000.00	20 July 2017	21 April 2018	Own funds		Annualized yield 3.9%	3.90%	2,938,356			YES		

Qingdao branch of Mitsubishi Tokyo UFJ Bank	Principal-guaranteed wealth management	275,078,900.39	26 October 2017	26 April 2018	Own funds		Annualized yield 4.3%	4.30%	5,897,993			YES		
Haier Road sub-branch of Construction Bank	Principal-guaranteed wealth management	100,000,000.00	2 November 2017	7 May 2018	Own funds		Annualized yield 4%	4.00%	2,038,356			YES		
Qingdao branch of Bank of China	Principal-guaranteed wealth management	100,000,000.00	2 November 2017	7 May 2018	Own funds		Annualized yield 4%	4.00%	2,038,356			YES		
Qingdao branch of Mitsubishi Tokyo UFJ Bank	Principal-guaranteed wealth management	101,085,333.00	2 November 2017	9 May 2018	Own funds		Annualized yield 4.3%	4.30%	2,238,832			YES		
Qingdao branch of Bank of China	Principal-guaranteed wealth management	206,000,000.00	13 November 2017	9 May 2018	Own funds		Annualized yield 4%	4.00%	3,995,836			YES		
Haier Road sub-branch of Construction Bank	Principal-guaranteed wealth management	208,000,000.00	15 December 2017	13 June 2018	Own funds		Annualized yield 4.3%	4.30%	4,410,740			YES		
Haier Road sub-branch of Construction Bank	Principal-guaranteed wealth management	400,000,000.00	21 December 2017	20 June 2018	Own funds		Annualized yield 4.5%	4.50%	8,926,027			YES		

Qingdao branch of Mitsubishi Tokyo UFJ Bank	Principal-guaranteed wealth management	202,031,102.12	21 December 2017	20 June 2018	Own funds		Annualized yield 4.65%	4.65%	4,658,616			YES		
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Others

Applicable Not Applicable

(3). Provisions for impairment of entrusted wealth management

Applicable Not Applicable

2、 Entrusted loans

(1). Overall entrusted loans

Applicable Not

Applicable

Others

Applicable Not Applicable

(2). Individual entrusted loans

Applicable Not

Applicable

Others

Applicable Not Applicable

(3). Provisions for impairment of entrusted loans

Applicable Not Applicable

3、 Others

Applicable Not Applicable

Unit and Currency: RMB0'000

Name of party operating the derivatives investment	Type of derivatives investment	Initial investment amount in derivatives investment	Commencement date	Expiration date	Opening balance of investment amount	Amount of purchase during the reporting period	Amount of disposal during the reporting period	Impairment provision (if any)	Closing balance of investment amount	Closing balance of investment amount as a percentage of the net asset	Actual profit or loss for the reporting period
Bank	Forward exchange contract	110,525	2017/1/1	2017/12/31	110,525				508,170		7,370
Bank	Interest rate /exchange rate swap	907,055	2016/5/1	2021/6/2	907,055				1,594,081		-2,063
Source of funds for derivative investment			Entirely internal funds of the Company								
Market prices or fair value change of invested derivatives during the reporting period, including the specific methods, assumptions and parameters adopted in the analysis of the fair values of the derivatives			Change in market price or product fair value: 1、 Profit or loss of foreign exchange forward contract during the reporting period was RMB73.70 million; 2、 Profit or loss of interest rate/exchange rate during the reporting period was RMB-20.63 million. Specific methods, assumptions and parameters: quotes for swaps and forwards of foreign exchange and interest rate provided by financial institutes.								

(IV) Other Major Contracts

Applicable Not Applicable

XVI. Other Major Events

Applicable Not Applicable

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

Name of Announcement	Name of Newspaper and Page	Date
Report of Qingdao Haier Co., Ltd. on the Acquisition of Major Assets	Securities Times page B034, Shanghai Securities News page 93, China Securities Journal page A76, Securities Daily page D84	12 January 2017
Announcement of Qingdao Haier Co., Ltd. regarding the Resolution of the 4th	Securities Times page B088, Shanghai Securities News page 53, China Securities	28 February 2017

Meeting of the 9th Session of the Board of Directors (L 2017-001)	Journal page B077, Securities Daily page D81	
Announcement of Qingdao Haier Co., Ltd. regarding the Resolution of the 4th Meeting of the 9th Session of the Board of Supervisors (L 2017-002)	Securities Times page B088, Shanghai Securities News page 53, China Securities Journal page B077, Securities Daily page D81	28 February 2017
Announcement of Qingdao Haier Co., Ltd. regarding the Acquisition of Part of Shareholding of Qingdao Haier Multi-media Co., Ltd. (青岛海尔多媒体有限公司) and Capital Increase and Related-party Transaction (L 2017-003) disclosed on 28 February 2017.	Securities Times page B088, Shanghai Securities News page 53, China Securities Journal page B077, Securities Daily page D81	28 February 2017
Announcement of Qingdao Haier Co., Ltd. regarding the Resolutions of the First Participants Meeting of the Phase II Stock Ownership Scheme of Core Employees Stock Ownership Scheme (L 2017-004)	Securities Times page B036, Shanghai Securities News page 108, China Securities Journal page B046, Securities Daily page A4	14 March 2017
Indicative Announcement of the Holding Subsidiary Haier Electronics Group Co., Ltd. of Qingdao Haier Co., Ltd. regarding the Release of Annual Result of 2016 (L 2017-005)	Securities Times page B001, Shanghai Securities News page 108, China Securities Journal page B006, Securities Daily page D8	23 March 2017
Announcement of Qingdao Haier Co., Ltd. regarding the Completion of Share Subscription of the Phase II Stock Ownership Scheme of Core Employees Stock Ownership Scheme (L 2017-006)	Securities Times page B145, Shanghai Securities News page 164, China Securities Journal page A09, Securities Daily page D31	29 March 2017
Summary of 2016 Annual Report of Qingdao Haier Co., Ltd.	Securities Times page B125, Shanghai Securities News page 361, China Securities Journal page B236, Securities Daily page C97	29 April 2017
First Quarterly Report 2017 of Qingdao Haier Co., Ltd.	Securities Times page B125, Shanghai Securities News page 361, China Securities Journal page B236, Securities Daily page C98	29 April 2017
Announcement of Qingdao Haier Co., Ltd. on the Resolution of the 5th Meeting of the 9th Session of the Board	Securities Times page B125, Shanghai Securities News page 361, China Securities Journal page B236, Securities Daily page C99	29 April 2017

of Directors (L 2017-007)		
Announcement of Qingdao Haier Co., Ltd. on the Resolution of the 5th Meeting of the 9th Session of the Board of Supervisors (L 2017-008)	Securities Times page B127, Shanghai Securities News page 362, China Securities Journal page B236, Securities Daily page C100	29 April 2017
Announcement of Qingdao Haier Co., Ltd. regarding the Renewal of Engagement of Accounting Firm (L 2017-009)	Securities Times page B127, Shanghai Securities News page 362, China Securities Journal page B237, Securities Daily page C98	29 April 2017
Announcement of Qingdao Haier Co., Ltd. regarding the Expected Daily Related-party Transaction for 2017 (L 2017-010)	Securities Times page B127, Shanghai Securities News page 362, China Securities Journal page B237, Securities Daily page C99	29 April 2017
Announcement of Qingdao Haier Co., Ltd. regarding the Expected Provision of Security for a Subsidiary in 2017 (L 2017-011)	Securities Times page B126, Shanghai Securities News page 362, China Securities Journal page B237, Securities Daily page C100	29 April 2017
Announcement of Qingdao Haier Co., Ltd. regarding the Foreign Exchange Derivatives Business (L 2017-012)	Securities Times page B126, Shanghai Securities News page 362, China Securities Journal page B237, Securities Daily page C98	29 April 2017
Announcement of Qingdao Haier Co., Ltd. regarding the Adjustment the Price of Retained Equity Interests under Phase IV Share Option Incentive Scheme (L 2017-013)	Securities Times page B126, Shanghai Securities News page 362, China Securities Journal page B237, Securities Daily page C98	29 April 2017
Announcement of Qingdao Haier Co., Ltd. regarding the Cancellation of Exercise/Unlocking of Retained Equity Interests under Phase IV Share Option Incentive Scheme (L 2017-014)	Securities Times page B126, Shanghai Securities News page 362, China Securities Journal page B237, Securities Daily page C97	29 April 2017
Announcement of Qingdao Haier Co., Ltd. regarding the Modification on the Articles of the Company (L 2017-015)	Securities Times page B126, Shanghai Securities News page 363, China Securities Journal page B237, Securities Daily page C100	29 April 2017
Notice on 2016 Annual General Meeting of Qingdao Haier Co., Ltd. (L 2017-016)	Securities Times page B126, Shanghai Securities News page 363, China Securities Journal page B237, Securities Daily page C100	29 April 2017

Announcement of Qingdao Haier Co., Ltd. on the Notice to the Creditor regarding Repurchase and Cancellation of the Restricted Shares under the Share Option Incentive Scheme (L 2017-017)	Securities Times page B127, Shanghai Securities News page 363, China Securities Journal page B237, Securities Daily page C100	29 April 2017
Announcement of Qingdao Haier Co., Ltd. regarding the Pre-listing Disclosure of the Reduction of Shareholding for Senior Management (L 2017-018)	Securities Times page B016, Shanghai Securities News page 56, China Securities Journal page B016, Securities Daily page C64	17 June 2017
Supplemental Notice on 2016 Annual General Meeting of Qingdao Haier Co., Ltd. (L 2017-019)	Securities Times page B016, Shanghai Securities News page 56, China Securities Journal page B016, Securities Daily page C64	17 June 2017
Announcement of Qingdao Haier Co., Ltd. on the Resolution of the 6th Meeting of the 9th Session of the Board of Directors (L2017-020)	Securities Times page B013, Shanghai Securities News page 77, China Securities Journal page B052, Securities Daily page D68	21 June 2017
Announcement of Qingdao Haier Co., Ltd. on the Resolution of the 6th Meeting of the 9th Session of the Board of Supervisors (L2017-021)	Securities Times page B013, Shanghai Securities News page 77, China Securities Journal page B052, Securities Daily page D68	21 June 2017
Announcement of Qingdao Haier Co., Ltd. regarding the Acquisition of 100% Shareholding of Fisher & Paykel Production Machinery Limited and Related-party Transaction (L 2017-022)	Securities Times page B013, Shanghai Securities News page 77, China Securities Journal page B052, Securities Daily page D68	21 June 2017
Announcement of Qingdao Haier Co., Ltd. on the Resolutions Passed at 2016 Annual General Meeting (L 2017-023)	Securities Times page B012, Shanghai Securities News page 92, China Securities Journal page B047, Securities Daily page D50	29 June 2017
Announcement of Qingdao Haier Co., Ltd. regarding the Listing and Dealing of Restricted Shares under Non-public Issuance (L 2017-024)	Securities Times page B056, Shanghai Securities News page 92, China Securities Journal page B011, Securities Daily page D53	11 July 2017
Announcement of Qingdao Haier Co., Ltd. regarding the Cancellation of the Repurchased Restricted Shares under the Share Option Incentive Scheme (L	Securities Times page B104, Shanghai Securities News page 76, China Securities Journal page B006, Securities Daily page D39	19 April 2017

2017-025)		
Announcement of Qingdao Haier Co., Ltd. on the 2016 Interests Distribution (L 2017-026)	Securities Times page B037, Shanghai Securities News page 76, China Securities Journal page B045, Securities Daily page D46	26 April 2017
Indicative Announcement of the Holding Subsidiary Haier Electronics Group Co., Ltd. of Qingdao Haier Co., Ltd. regarding the Release of Half-year Result of 2017 (L 2017-027)	Securities Times page B148, Shanghai Securities News page 948, China Securities Journal page B039, Securities Daily page D130	25 August 2017
Summary of 2017 Half-year Report of Qingdao Haier Co., Ltd.	Securities Times page B40, Shanghai Securities News page 817, China Securities Journal page B039, Securities Daily page D160	28 August 2017
Announcement of Qingdao Haier Co., Ltd. on the Resolution of the 7th Meeting of the 9th Session of the Board of Directors (L2017-028)	Securities Times page B40, Shanghai Securities News page 817, China Securities Journal page B039, Securities Daily page D160	28 August 2017
Announcement of Qingdao Haier Co., Ltd. on the Resolution of the 7th Meeting of the 9th Session of the Board of Supervisors (L2017-029)	Securities Times page B40, Shanghai Securities News page 817, China Securities Journal page B039, Securities Daily page D160	28 August 2017
Announcement of Qingdao Haier Co., Ltd. regarding the Changes in Accounting Policies (L 2017-030)	Securities Times page B40, Shanghai Securities News page 817, China Securities Journal page B039, Securities Daily page D160	28 August 2017
Proposal of Qingdao Haier Co., Ltd. for Public Offering of Convertible Corporate Bonds	Securities Times page B7/8, Shanghai Securities News page 34/35, China Securities Journal page B023, Securities Daily page C21/22	9 September 2017
Announcement of Qingdao Haier Co., Ltd. on the Resolution of the 8th Meeting of the 9th Session of the Board of Directors (L 2017-031)	Securities Times page B7, Shanghai Securities News page 34, China Securities Journal page B024, Securities Daily page C23	9 September 2017
Announcement of Qingdao Haier Co., Ltd. on the Resolution of the 8th	Securities Times page B7, Shanghai Securities News page 34, China Securities	9 September

Meeting of the 9th Session of the Board of Supervisors (L 2017-032)	Journal page B024, Securities Daily page C22	2017
Announcement of Qingdao Haier Co., Ltd. regarding the Risk Warnings and Remedial Measures of Qingdao Haier Co., Ltd. for Dilution of Current Returns by Public Offering of Convertible Corporate Bonds (L2017-033)	Securities Times page B7, Shanghai Securities News page 34, China Securities Journal page B024, Securities Daily page C23	9 September 2017
Announcement of Qingdao Haier Co., Ltd. on Increase the Estimated Caps of the Daily Related-party Transaction regarding Procurement for 2017 (L 2017-034)	Securities Times page B7, Shanghai Securities News page 34, China Securities Journal page B024, Securities Daily page C23	9 September 2017
Announcement of Qingdao Haier Co., Ltd. regarding the Participation in the “Online Collective Reception Day Activity Held for Investors” (L 2017-035)	Securities Times page B32, Shanghai Securities News page 77, China Securities Journal page B012, Securities Daily page D74	13 September 2017
Announcement of Qingdao Haier Co., Ltd. regarding the Progress of the Reduction of Shareholding for Senior Management (L 2017-036)	Securities Times page B44, Shanghai Securities News page 85, China Securities Journal page B032, Securities Daily page D52	10 October 2017
Third Quarterly Report 2017 of Qingdao Haier Co., Ltd.	Securities Times page B201, Shanghai Securities News page 149, China Securities Journal page B149, Securities Daily page D113	31 October 2017
Announcement of Qingdao Haier Co., Ltd. on the Resolution of the 9th Meeting of the 9th Session of the Board of Directors (L2017-037)	Securities Times page B201, Shanghai Securities News page 149, China Securities Journal page B076, Securities Daily page D113	31 October 2017
Announcement of Qingdao Haier Co., Ltd. on the Resolution of the 9th Meeting of the 9th Session of the Board of Supervisors (L2017-038)	Securities Times page B201, Shanghai Securities News page 149, China Securities Journal page B076, Securities Daily page D113	31 October 2017
Announcement of Qingdao Haier Co., Ltd. regarding the Subscription for	Securities Times page B201, Shanghai Securities News page 149, China Securities	31 October 2017

Capital Increase of Haier Group Finance Co., Ltd. and Related-party Transaction (L2017-039)	Journal page B076, Securities Daily page D113	
Notice on the First EGM in 2017 of Qingdao Haier Co., Ltd. (L 2017-040)	Securities Times page B201, Shanghai Securities News page 149, China Securities Journal page B076, Securities Daily page D113	31 October 2017
Announcement of Qingdao Haier Co., Ltd. regarding the Issuance of Convertible Corporate Bonds by the Overseas Wholly-owned Subsidiary (L 2017-041)	Securities Times page B037, Shanghai Securities News page 68, China Securities Journal page B019, Securities Daily page D44	8 November 2017
Announcement of Qingdao Haier Co., Ltd. on the Resolution of the 10th Meeting of the 9th Session of the Board of Supervisors (L2017-042)	Securities Times page B037, Shanghai Securities News page 68, China Securities Journal page B019, Securities Daily page D44	8 November 2017
Announcement of Qingdao Haier Co., Ltd. regarding the Result of the Reduction of Shareholding for Senior Management (L 2017-043)	Securities Times page B004, Shanghai Securities News page 41, China Securities Journal page B022, Securities Daily page C46	11 November 2017
Announcement of Qingdao Haier Co., Ltd. regarding the Completion of Issuance of Convertible Corporate Bonds by the Overseas Wholly-owned Subsidiary (L 2017-044)	Securities Times page B4, Shanghai Securities News page 76, China Securities Journal page B046, Securities Daily page C4	22 November 2017
Announcement of Qingdao Haier Co., Ltd. on the Resolutions Passed at the First EGM in 2017 (L 2017-045)	Securities Times page B65, Shanghai Securities News page 93, China Securities Journal page B009, Securities Daily page C4	24 November 2017
Announcement of Qingdao Haier Co., Ltd. regarding the Allocation and Vesting of the Phase I Core Employees Stock Ownership Scheme (2017-046)	Securities Times page B28, Shanghai Securities News page 85, China Securities Journal page B032, Securities Daily page D37	7 December 2017
Announcement of Qingdao Haier Co., Ltd. regarding the Acceptance by the CSRC of the Application for Public Offering of Convertible Corporate Bonds (L 2017-047)	Securities Times page B64, Shanghai Securities News page 52, China Securities Journal page B045, Securities Daily page D44	15 December 2017

Announcement of Qingdao Haier Co., Ltd. regarding the Capital Increase on the Overseas Wholly-owned Subsidiary Haier US Appliance Solutions Inc. (L2017-048)	Securities Times page B28, Shanghai Securities News page 77, China Securities Journal page B015, Securities Daily page D69	19 December 2017
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XVII. Proactive Performance of Social Responsibilities

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

√ Applicable Not Applicable

1. Targeted measures in poverty alleviation plan

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

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

In 2017, the Company’s expenditures on targeted measures in poverty alleviation was approximately RMB12.96 million, which was mainly utilized in the education

improvement, physical and mental health development of adolescents and children. At the same time, as part of its initiatives in response to the government and the performance of its social responsibilities, Haier Group has also made investments in many aspects, such as poverty alleviation through agricultural development, and poverty alleviation through improvement of the health of farmers.

3. Results of Poverty Alleviation

Unit and Currency: RMB0'000

Indicators	Amount and the status
I. General information	1,296
Funds	1,296
II. Breakdown of the use of funds	
1. Overcoming poverty through education	
1.1 Amount of investment for the purpose of improving the resources of education in poverty-stricken areas	1,281
2. Basic guarantees	
2.1 Amount of investment for the purpose of helping the disabled living in poverty	15

4. Subsequent targeted measures in poverty alleviation plans

In 2018, the Company will make concerted efforts with Haier Group and continue to implement the proposition of the documents issued by the central government in respect of poverty alleviation, dedicate to improve the education in poverty-stricken areas and other initiatives, and will perform our social responsibilities in a proactive manner.

The company and Haier Group are also working in the fields such as poverty alleviation through agricultural development and improvement of farmers' health, for details, please refer to "Social Responsibility" and other relevant sections in the "Social Responsibility Report of Qingdao Haier Co., Ltd. for 2017" disclosed on the date of the Announcement.

(II) Performance of social responsibilities

√ Applicable Not Applicable

For details, please refer to the "Social Responsibility Report of Qingdao Haier Co., Ltd. for 2017" disclosed on the date of this report.

(III) Environmental Information

1. Explanation of the environmental protection status of companies and their important subsidiaries that are key emission units announced by the environmental protection department

Applicable Not Applicable

According to the laws and regulations, the Company established standardized discharge outlets, and an on-line sewage monitoring system was set up at the front of the sewage outlets to monitor the amount of the discharged sewage in real time. The wastewater is discharged after being collected and treated in compliance with regulations. All pollutants are discharged in accordance with the national and local environmental standards. The applicable standard of effluent wastewater is Grade B of the “Water Quality Standard for Sewage Discharge into Urban Sewers” (CJ343-2010). The main pollutants are COD and ammonia nitrogen. The emission concentration standard of COD and ammonia nitrogen was 500 mg/L and 45 mg/L, respectively. The actual emissions are strictly performed under the standard. Taking Qingdao Industrial Park as an example, the actually emission concentration of COD and ammonia nitrogen was 49.6 mg/L and 6.08 mg/L, respectively, so the discharge amount reached the standard. The annual emission of COD and ammonia nitrogen was 10.8t and 1.59t, respectively.

In 2017, the energy consumption was 8.33 kg of standard coal per ten thousand RMB, represent a year-on-year decrease of 13.22%. Photovoltaic power generation projects have achieved a total installed capacity of 62MW and a total generating capacity of 130 million KWh, which is equivalent to save 15,977 tons of standard coal and reduce carbon dioxide emissions by 41,859.74 tons.

Trigeneration (i.e. combined gas, cooling, heat and power) is currently applied in Haier China-German Industrial Park (海尔中德工业园区). It is equivalent to save 10,000 tons of standard coal and reduce of 26,200 tons of carbon dioxide emissions. It will be applied in other new parks of Haier. In 2017, we implemented energy saving and emission reduction projects such as smart lighting, waste heat recovery, and raw material substitution to achieve energy savings of 19,498.50 tons of standard coal, which represented a significant energy saving and emission reduction effect.

Data transmission, real-time monitoring, real-time warning measures have been applied among all the environmental protection departments of the Company and the smart energy center of Haier Group. Various types of pollution control facilities are included in the TPM management area of the equipment to ensure normal operation of the equipment. In

accordance with the requirements of laws and regulations, the Company has formulated the “Plan of Emergency Preparedness for Emergency Environmental Incidents” and organized drills. Based on the results of the drills, the Company continued to optimize and upgrade the plan. Haier Smart Energy Center is the leading energy big data analysis system in the industry. It uses centralized automation, information technology, and centralized management to implement centralized dynamic monitoring and digital management of water, electricity, gas, and other major energy consumption of all factories across the country. The system automatically and accurately collects energy data, and completes the prediction and analysis of energy consumption data, optimizes energy scheduling, and reduces production energy consumption of single unit, thereby realizing low-carbon production.

In March 2017, the Company successfully passed the ISO14001 environmental management system certification. From 13 to 16 March 2018, the first surveillance audit for the Company’s operation of the new version of the 2017 ISO14001 system was conducted by a professional certification body, the Company passed the first surveillance audit successfully and the system was proved to be operated well.

For other relevant information, please refer to “Social Responsibility” and other relevant sections on the “Social Responsibility Report of Qingdao Haier Co., Ltd. for 2017” disclosed on the date of the Announcement.

2. Companies other than key emission units

Applicable Not Applicable

During the reporting period, all units of the Company carried out the implementation and production of construction projects in accordance with laws and regulations, and went through the procedures of environmental impact assessment by strictly following the environmental protection requirements, which required the construction, projects environmental protection must be carry out at the same time. All units passed the environmental assessment and acceptance, and there was no environmental violation issue during the reporting period, such as unlicensed construction.

3. Other explanations

Applicable Not Applicable

(IV) Other explanations

Applicable Not Applicable

XVIII. Convertible corporation bonds

(I) Information on the issuance of convertible bonds

Applicable Not Applicable

On 9th of September, 2017, after reviewed and approved at the 8th meeting of the 9th session board of directors, the Company disclosed a proposal for the issuance of convertible bonds. The proceeds raised from the issuance of convertible bonds will be RMB5.64 billion. The proceeds will be used in leading consumption upgrades, practicing large kitchen appliances strategy, and improving the innovation capabilities and other opportunities. As of the disclosure date of this report, the scheme was accepted by the CSRC with further feedback, and the Company made responses to the feedback. w

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

Applicable Not Applicable

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

Applicable Not Applicable

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

Applicable Not Applicable

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

Applicable Not Applicable

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

Applicable Not Applicable

(VI) Explanation on other information regarding convertible bonds

Applicable Not Applicable

Section VI CHANGES IN SHARES AND INFORMATION ABOUT SHAREHOLDERS

I. CHANGES IN SHARES

(I) Table of Changes in Ordinary Shares

1. Table of Changes in Ordinary Shares

Unit: share

	Prior to the change		Increase and decrease of the change (+, -)					Balance	
	Number	%	New shares issued	Bonus shares	Shares converted from reserve	Others	Subtotal	Number	%
I. Shares with selling restrictions	606,213,988	9.942				-606,213,988	-606,213,988	0	0
1. Shares held by the state									
2. Shares held by the state-owned legal entities									
3. Other shares held by other domestic investors	228,000	0.004				-228,000	-228,000	0	0
Including:									
shares held by domestic non-state-owned legal entities									
shares held by domestic individuals	228,000	0.004				-228,000	-228,000	0	0
4. Shares held by foreign investors	605,985,988	9.938				-605,985,988	-605,985,988	0	0
Including:									
shares held by foreign legal entities	605,985,988	9.938				-605,985,988	-605,985,988	0	0
shares held by foreign									

individuals									
II. Tradable shares without selling restrictions	5,491,416,739	90.058				605,985,988	605,985,988	6,097,402,727	100.000
1. RMB ordinary shares	5,491,416,739	90.058				605,985,988	605,985,988	6,097,402,727	100.000
2. Domestic listed foreign shares									
3. Overseas listed foreign shares									
4. Others									
III. Total shares	6,097,630,727	100.000				-228,000	-228,000	6,097,402,727	100.000

2. Statement on the changes in ordinary shares

Applicable Not Applicable

(1) Approved by “Reply on Approval of Non-public Issuance of Shares of Qingdao Haier Co., Ltd.” by China Securities Regulatory Commission (Zheng Jian Xu Ke [2014] No. 436), Qingdao Haier Co., Ltd. (hereinafter referred to as the "Company") issued 302,992,994 ordinary shares of RMB (A share) by way of Non-public Issuance of Shares at an issue price of RMB 10.83 per share to KKR Home Investment S.à r.l. (hereinafter referred to as “KKR (Luxembourg)”) on 17 July 2014. On the same date, the Company completed the registration of the above issued shares and the restricted shares. The lock-up period for the non-public issued shares is 36 months. In June 2015, the Company’s share capital changed and the number of restricted shares held by KKR (Luxembourg) increased from 302,992,994 shares to 605,985,988 shares due to the implementation of the Company's 2014 profit distribution and plans for capital reserve conversion into share (10 shares for every 10 shares for RMB4.92). In July 2017, the aforementioned 605,985,988 shares were released by the Company, then listed and circulated on 17 July 2017. The release of locked-up resulted in a change in the Company's equity structure (the number of share capital has not changed). For more details, please refer to the Announcement of Qingdao Haier Co., Ltd. on End of the Lock-up Period for A Shares Issued under the Non-public Issuance (L 2017-024) disclosed by the Company on 11 July 2017.

(2) On 28 April 2017, the fifth meeting of 9th session of Board of Directors of the Company reviewed and approved the Resolution on Cancellation of Exercise/Unlocking of Retained Equity under Phase IV Share Option Incentive Scheme of Qingdao Haier Co., Ltd. The Company intended to cancel the exercise of the stock option under the second exercise period of the portion of Retained Equity and to repurchase and cancel the restricted shares under the second exercise period due to the lack of exercise/unlocking conditions. According to the resolution, the Company has repurchased a total of 228,000 restricted shares, which were cancelled on 19 July 2017. After the cancellation, the share capital of the Company has been changed from 6,097,630,727 to 6,097,402,727. For more details, please refer to the Announcement of Qingdao Haier Co., Ltd. on

Cancellation of Repurchased Restricted Shares under the Share Option Incentive Scheme (L 2017-025) disclosed by the Company on 19 July 2017.

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

Applicable Not Applicable

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

Applicable Not Applicable

(II) Changes in shares with selling restrictions

Applicable Not Applicable

Unit: share

Name of shareholder	Number of shares with selling restrictions at the beginning of 2017	Number of shares released from selling restrictions in 2017	Number of new shares with selling restrictions in 2017	Number of shares with selling restrictions at the end of 2017	Reasons for selling restrictions	Date of release from selling restrictions
Individual shareholders (target for the retained part of the fourth share option incentive of the Company)	228,000	0	-228,000	0	Share Option Incentive Shares subject to restrictions	
Total	228,000	0	-228,000	0	/	/

Note: During the reporting period, since the annual results of the Company in 2016 did not fulfill the conditions for unlocking, the Board reviewed and approved relevant resolution on cancellation of unlocking of part of the restricted shares involved in Phase IV Share Option Incentive Scheme of the Company. According to the resolution, some restricted shares held by the scheme participants of Phase IV Share Option Incentive Scheme at the beginning of the period should be repurchased and cancelled. The repurchase and cancellation of such shares had been

completed on 19 July 2017, and the total number of shares being cancelled was 228,000. For details, please refer to the Announcement of Qingdao Haier Co., Ltd. on Cancellation of Repurchased Restricted Shares under the Share Option Incentive Scheme (L 2017-025) disclosed by the Company on 19 July 2017.

II. ISSURANCE AND LISTING OF SECURITIES

(I) Issuance of securities during the reporting period

√ Applicable Not Applicable

Unit: 0'000 shares Currency: RMB

Type of shares and its derivative securities	Date of issue	Price (or interest s rate)	Number of Issuance	Date of listing	Number of shares under listing approval	Date of termination
Ordinary shares						
RMB ordinary shares grant of restricted shares under the Share Option Incentive Scheme	7 July 2014	7.73	244.04	20 June 2015	488.08	
			366.06	20 June 2016	/	
Non-public Issuance of RMB ordinary shares	17 July 2014	10.83	30,299.30	17 July 2017	60,598.60	
RMB ordinary shares exercise of share option and grant of restricted shares under the Share Option Incentive Scheme	25 November 2014	10.11	477.92	2 December 2014	477.92	
	25 November 2014	10.36	1,122.60		1,122.60	
	8 April 2015	10.06	19.00	5 August 2015	/	
	28 July 2015	8.07	3,090.40	5 August 2015	3,090.40	

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

Applicable Not Applicable

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

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

(3) In November 2014, the conditions for the third exercise period of Phase II Share Option Incentive Scheme, the second exercise period of Phase III Share Option Incentive Scheme of the Company have been fulfilled. On 25 November 2014, the Company directionally issued additional 4,779,200, and 11,226,000 ordinary shares to determined and qualified participants of

Phase II and Phase III Share Option Incentive Scheme at prices of RMB10.11 and RMB10.36 per share respectively. The aggregate 16,005,200 shares above mentioned were listed on 2 December 2014. For details, please refer to Announcement on the Exercise Arrangement for the Third Exercise period of Phase II Share Option Incentive Scheme by the Board of Qingdao Haier Co., Ltd. (L 2014-064), Announcement on the Exercise Arrangement for the Second Exercise period of Phase III Share Option Incentive Scheme by the Board of Qingdao Haier Co., Ltd. (L 2014-065) and the Announcement on the Exercise Result for the share Option Incentive Scheme and the Listing of Additional shares of Qingdao Haier Co., Ltd. (L2014-067) published by the Company on the four major securities newspapers and the website of Shanghai Stock Exchange (www.sse.com.cn) on 12 November 2014 and 27 November 2014, respectively.

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

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

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

√ Applicable Not Applicable

(III) Information on existing shares held by the staff

√ Applicable Not Applicable

III. Information on shareholder and actual controllers

(I) Total number of shareholders

Total number of ordinary shareholders up to the end of the reporting period	172,905
Total number of ordinary shareholders as at the end of the last month prior to the disclosure day of the annual report	202,628

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

Unit: share

Shareholdings of top ten shareholders							
Name of shareholder (full name)	Change during the reporting period	Number of shares held at the end of the period	Percentage (%)	Number of shares held with selling restrictions	Status of shares pledged or frozen		Nature of shareholder
					Status	Number	
Haier Electric Appliances International Co., Ltd.		1,258,684,824	20.64	0	Nil		Domestic on-state-owned legal entity
Haier Group Corporation		1,072,610,764	17.59	0	Nil		Domestic on-state-owned legal entity
Hong Kong Securities Clearing Co., Ltd.		533,989,517	8.76	0	Unknown		Unknown

KKR HOME INVESTMENT S.A R.L.		484,037,988	7.94	0	Nil	Foreign legal entity
China Securities Finance Corporation Limited		219,306,498	3.60	0	Unknown	Unknown
GIC PRIVATE LIMITED		184,486,626	3.03	0	Unknown	Foreign legal entity
Qingdao Haier Venture & Investment Information Co., Ltd.(青岛海尔创业投资咨询有限公司)		172,252,560	2.83	0	Nil	Domestic non-state-owned legal entity
National social security fund, Portfolio 104		104,888,894	1.72	0	Unknown	Unknown
Central Huijin Asset Management Ltd.		69,539,900	1.14	0	Unknown	Unknown
UBS AG		43,545,196	0.71	0	Unknown	Foreign legal entity
Shareholdings of top ten shareholders without selling restrictions						
Name of shareholder	Number of tradable shares without selling restrictions	Class and number of shares				
		Class	Number			
Haier Electric Appliances International Co., Ltd.	1,258,684,824	RMB ordinary	1,258,684,824			
Haier Group Corporation	1,072,610,764	RMB ordinary	1,072,610,764			
Hong Kong Securities Clearing Co., Ltd.	533,989,517	RMB ordinary	533,989,517			
KKR HOME INVESTMENT S.A R.L.	484,037,988	RMB ordinary	484,037,988			
China Securities Finance Corporation Limited	219,306,498	RMB ordinary	219,306,498			
GIC PRIVATE LIMITED	184,486,626	RMB ordinary	184,486,626			
Qingdao Haier Venture & Investment Information Co., Ltd.(青岛海尔创业投资咨询有限公司)	172,252,560	RMB ordinary	172,252,560			
National social security fund, Portfolio 104	104,888,894	RMB ordinary	104,888,894			
Central Huijin Asset Management Ltd.	69,539,900	RMB ordinary	69,539,900			
UBS AG	43,545,196	RMB ordinary	43,545,196			

Related-parties or parties acting in concert among the aforesaid shareholders	(1) Haier Electric Appliances International Co., Ltd. is a holding subsidiary of Haier Group Corporation. Haier Group Corporation holds 51.20% of its equity. Qingdao Haier Venture & Investment Information Co., Ltd.(海尔创业投资咨询有限公司) is a party acting in concert with Haier Group Corporation; (2) The Company is not aware of the existence of any connections of other shareholders.
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Number of shares held by top ten shareholders with selling restrictions and the selling restrictions

Applicable Not Applicable

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

Applicable Not Applicable

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

IV. Controlling shareholder and the ultimate controller

(I) Status of controlling shareholder

1 Legal person

Applicable Not Applicable

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

import business of raw materials for production.
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2 Natural person

Applicable Not Applicable

3 Explanation on the absence of controlling shareholders of the Company

Applicable Not Applicable

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

Applicable Not Applicable

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



(II) Status of the ultimate controller

1 Legal person

Applicable Not Applicable

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

2 Natural person

Applicable Not Applicable

3 Explanation on the absence of ultimate controller of the Company

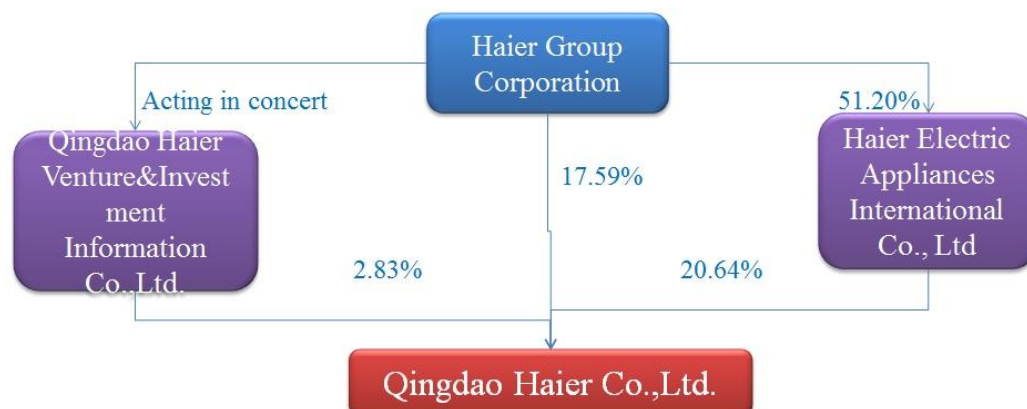
Applicable Not Applicable

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

Applicable Not Applicable

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

Applicable Not Applicable



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

Applicable Not Applicable

(III) Introduction of controlling shareholders and ultimate controllers

Applicable Not Applicable

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

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

Applicable Not Applicable

VI. Explanation of reduction of share restrictions

Applicable Not Applicable

Section VII RELEVANT INFORMATION OF PREFERRED SHARES

Applicable Not Applicable

Section VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

I. Changes of Shareholding and Remuneration

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

√ Applicable □ Not applicable

Unit: share

Name	Title (note)	Gender	Age	Appointment date	Expiration date of appointment	Shareholdings at the beginning of the year	Shareholdings at the end of the year	Increase/decrease in shares for the year	Reason for increase/decrease	Total remuneration received from the Company during the reporting period (RMB0'000) (before tax)	Whether receive remuneration from the Company's related party
Liang Haishan	Chairman & CEO	male	52	2016-05-31	2019-05-30	10,079,840	10,904,065	824,225	Employee shareholding plan vested	190	NO
Tan Lixia	Vice president	female	48	2016-05-31	2019-05-30	4,613,360	5,272,740	659,380		No receipt of remuneration from the Company	YES

Peng Jianfeng	Director	male	57	2016-05-31	2019-05-30					20	NO
Wu Changqi	Director	male	63	2016-05-31	2019-05-30					20	NO
Zhou Hongbo	Director	male	56	2016-05-31	2019-05-30					20	NO
Liu Haifeng David	Director	male	48	2016-05-31	2019-05-30					0	NO
Wu Cheng	Independent director	male	78	2016-05-31	2019-05-30					20	NO
Dai Deming	Independent director	male	56	2016-05-31	2019-05-30					20	NO
Shi Tiantao	Independent director	male	56	2016-05-31	2019-05-30					20	NO
Wang Peihua	Chairman of the supervisory committee	male	61	2016-05-31	2019-05-30		27,004	27,004	Employee shareholding plan vested	No receipt of remuneration from the Company	YES
Ming Guoqing	Supervisor	male	58	2016-05-31	2019-05-30		17,612	17,612		No receipt of remuneration from the Company	YES

Wang Yuqing	Supervisor	female	43	2016-05-31	2019-05-30		2,231	2,231		16	NO
Gong Wei	Chief financial officer, vice president	male	45	2016-05-31	2019-05-30	1,400,000	1,050,000	-350,000	Reduction in the secondary market	65	NO
Ming Guozhen	Secretary to the board of directors, vice president	female	54	2016-05-31	2019-05-30	874,000	944,446	70,446	Employee shareholding plan vested	60	NO
Total	/	/	/	/	/	16,967,200	18,218,098	1,250,898	/	441	/

Name	Major work experience
Liang Haishan	Male, born in 1966, is a senior engineer. He had served as director of enterprise management office of Qingdao Refrigerator General Factory, head of the quality department of Qingdao Haier Refrigerator Co., Ltd., director of personnel department of certification center of Haier Group Corporation, general manager and secretary of the party committee of Qingdao Haier Air Conditioner Gen Corp., Ltd, head and secretary of the party committee of Haier logistics department, senior vice president of Haier Group, executive vice president of Haier Group. He is chairman and CEO of 9th session of the Board of Qingdao Haier Co., Ltd.; he was rewarded National May 1st Labor Medal, Outstanding Leadership Award of the National Light Industry Enterprise Information

	(全国轻工业企业信息化优秀领导奖), Top 10 Leaders in China Strategic Emerging Industries in recent year; Prize of Technology Advancement for China Household Appliances, First Prize Award of Science and Technology Progress of China National Light Industry Council.
Tan Lixia	Female, born in 1970, had served as assistant to director and general manager of Haier Air Conditioning Electronics Import and Export Company (海尔空调电子进出口公司), the head of integrated department, deputy director, director of department of overseas market development of Haier Group, and head of department of financial management of Haier Group; currently serves as the executive vice president and chief financial officer of Haier Group, the president of Haier Financial Holdings Limited, the vice chairman of the 9th session of the Board of Qingdao Haier Co., Ltd.. In recent years, she was successively awarded Model Worker of Shandong Province, Outstanding Entrepreneur of the State, "March 8 Red-Banner Holders of the State ", PRC CFO of the Year, China Top Ten Women in Economic Area, China Top Ten Brand Female (中国十大品牌女性) and so on.
Peng Jianfeng	Male, born in 1961, professor and tutor of doctorate students of School of Labor and Human Resources of Remin University of China, president of China Stone Management Consulting Group, vice chairman of China Human Resource Development Association, vice director of Management Consulting Committee of China Enterprise Confederation, director of the 9th session of the Board of Qingdao Haier Co., Ltd.. He once was the deputy dean of School of Labor and Human Resources of Remin University of China.
Wu Changqi	Male, born in 1955, professor and tutor of doctorate students of department of Strategic Management of Guanghua School of Management of Peking University. He graduated from Shandong University in 1982 with a bachelor degree in economics. He graduated from Katholieke Universiteit Leuven in Belgium in 1990, with a MBA degree and a doctorate degree in applied economics successively. He was an assistant professor and associate professor of Department of Economics of School of Business and Management of Hong Kong University of Science and Technology, professor and director of Department of Strategic Management of Guanghua School of Management of Peking University, deputy dean of Guanghua School of Management, Peking University, Director of EMBA degree programme center and so on. He is currently the president of the National Hi-Tech Industrial Development Zone Strategy Research Institute of Peking University (国家高新技术产业开发区发展战略研究院) and president of Guanghua Leadership Institute (in collaboration with CISCO), director of the 9th session of the Board of Qingdao Haier Co., Ltd..
Zhou Hongbo	Male, born in 1962, chairman of UbiLink, member of the board of directors of Beijing Hanbang Technology Co., Ltd., part-time chief scientist of Kyland Technology Co., Ltd (东土科技); he was once the general manager of Beiqi iFoton Co., Ltd. (北汽福田车联网公司), chief software specialist of Tsinghua Tongfang, senior engineer / manager of research and development of

	<p>IBM / BEA and other companies in the United States, postdoctoral researcher of Oak Ridge National Laboratory of America etc. He has engaged in the research and development work in supercomputing and cloud computing. He was distinguished expert of Beijing, Guiyang and other municipal government; part-time professor of Beijing Jiaotong University, University of Electronic Science and Technology of China and other colleges; He was the pioneer engaged in IOT development in Tsinghua Tongfang after his return from abroad in 2003, and has published three treatises at home and abroad, and he is one of the nine global IOT experts interviewed by the internationally renowned magazine "Economist". He is currently a director of the 9th session of the Board of Qingdao Haier Co., Ltd..</p>
<p>Liu Haifeng David</p>	<p>Male, born in 1970, currently is the joint founder and president of Dehong Capital (德弘资本) and was the KKR global partner, co-head of KKR Asian Private Equity (KKR 亚洲私募业务) and CEO of KKR 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: Ping An Insurance, China Mengniu Dairy, Qingdao Haier, Sunner Development, Belle International, Far East Horizon, Nanfu Battery, China Modern Dairy, United Envirotech Ltd., China International Capital Corporation Limited (CICC), China Cord Blood Corporation, Yongle Household Appliances, Hengan International, COFCO Meat, Guangdong Feed (粤海饲料), Asia Dairy, Uxin Limited, Tarena Education and etc. He graduated from Columbia University, and achieved the highest honor of science degree in Department of Electronic Engineering; he is a member of Tau Beta Pi (National Engineering Honor Society of America) (全美工程荣誉学会), and he has won the Edwin Howard Armstrong Award as the most outstanding electronic engineering student of Columbia University.</p>
<p>Wu Cheng</p>	<p>Male, born in 1940, expert in informationization and automation, academician of Chinese Academy of Engineering. He graduated from Tsinghua University in 1962 and got a postgraduate degree of Tsinghua University in 1966. He is a professor and doctoral supervisor of department of Automation of Tsinghua University, head of National CIMS Engineering Research Center, independent director of the 9th session of the Board of Qingdao Haier Co., Ltd.</p>
<p>Dai Deming</p>	<p>Male, born in 1962. He is a professor and doctoral supervisor of the accounting department of School of Business at Remin University of China. He also concurrently holds other positions such as a vice-chairman of Accounting Society of China, and a vice-chairman of Beijing Society of Auditing, Independent director of the 9th session of the Board of Directors of Haier. He served as an independent director for CSR Corporation Limited and other companies.</p>

Shi Tiantao	Male, born in 1962. He currently serves as a professor and doctoral supervisor of the School of Law at Tsinghua University as well as director of Finance & Law Research Center under the School of Law at Tsinghua University. He also serves on the 9th Session of the Board of Directors of Qingdao Haier as an independent director. Meanwhile, he concurrently holds other positions such as a vice president of the Chinese Research Association of Securities Law, an arbitrator of CIETAC, a specially-designated supervisor of the Supreme People's Court and a member of the Case Guidance Committee. He was a deputy dean of the School of Law at Tsinghua University.
Wang Peihua	Male, born in 1957, senior political analyst, he has served as the deputy secretary of Party Committee of Haier Group Air-Conditioner Head Office (海尔集团空调本部), Washing Machine Head Office (洗衣机本部), and Haier Group Freezer & Heater Head Office (海尔集团冷柜电热本部), chairman of the labor union of Haier Group Technology and Equipment Head Office, deputy secretary of Discipline Inspection Committee etc.. He is the head of the Organizational Department of Haier Group, the president of the 9th session of the Board of Supervisors of Qingdao Haier Co., Ltd..
Ming Guoqing	Male, born in 1960, senior political analyst, has served as deputy secretary of Discipline Inspection Committee of Qingdao Refrigerator General Factory, party branch secretary and assistant manager of Qingdao Haier Transportation Company (青岛海尔运输公司), head of the comprehensive department of Qingdao Haier Co., Ltd., deputy secretary of party committee and secretary of discipline inspection committee of Haier Refrigerator Products Head Office (海尔冰箱产品本部), chairman of the labor union. He is the chairman of the labor union of Haier Group, and the supervisor of the 9th session of the board of supervisors of Qingdao Haier Co., Ltd..
Wang Yuqing	Female, born in 1975, has served as the worker supervisor of the Board of Supervisors of Qingdao Haier Co., Ltd. and the office secretary of Qingdao Haier Co., Ltd.. She is a supervisor of the 9th session of the board of supervisors of Qingdao Haier Co., Ltd., and head of the general manager office of Qingdao Haier Co., Ltd..
Gong Wei	Male, born in 1973, has served as the financial manager of Qingdao Haier Co., Ltd., senior financial manager and senior financial analyst of Haier Group, chief financial officer of Haier Washing Machine Head Office (海尔洗衣机本部), chief financial officer of Haier Air-Conditioner Head Office (海尔空调本部), chief financial officer of White Goods Group, he is the vice president and chief financial officer of Qingdao Haier Co., Ltd.. He was granted the honorary titles such as Outstanding Youth in Post of Qingdao City, Outstanding Accounting Workers of Shandong Province, National Outstanding Accounting Workers and so on, and won the awards of Top Ten CFO in China as appraised by "New Money" Magazine (《新理财杂志》) in 2011.

Ming Guozhen	Female, born in 1964, senior economist, was the lecturer of the investment department of China Institute of Finance, deputy head of the Teaching and Research section of Investment Economy Department, a member of treasury department of Everbright International Investment Consultancy Company, deputy director and director of general manager office, general manager of business management department and general manager of personnel department, assistant to the general manager of the Company, executive vice president of Everbright International Investment Consultancy Company; she was the office director of analysts professional committee of the Securities Association of China, vice director of Qualification Management Department of the Association, vice director of Practice Standards Committee (执业标准委员会) of the Association. She is currently the vice general manager and secretary to the Board of Directors of Qingdao Haier Co., Ltd..
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Other information

Applicable Not applicable

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

Applicable Not applicable

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

(I) Positions held in shareholders' entities

Applicable Not applicable

Name	Company	Position	Appointment date	End date of appointment
Liang Haishan	Haier Electric Appliances International Co., Ltd.	Director	November 1997	
Tan Lixia	Haier Electric Appliances International Co., Ltd.	Director		
Tan Lixia	Qingdao Haier Venture &	Supervisor	March 2009	

	Investment Information Co., Ltd. (青岛海尔创业投资咨询有限公司)			
Tan Lixia	Haier Group Corporation	Executive vice president, chief financial officer	February 2016	
Wang Peihua	Haier Group Corporation	Head of Organizational Department		
Ming Guoqing	Haier Group Corporation	Chairman of the Labor Union		
Positions in shareholders entities	Nil			

(II) Positions held in other entities

√ Applicable □ Not Applicable

Name	Company	Positions	Appointment date	End date of appointment
Liang Haishan	Haier Group Finance Co., Ltd.	Director		
Liang Haishan	Haier Financial Holdings Limited	Director		
Liang Haishan	Fisher & Paykel Appliances Holdings Limited	Director		
Ming Guozhen	Qingdao Overseas Chinese Industrial Holding Co., Ltd.	Director	July 2008	
Tan Lixia	Haier Group Finance Co., Ltd.	Supervisor		
Tan Lixia	Haier Financial Holdings Limited	Legal representative, director		
Tan Lixia	Fisher & Paykel Appliances Holdings Limited	Director		
Wu Cheng	Tsinghua University	Professor	February 1967	
Wu Cheng	Kingdee International Software Group Company Limited	Independent Non-executive director		March 2018
Wu Changqi	Peking University	Professor		
Wu Changqi	Huaxia Bank Co., Ltd. (华夏银行股份有限公司)	Supervisor	12 May 2015	11 May 2018

Wu Changqi	Beijing Electronic Zone Investment and Development Co., Ltd.	Independent director	28 December 2012	27 December 2018
Zhou Hongbo	Beijing Hanbang Technology Co., Ltd. (北京汉邦高科数字技术股份有限公司)	Independent director	November 2017	November 2020
Shi Tiantao	Tsinghua University	Professor	2000	
Shi Tiantao	Jiajiayue Group Holding Co., Ltd. (家家悦集团股份有限公司)	Independent director		
Shi Tiantao	Kunlun Trust Co., Ltd. (昆仑信托有限责任公司)	Independent director		
Shi Tiantao	Rongtong Fund Management Co., Ltd. (融通基金管理有限责任公司)	Independent director		
Liu Haifeng David	Far East Horizon Co., Ltd. (远东宏信有限公司)	Non-executive director	October 2009	
Liu Haifeng David	China International Capital Corporation Limited (中国国际金融股份有限公司)	Non-executive director	February 2015	
Liu Haifeng David	Sunpower Group (中圣集团)	Non-executive director		
Dai Deming	Beijing Capital Development Co., Ltd. (北京首都开发股份有限公司)	Independent director	September 2015	
Dai Deming	China Zheshang Bank Co., Ltd. (浙商银行股份有限公司)	Independent Non-executive director	March 2015	
Dai Deming	BOC Aviation Limited (中银航空租赁有限公司)	Independent Non-executive director	May 2016	
Dai Deming	China Securities Co., Ltd. (中信建投证券股份有限公司)	Independent Non-executive director	August 2016	
Peng Jianfeng	Beijing Chinastone Enterprise Management Consulting	President		

	Co., Ltd. (北京华夏基石企业管理咨询有限公司)			
Peng Jianfeng	School of Labor and Human Resources of Remin University of China	Professor		
Peng Jianfeng	Qingdao Haier Co., Ltd.	Director		
Peng Jianfeng	China Merchants Shekou Industrial Zone Holdings Co., Ltd.	Independent director		
Peng Jianfeng	Chow Tai Seng Jewellery Company Limited	Independent director		
Peng Jianfeng	Jinko Power Technology Co., Ltd. (晶科电力科技股份有限公司)	Independent director		
Zhou Hongbo	Beijing Hanbang Technology Co., Ltd.	Director	November 2017	November 2020
Positions in shareholders entities	Nil			

III. Remuneration of Directors, Supervisors and Senior Management

√ Applicable Not Applicable

Decision-making procedures of the remuneration of directors, supervisors and senior management	The procedures for decision-making of remuneration of directors, supervisors and senior management of the Company are establishing platform, clearing standards, communication and consultation, and making objective decision. The Remuneration Committee of the Company formulate remuneration standards, adjust principles and assess the principles of realizing, then propose them to the board of directors for approval, thus form a system platform, then to determine the actual remuneration of that year according to the principle of “salary paid by users” and the two-dimensional lattice examination results of the bet against cycle and the two-dimensional lattice annual examination results.
Determination basis of the remuneration of directors, supervisors and senior management	The management personnel salary system of the Company in 2017 is linked to the vertical and horizontal matching statement and the win-win value-added statement, of which the tool is the two-dimensional lattice model (二维点阵模型). The two-dimensional lattice (二维点阵) could reflect the strategy support, emerging small companies and leading platform vertically, and the global leading market competitiveness horizontally. The highest allowance of outside directors of

	the 9th session of the board of directors of the Company is RMB200,000 (before tax) in total per year, including the fixed allowances of RMB150,000 per year, the highest performance allowance is RMB50,000 per year, and the exact amount of performance allowance will be determined based on the comprehensive consideration of the contribution of directors to the Board decision making, the effectiveness of the proposals and recommendations to the board of directors, the participation of the meetings of the Board, attendance rate of all Board meetings and other factors. The travelling expense for attending the meetings of the board of directors and shareholders and other expenses necessary for performing their duties pursuant to the Articles of Association shall be fully reimbursed.
Remuneration payables of directors, supervisors and senior management	Paid as required.
Total actual remuneration of all the directors, supervisors and senior management at the end of the reporting period	RMB4.41 million

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

Applicable Not Applicable

V. Punishment by the Securities Supervisory Institute in last three years

Applicable Not Applicable

VI. Staff of the Company and Principal Subsidiaries

(I) Staff information

Number of staff of the Company	2,866
Number of staff of principle subsidiaries	74,030
Total number of staff	76,896
Number of employees whose retirement expenses are borne by the Company and the principle subsidiaries	0
Breakdown by function	
Function	Number
Production	48,882
Sales	14,175
R&D	11,301
Financial	1,028
Administrative	1,510
Total	76,896
Breakdown by education	
Education	Number
Bachelor and above	16,148
College	18,702
Technical secondary school and others	42,046
Total	76,896

(II) Remuneration policies

Applicable Not Applicable

The Company conducted the system of “salary paid by users”, individual paid separately and entirely paid in advanced, which originates from the strategic balance sheet of Haier, and carried out the evaluation of the four aspects, namely the creation of user values, the enhancement of emerging small companies, the budget implementation of the leading targets and the continuous optimization based on the vertical and horizontal matching statement and the win-win value-added statement. The incentive system leads to “salary paid by users”, win-win sharing through everybody creating values to the users who will pay for the values, achieving the emerging small companies and the leading platform.

(III) Personnel training

Applicable Not Applicable

Please also refer to relevant content set out in "Social Responsibility Report in 2017 of Qingdao Haier Co., Ltd." published on the same date as this report.

(IV) Labor Outsourcing

Applicable Not Applicable

VII. Other

Applicable Not Applicable

Section IX CORPORATE GOVERNANCE

I. EXPLANATION OF CORPORATE GOVERNANCE

√ Applicable Not Applicable

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

(1) Shareholders and general meeting of shareholders:

The Company could ensure that all shareholders, especially the minority shareholders enjoy equal treatment and are able to fully exercise their rights; during the reporting period, the Company convened and held 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 Company:

The controlling shareholders acted normatively and did not interfere with the Company's management decisions and operations, directly or indirectly. The Company and the controlling shareholders are independent of each other in terms of their staff, assets, finance, organization and business. Their respective board of directors, the supervisory committee and internal administrative departments are all independent of each other. The specific requirements for regulating Related-party transactions and fund flow are set out in the Articles of Association, Fair Decision-Making System for Related-party Transactions and the Administrative System for Regulation of Fund Flow between the Company and Related Parties, Risk Control System for Related-party Transaction with Haier Group Finance Co., Ltd., and Proposal for Emergency Response System for Risk of Deposits with Haier Group Finance Co., Ltd., which guaranteed the interests of investors. The daily related-party transactions are subject to the consideration and approval at the annual general meeting and set specialized execution procedure. The basis of pricing and reasonability of operation agreement shall be supervised and reviewed by special departments, so as to regulate the execution of related-party transactions and protect the interests of minority shareholders and non-related shareholders. During the reporting period, further enhanced self-procurement capability and scope of the self-procurement companies Qingdao Haidarui Procurement Service Co., Ltd.(青岛海达瑞采购服务有限公司) and Qingdao Haidayuan Procurement Service Co., Ltd.(青岛海达源采购服务有限公司) and strengthened the procurement capability of the Company, which further reduced related-party transactions. The revenue of the above two companies amounted to RMB17.59 billion and RMB26.87 billion respectively in 2017, with procurement efforts continued to increase.

(3) Directors and the Board:

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

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

(4) Supervisors and the Supervisory Committee:

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

(5) Performance evaluation and incentive and disciplinary mechanism:

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

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

(6) Stakeholders:

The Company was able to fully respect and protect the lawful rights and interests of banks, other creditors, employees, consumers and other stakeholders. Meanwhile, the Company actively took part in public welfare undertaking in such place where it operates, placed a lot of emphasis on environment protection, performed its social duties earnestly and worked together

with these stakeholders actively with good communication to promote the sustainable and sound development of the Company. For details, please refer to relevant information in 2017 Social Responsibility Report of Qingdao Haier Co., Ltd. published on the same date of this report.

(7) Information disclosure and transparency:

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

(8) Implementation of corporate governance campaign in 2017:

During the reporting period, the Company continued to carry out works relating to “solution of business competition and reduction of related-party transactions”. In 2017, trading volume of related-party transactions regarding procurement amounted to RMB35.80 billion, which accounted for 24.0% of the similar transactions, remaining flat as compared to the same period of the previous year. Trading volume of related-party transactions regarding sales amounted to RMB5.25 billion, which accounted for 3.3% of the similar transactions, representing a decrease of 0.4 pct pt compared with last year. The effective optimization of the related-party transactions in the previous period has been maintained. The Company will continue to increase investment in independent purchase and promote the continuous optimization of related-party transactions.

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

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

Applicable Not Applicable

II. Introduction to the General Meeting of shareholders

Meeting	Date	Index for details of websites designated for publishing resolutions	Date of disclosure
2016 Annual General Meeting	28 June 2017	For details, please refer to the Announcement on Resolutions Passed at the 2016 Annual General Meeting of Qingdao Haier Co., Ltd. (L2017-023) published by the Company on the website of Shanghai Stock Exchange (www.sse.com.cn) and the four major securities newspapers.	29 June 2017
2017 First Extraordinary General Meeting	23 November 2017	For details, please refer to the Announcement on Resolutions Passed at the 2017 First Extraordinary General Meeting of Qingdao Haier Co., Ltd. (L2017-045) published by the Company on the website of Shanghai Stock Exchange (www.sse.com.cn) and the four major securities newspapers.	24 November 2017

Explanation of Shareholders' general meetings

Applicable Not Applicable

(1) The 2016 Annual General Meeting of the Company (the "2016 AGM") was held by way of on-site voting and network voting by poll at Room A108, Haier University, Haier Information Park, No.1 Haier Road, Qingdao, the PRC in the afternoon on 28 June 2017. The Company's share capital in aggregate amounted to 6,097,630,727 shares. 171 shareholders and proxies attended the meeting, holding a total of 3,696,722,055 shares, representing 60.63% of the total number of shares of the Company with voting rights. The Directors, Supervisors and senior management of the Company as well as the lawyers engaged by the Company also attended the meeting. The 2016 AGM was convened by the Board of the Company. Vice president Ms. Tan Lixia presided over the 2016 AGM. The Company had 9 Directors, of whom 4 Directors attended the 2016 AGM (Directors Liang Haishan, Zhou Hongbo, Peng Jianfeng, Wu Cheng, Liu Haifeng David were unable to attend the 2016 AGM due to personal engagement); the Company had 3 Supervisors, all of whom attended the 2016 AGM. The secretary to the Board of the Company attended the 2016 AGM and other members of senior management of the Company were invited to attend the 2016 AGM.

(2) The 2017 First Extraordinary General Meeting of the Company (the “2017 First EGM”) was held by way of on-site voting and network voting by poll at Room A108, Haier University, Haier Information Park, No.1 Haier Road, Qingdao, the PRC in the afternoon on 23 November 2017. The Company’s share capital in aggregate amounted to 6,097,402,727 shares. Attendance of shareholders and proxies at the 2017 First EGM is as follows: there were 96 shareholders of the Company in attendance either in person or by proxy at the 2017 First EGM, holding a total of 3,613,884,883 shares, representing 59.27% 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 2017 First EGM. The 2017 First EGM was convened by the Board of the Company. Mr. Liang Haishan, Chairman of the Board, presided over the 2017 First EGM. The Company had 9 Directors, of whom 2 Directors attended the 2017 First EGM (Directors Wu Changqi, Peng Jianfeng, Zhou Hongbo, Liu Haifeng David, Wu Cheng, Shi Tiantao, Dai Deming were unable to attend the 2017 First EGM due to personal engagement); the Company had 3 Supervisors, all of whom attended the 2017 First EGM. The secretary to the Board of the Company attended the 2017 First EGM and other members of senior management of the Company were invited to attend the 2017 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	Attendance By telecommunication	Attendance by proxy	Absence	Absence from two consecutive meetings in person or not	Attendances at general meetings
Liang Haishan	NO	7	7	3	0	0	NO	1
Tan Lixia	NO	7	7	2	0	0	NO	2
Peng Jianfeng	NO	7	7	6	0	0	NO	0
Wu Changqi	NO	7	7	7	0	0	NO	1
Zhou Hongbo	NO	7	7	7	0	0	NO	0
Liu Haifeng David	NO	7	7	6	0	0	NO	1
Dai Deming	YES	7	7	6	0	0	NO	1
Wu Cheng	YES	7	7	7	0	0	NO	0
Shi Tiantao	YES	7	7	7	0	0	NO	1

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

Applicable Not Applicable

Number of Board meetings held in the year	7
Of which: Number of on-site meetings	0
Number of meetings held by telecommunication	1
Number of meetings held both on site and by telecommunication	6

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

Applicable Not Applicable

(III) Other

Applicable Not Applicable

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

Applicable Not Applicable

(1) Audit Committee: during the reporting period, the Company convened 5 meetings of the Audit Committee to consider the annual report audit-related work for three times, namely, pre-audit, mid-audit and post audit and made relevant arrangement. The Audit Committee believed that the 2016 financial and accounting statement issued by the Company was in compliance with the requirements of the Accounting Standards for Business Enterprises, and gave a true and fair view of the Company's assets and liabilities as of 31 December 2016 and operating results and cash flow for the year 2016. 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 plans for the annual budget of related-party transactions, internal control self-assessment reports, profit distribution plan, engagement of accounting firm, change of accounting policies, issuance of convertible bonds, assigning of multimedia equity/PML equity, subscription of increase of capital of Finance Company, issuance of exchangeable bonds and the 2016 annual report, the first quarterly report/the semi-annual report/the third quarterly report of 2017. 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 2 meeting of the Remuneration and Appraisal Committee to consider the Phase II Stock Ownership Scheme of Core Employees Stock Ownership Scheme and the annual remuneration package of Directors, supervisors and senior management. The Remuneration and Appraisal Committee agreed the above resolutions and submitted the same to the Board for consideration.

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

(4) Strategy Committee: during the reporting period, the Company convened 7 meetings of the Strategy Committee to consider and approve the plan for assigning of multimedia equity/PML equity, performance of duties, issuance of convertible bonds and issuance of exchangeable bonds. The Strategy Committee agreed the above resolutions and submitted the same to the Board for consideration.

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

Applicable Not Applicable

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

Applicable Not Applicable

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

Applicable Not Applicable

In recent years, the Company made constant efforts in solving the horizontal competition, and reduced the number of related-party transactions. As of the end of the reporting period, the Company effectively solved the horizontal competition, and reduced the number of related-party transactions by acquiring the Group's upstream and downstream assets and setting up an independent platform for independent procurement and sales. In 2017, the trading amount of related-party transactions regarding procurement amounted to RMB35.80 billion, which accounted for 24.0% of similar transactions, remaining flat as compared to the same period of the previous year; the trading amount of related-party transactions regarding sales amounted to RMB5.25 billion, which accounted for 3.3% of similar transactions, representing a year-on-year decrease of 0.4 pct pt.

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

Applicable Not Applicable

In 2017, the Company adopted a system "salary paid by users" individual paid separately and entirely paid in advanced, which is linked to the vertical and horizontal matching statement and the win-win value-added statement for management personnel, of which the tool is the two-dimensional lattice model (二维点阵模型). The two-dimensional lattice (二维点阵) could reflect the strategy support, emerging small companies and leading platform vertically, and the global leading market competitiveness horizontally. The competitiveness of compensation was determined by such elements as "support for

strategy”, “competitiveness of market leading target” and “emerging small companies, leading platform”. The senior management receives annual appraisal of the annual performance, which was the key factor to performance bonus and development. On one hand, the Company’s “salary paid by users” overall compensation system of connecting sales force with their orders and remuneration diversified the way of salary incentive 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 the Company and the management was formulated in the principle of “salary paid by users” by implementing such initiatives as employee shareholding plan.

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

Applicable Not Applicable

For details, please refer to the 2017 Internal Control Assessment Report of Qingdao Haier Co., Ltd disclosed on the same date of this report.

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

Applicable Not Applicable

IX. Relevant Explanations on the Audit Report of Internal Control

Applicable Not Applicable

The Company’s auditor Shandong Hexin Accountants LLP (山东和信会计师事务所(特殊普通合伙)) has audited the efficiency of internal control relating to the financial report of the Company, and has issued its standard unqualified auditor’s report for the Company’s internal control (Hexin Shen Zi (2018) No.000268).

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 26 April 2018.

Whether to disclose the audit report on internal control: Yes

X. Other

Applicable Not Applicable

Section X RELEVANT INFORMATION ON CORPORATE BONDS

Applicable Not Applicable

On 9 September 2017, with the consideration and approval at the 8th meeting of the 9th session of the Board of Directors, the Company disclosed the proposal for issuance of convertible bonds, under which convertible bonds of RMB5.64 billion were intended to be issued. The fund would be utilized as the Company's investments in such aspects as the leading of the consumption upgrades, the implementation of the large kitchen appliances strategy and the enhancement of the innovation capabilities. As of the disclosure date of this report, the proposal was accepted by the CSRC with further feedback. Accordingly, the Company made responses to the feedback.

SECTION XI FINANCIAL REPORT

1. Auditor's Report

√ Applicable Not Applicable

Auditor's Report

Hexin ShenZi(2018) No.000267

To the shareholders of Qingdao Haier Co., Ltd:

I. OPINION

We have audited the accompanying financial statements of Qingdao Haier Co., Ltd. (hereinafter the "Company"), which comprise the consolidated and company balance sheets as at 31 December 2017, and the consolidated and company income statements, the consolidated and company statements of changes in shareholders' equity and the consolidated and company cash flow statements for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company's financial position of the Company as at 31 December 2017, and their financial performance and cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises.

II. BASIS FOR OPINION

We conducted our audit in accordance with China Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Company in accordance with the CICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

III. KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

Key audit matter	How our audit addressed the key audit matter
(I) Impairment testing of goodwill	
<p>Relevant disclosures are included in notes III.28</p> <p>Other significant accounting policies and accounting estimates and notes V.19</p> <p>Impairment of long-term assets.</p> <p>As of December 31, 2017, the book value of goodwill was RMB 19,843 million, and the book value of intangible assets with finite useful lives was RMB 621 million, without any provision for impairment.</p> <p>Significant management judgments are involved in calculation of asset group's recoverable amount, such as revenue growth rate, gross margin, discount rate, etc.</p> <p>Provision for impairment of goodwill and intangible assets with infinite useful lives is considered as the key audit matter due to the significant amount and management judgment involved in calculation.</p>	<p>Our audit procedures include:</p> <p>(1) Compared the actual operating results of the related assets group with previous year's forecasted figures, to assess the reliability of the management forecast on cash flow;</p> <p>(2) Compared the input of cash flow forecast with historical data, approved budget and business plan;</p> <p>(3) Tested the accuracy of the discounted cashflow model;</p> <p>(4) Assessed the appropriateness of the parameters in the discounted cashflow model, like discount rate and terminal growth rate, which is based on our understanding of business and industry.</p>
(II) Provision for Inventories	

<p>Relevant disclosures are included in notes V. 12 Inventory to the financial statements.</p> <p>Inventories of the company are measured at the lower of cost and net realizable value. As at December 31, 2017, inventory balance was RMB 22,234 million, provision for inventory impairment was RMB 731 million, and book value was RMB 21,503 million.</p> <p>The company determines the net realizable value of inventory based on the estimated selling price minus the estimated selling expenses and related taxes.</p> <p>Management estimates the selling price based on the status of inventory. The estimation process involves significant judgments such as inventory status, repair rate, discount rate, etc.</p> <p>Provision for inventories is considered as the key audit matter due to the significant amount and management judgment involved in calculation.</p>	<p>Our audit procedures include:</p> <p>(1) Obtained the calculation report for provision of inventories, and review their conditions and aging to see whether they are consistent with the information obtained through physical inventory on a sample basis;</p> <p>(2) Compared the major parameters estimated by management with historical data, and assess the appropriateness;</p> <p>(3) Assessed the selling price estimated by the management, and checked the inventory against the actual selling price after the balance sheet date on a sample basis;</p> <p>(4) Assessed selling expenses and related tax estimated by management and compared with actual amounts incurred.</p>
<p>(III) Product Warranty</p>	

<p>Relevant disclosures are included in notes V. 22 Provisions to the financial statements.</p> <p>Provisions are mainly accrued due to obligations arising from product warranty. As of December 31, 2017, the balance of the provision related to product warranty was RMB 2.60 billion.</p> <p>Product warranty was measured in accordance with the best estimate of the cost to fulfill the relevant obligations.</p> <p>Calculation of the product warranty involves management’s significant judgments based on historical experience, such as: replacement rate, repair rate, and loss due to disassemble product.</p> <p>Provisions are considered as the key audit matters due to the significant amount and management judgment involved in calculation.</p>	<p>Our audit procedures include:</p> <p>(1) Obtained the provision estimation process;</p> <p>(2) Compared the main parameters estimated by management with historical data;</p> <p>(3) Tested the accuracy;</p> <p>(4) Compared and analyzed the estimation with company’s actual operation.</p>
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IV. OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The management of the Company is responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor’s report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent

with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

V. RESPONSIBILITIES OF THE MANAGEMENT AND GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The management of the Company is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Accounting Standard for Business Enterprises, and for such internal control as the management determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the management of the Company is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management of the Company either intends to liquidate the Company or to cease operations or have no realistic alternative but to do so.

The governance of the Company is in charge of overseeing the Company's financial reporting process.

VI. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Auditing Standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

Conclude on the appropriateness of the management' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements.

We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Governance with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Shandong Hexin Certified Public Accountants LLP

CICPA:

(Engagement Partner)

China ·Jinan

CICPA:

24 April 2018

2. Financial Statements

CONSOLIDATED BALANCE SHEETS

31 December 2017

Prepared by: Qingdao Haier Co., Ltd.

Currency: RMB Yuan

	Notes	2017	2016
Current Assets:			
Cash	V.1	35,177,276,903.91	23,582,239,011.20
Clearing settlement funds			
Placements with banks			
Financial assets measured at fair value with changes included in current profit and loss	V.2	20,681,695.50	80,432,384.17
Derivative financial assets			
Notes receivable	V.3	13,033,083,520.99	13,796,561,238.05
Accounts receivable	V.4	12,448,004,833.06	12,265,195,443.40
Prepayments	V.5	590,693,658.21	592,510,116.61
Premiums receivable			
Reinsurance accounts receivables			
Reinsurance contract reserves receivable			
Interest receivable	V.6	203,637,543.83	135,319,774.41
Dividends receivable		4,524,472.84	101,648,913.10
Other receivables	V.7	961,263,981.87	1,180,418,052.75
Financial assets purchased under resale agreements			
Inventories	V.8	21,503,524,800.18	15,284,904,331.04
Held-for-sale assets			
Other non-current assets due in one year			
Other current assets	V.9	4,389,760,018.83	2,657,462,188.89
Total Current Assets		88,332,451,429.22	69,676,691,453.62
Non-current assets:			
Loans and advances granted			
Available-for-sale financial assets	V.10	1,415,354,307.82	1,555,878,717.05
Held-to-maturity investments			
Long term receivables			

Long-term equity investments	V.11	12,992,767,394.28	11,057,819,628.14
Investment properties	V.12	31,214,015.99	34,600,393.37
Fixed assets	V.13	16,017,523,376.11	15,544,099,343.40
Construction in progress	V.14	1,530,390,130.25	1,786,167,265.52
Construction materials			
Disposals of fixed assets	V.15	55,808,808.81	55,808,808.81
Productive living assets			
Oil and gas properties			
Intangible assets	V.16	7,005,186,296.28	7,274,440,410.94
Development expenditure	V.17	966,051,333.81	913,283,796.32
Goodwill	V.18	19,843,317,357.30	21,004,123,145.39
Long-term prepaid expenses	V.19	123,768,671.33	115,773,592.78
Deferred income tax assets	V.20	1,895,213,404.67	1,592,009,404.59
Other non-current assets	V.21	1,254,064,181.76	858,461,388.86
Total Non-current Assets		63,130,659,278.41	61,792,465,895.17
TOTAL ASSETS		151,463,110,707.63	131,469,157,348.79
Current Liabilities:			
Short-term borrowings	V.22	10,878,580,275.18	18,165,531,879.15
Financial liabilities measured at fair value with changes included in current profit and loss	V.23	2,524,569.45	2,340,213.20
Derivative financial liabilities			
Notes payable	V.24	16,378,699,659.77	12,404,889,760.05
Accounts payable	V.25	25,654,013,649.96	20,601,681,120.03
Accounts received in advance	V.26	5,833,552,815.05	5,737,348,712.97
Financial assets sold under repurchase agreements			
Fees and commissions payable			
Employee benefits	V.27	2,349,189,122.90	2,408,525,656.48
Taxes payable	V.28	1,909,260,527.42	1,620,588,401.27
Interest payable	V.29	57,656,458.79	30,570,328.66
Dividends payable	V.30	153,756,315.64	148,690,489.01
Other payables	V.31	10,805,162,943.62	9,459,636,746.05
Held-for-sale liabilities			

Other non-current liabilities due in one year	V.32	2,850,325,000.00	2,966,808,509.55
Other current liabilities		21,729,198.70	17,228,645.29
Total Current Liabilities		76,894,450,536.48	73,563,840,461.71
Non-current Liabilities:			
Long-term borrowings	V.33	16,036,492,809.81	15,530,801,311.80
Bonds payable	V.34	6,211,088,362.68	
Including: Preference shares			
Perpetual Note			
Long-term payable	V.35	106,020,029.74	115,783,382.28
Long-term employee benefits	V.36	898,160,742.53	1,209,218,564.79
Payables for specific projects			
Provisions	V.37	2,619,699,551.41	2,310,119,430.60
Deferred revenue	V.38	497,141,088.72	342,825,593.35
Deferred income tax liabilities	V.20	279,114,620.35	133,243,146.68
Other non-current liabilities	V.39	1,170,936,828.55	582,785,069.86
Total Non-current Liabilities		27,818,654,033.79	20,224,776,499.36
Total Liabilities		104,713,104,570.27	93,788,616,961.07
Equity:			
Share capital	V.40	6,097,402,727.00	6,097,630,727.00
Other equity instruments	V.41	431,424,524.07	
Including: Preference shares			
Perpetual note			
Capital reserve	V.42	826,883,093.84	83,383,194.51
Less: Treasury shares	V.43		1,041,960.00
Other comprehensive income	V.44	-36,363,809.96	566,987,435.57
Special reserve			
Surplus reserve	V.45	2,103,057,782.41	2,076,460,077.78
General reserve			
Retained Earnings	V.46	22,793,110,884.09	17,614,768,751.70
Total equity attributable to owners of the Company		32,215,515,201.45	26,438,188,226.56
Non-controlling interests		14,534,490,935.91	11,242,352,161.16
Total Equity		46,750,006,137.36	37,680,540,387.72

TOTAL LIABILITIES AND EQUITY		151,463,110,707.63	131,469,157,348.79
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BALANCE SHEET OF THE COMPANY

31 December 2017

Prepared by: Qingdao Haier Co., Ltd

Currency: RMB Yuan

	Notes	2017	2016
Current Assets:			
Cash		2,070,527,802.97	3,888,623,400.28
Financial assets measured at fair value with changes included in current profit and loss			
Notes receivable			
Accounts receivable	XVI. 1	288,499,726.07	265,438,220.39
Prepayments		20,000,000.00	10,000,000.00
Interest receivable		220,157,282.75	85,452,583.16
Dividends receivable		970,851,045.94	329,713,897.32
Other receivables	XVI.2	15,895,048.43	322,953,279.90
Inventories		89,650,514.91	69,799,065.47
Held-for-sale assets			
Other non-current assets due in one year			
Other current assets		87,165,597.70	94,935,174.83
Total Current Assets		3,762,747,018.77	5,066,915,621.35
Non-current Assets:			
Available-for-sale financial assets		5,818,587.80	5,478,235.84
Held-to-maturity investments			
Long term receivables		8,600,000,000.00	8,600,000,000.00
Long-term equity investments	XVI.3	23,581,254,928.08	22,342,078,877.07
Investment properties			
Fixed assets		118,553,830.32	116,840,195.32
Construction in progress		13,594,976.50	22,611,979.50
Construction materials			

Disposals of fixed assets			
Productive living assets			
Oil and gas properties			
Intangible assets		14,601,582.38	8,578,922.84
Development expenditure			
Goodwill			
Long-term prepaid expenses			
Deferred income tax assets		106,347,777.99	62,346,256.82
Other non-current assets			
Total Non-current Assets		32,440,171,683.07	31,157,934,467.39
TOTAL ASSETS		36,202,918,701.84	36,224,850,088.74
Current Liabilities:			
Short-term borrowings			
Financial liabilities measured at fair value with changes included in current profit and loss			
Notes payable			
Accounts payable		310,387,267.67	1,142,008,704.07
Accounts Received in Advance		2,465,908,721.32	1,844,082,827.50
Employee benefits		51,533,384.22	39,919,748.55
Taxes payable		62,255,803.87	57,218,867.86
Interest payable		156,447,167.63	117,705,327.18
Dividends payable			
Other payables		21,112,143,360.73	21,170,550,089.69
Held-for-sale liabilities			
Other non-current liabilities due in one year			
Other current liabilities		12,498,265.43	4,841,867.91
Total Current Liabilities		24,171,173,970.87	24,376,327,432.76
Non-current Liabilities:			
Long-term borrowings			
Bonds payable			
Including: Preference shares			
Perpetual Note			

Long-term payable		20,000,000.00	20,000,000.00
Long-term employee benefits			
Payables for specific projects			
Provisions			
Deferred revenue		37,700,000.00	17,700,000.00
Deferred income tax liabilities		36,152,815.34	15,569,301.11
Other non-current liabilities			
Total Non-current Liabilities		93,852,815.34	53,269,301.11
Total Liabilities		24,265,026,786.21	24,429,596,733.87
Equity:			
Share capital		6,097,402,727.00	6,097,630,727.00
Other equity instruments			
Including: Preference shares			
Perpetual note			
Capital reserve		2,317,907,947.71	2,061,597,739.78
Less: Treasury shares			1,041,960.00
Other comprehensive income		-43,234,737.77	-10,881,603.15
Special reserve			
Surplus reserve		1,437,313,649.93	1,389,846,284.51
Retained Earnings		2,128,502,328.76	2,258,102,166.73
Total Equity		11,937,891,915.63	11,795,253,354.87
Total Liabilities and Equity		36,202,918,701.84	36,224,850,088.74

CONSOLIDATED INCOME STATEMENTS

January –December 2017

Currency: RMB Yuan

	Notes	2017	2016
Total Revenue		159,254,466,909.46	119,132,261,662.60
Including: Operating revenue	V.47	159,254,466,909.46	119,132,261,662.60

Interest income			
Earned premiums			
Fee and commission income			
Total Cost		152,156,542,051.80	113,723,647,827.22
Including: Cost of sales	V.47	109,889,621,609.45	82,166,530,321.02
Interest expenses			
Fee and commission expenses			
Insurance withdrawal payment			
Net claims incurred			
Net provisions for insurance contract			
Insurance policy dividend paid			
Reinsurance cost			
Taxes and surcharges	V.48	808,890,988.25	687,907,686.34
Selling and distribution expenses	V.49	28,276,014,979.78	21,254,103,195.32
General and administrative expenses	V.50	11,133,225,318.88	8,404,150,036.49
Finance income/(expenses)	V.51	1,392,872,274.21	720,408,216.53
Asset impairment (loss)/reversal	V.52	655,916,881.23	490,548,371.52
Add: Gains/(losses) on changes in fair value	V.53	614,071,259.47	94,648,076.07
Gains/(losses) on investment	V.54	1,481,800,064.82	1,619,717,433.78
Gains/(losses) on disposal of non-current assets	V.55	10,764,209.65	231,246,918.49
Other income	V.56	908,561,990.40	
Operating Profit		10,113,122,382.00	7,354,226,263.72
Add: Non-operating income	V.57	692,963,237.76	1,170,564,378.20
Less: Non-operating expenses	V.58	261,629,717.99	336,173,701.05
Total Profit		10,544,455,901.77	8,188,616,940.87
Less: Income tax expenses	V.59	1,492,806,717.73	1,492,636,755.32
Net Profit		9,051,649,184.04	6,695,980,185.55
Profit for the year attributable to:			
Continuing Operations		9,051,649,184.04	6,695,980,185.55
Discontinued Operations			
Profit for the year attributable to:			
Owners of the Company		2,125,856,862.77	1,654,197,904.77

Non-controlling interests		6,925,792,321.27	5,041,782,280.78
Post-Tax Other Comprehensive Income	V.60	-604,055,691.61	-36,691,538.51
Attributable to owners of the company:		-603,351,245.53	-61,126,461.87
(I) Other comprehensive income that will not be reclassified subsequently to profit or loss		-3,683,444.37	-22,891,322.68
1. Changes in net liabilities or net assets arising from re-measurement of defined benefit plans		-3,683,444.37	-22,891,322.68
2. Share of the other comprehensive income of the investee accounted for using equity method which cannot be reclassified subsequently to profit and loss			
(II) Other comprehensive income to be reclassified subsequently to profit or loss		-599,667,801.16	-38,235,139.19
1. Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified subsequently to profit and loss		-307,016,515.96	-16,103,941.93
2. Gain or loss from change in fair value of available-for-sale financial assets		-3,059,092.10	-449,464,796.67
3. Gain or loss arising from reclassification from held-to-maturity investments to available-for-sale financial assets			
4. Effective portion of cash flow hedging gains or losses		27,853,868.22	11,869,020.64
5. Translation of foreign currency financial statements		-317,446,061.32	415,464,578.77
6. Others			
Attributable to non-controlling interests:		-704,446.08	24,434,923.36
Total Comprehensive Income for the Year		8,447,593,492.43	6,659,288,647.04
Attributable to owners of the Company		6,322,441,075.74	4,980,655,818.91
Attributable to non-controlling interests		2,125,152,416.69	1,678,632,828.13
Earnings per Share:			
Basic	XVIII.1	1.136	0.827
Diluted	XVIII.1	1.088	0.824

INCOME STATEMENT OF THE COMPANY

January – December 2017

Currency: RMB Yuan

	Notes	2017	2016
Revenue	XVI.4	3,452,002,347.60	3,251,045,387.75
Less: Cost of sales	XVI.4	2,383,868,807.01	2,285,513,749.93
Taxes and surcharges		25,962,529.33	19,258,535.31
Selling and distribution expenses		223,849,142.89	248,141,771.37
General and administrative expenses		715,982,494.02	706,718,455.37
Finance income/(expenses)		107,748,195.00	34,902,973.23
Asset impairment (loss)/reversal		9,321,788.24	20,652,209.72
Add: Gains/(losses) on changes in fair value			
Gains/(losses) on investment	XVI.5	1,290,751,070.45	493,291,535.21
Gains/(losses) on disposal of non-current assets			91,412.75
Other income		104,805,952.53	-
Operating Profit		1,380,826,414.09	429,240,640.78
Add: Non-operating income		74,298,043.16	146,236,590.90
Less: Non-operating expenses		1,041,948.86	1,306,239.11
Total Profit		1,454,082,508.39	574,170,992.57
Less: Income tax expenses		24,059,104.64	2,180,021.90
Net Profit		1,430,023,403.75	571,990,970.67
Profit for the year attributable to continuing Operations		1,430,023,403.75	571,990,970.67
Profit for the year attributable to discontinued Operations			
Post-Tax Other Comprehensive Income		-32,353,134.62	-29,723,625.40
(I) Other comprehensive income that will not be reclassified subsequently to profit or loss			
1. Changes in net liabilities or net assets arising from re-measurement of defined benefit plans			

2. Share of the other comprehensive income of the investee accounted for using equity method which cannot be reclassified subsequently to profit and loss			
(II) Other comprehensive income to be reclassified subsequently to profit or loss		-32,353,134.62	-29,723,625.40
1. Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified subsequently to profit and loss		-32,642,433.78	-14,448,296.09
2. Gain or loss from change in fair value of available-for-sale financial assets		289,299.16	-15,275,329.31
3. Gain or loss arising from reclassification from held-to-maturity investments to available-for-sale financial assets			
4. Effective portion of cash flow hedging gains or losses			
5. Translation of foreign currency financial statements			
6. Others			
Total Comprehensive Income for the Year		1,397,670,269.13	542,267,345.27
Earnings per Share:			
Basic			
Diluted			

CONSOLIDATED CASH FLOW STATEMENTS

FY2017

Currency: RMB Yuan

	Notes	2017	2016		Notes	2017	2016
I . Cash Flows from Operating Activities:				Net cash received from disposal of subsidiaries and other business units		23,620,711.45	41,133,607.21
Cash received from sales of goods or rendering of services		163,243,966,287.71	136,620,390,069.20				
Net increase in customer deposits and deposits from banks and other financial institutions				Cash received relating to other investing activities	V.63	191,730,448.52	10,042,470.81
Net increase in borrowing from PBOC				Sub-Total of Cash Inflows		964,073,284.73	1,124,838,284.58
Net cash increase in borrowing from other financial institutes				Cash paid to acquire fixed assets, intangible assets and other long-term assets		3,967,160,912.29	2,627,363,433.78
Cash received from premiums under original insurance contract							
Net cash received from reinsurance business				Cash paid to acquire investments		2,566,398,552.06	1,448,790,904.93
Net increase in deposits of policy holders and investment				Net increase in secured loans			
Net increase from the disposal of financial assets measured at fair value with fair value changes included in profit and loss for the year				Net cash paid to acquire subsidiaries and other business units		52,334,438.58	36,647,350,833.82

Cash received from interest, fee and commissions				Cash paid on other investment related activities			27,136,079.07
Net increase in cash borrowed				Sub-Total of Cash Outflows from Investing Activities		6,585,893,902.93	40,750,641,251.60
Net increase in cash received from repurchase operation				Net Cash Flows from Investing Activities		-5,621,820,618.20	-39,625,802,967.02
Refund of taxes and surcharges				III. Cash Flows from Financing Activities:			
		1,138,156,799.93	805,140,490.26				
Cash received relating to other operating activities	V.61			Cash received from capital contributions		1,379,989,798.26	94,182,889.43
		1,097,869,725.17	1,349,184,967.43				
Sub-Total of Cash Inflows from Operating Activities		165,479,992,812.81	138,774,715,526.89	Including: Cash received from capital contributions by non-controlling shareholders of subsidiaries			
Cash paid for goods and services		111,342,509,878.34	101,379,852,303.83				
Net increase in loans and advances				Cash received from borrowings		18,694,640,060.56	43,446,247,876.57
Net increase in deposits in PBOC and interbank				Cash received from issuing bonds		6,796,000,000.00	
Cash paid for claims under original insurance contract				Cash received from other financing related activities			24,716,628.63
Cash paid for interest, fee and commission				Sub-Total of Cash Inflows From Financing Activities		26,870,629,858.82	43,565,147,394.63

Cash paid for insurance policy dividend				Cash repayments of borrowings		22,922,113,456.97	11,685,054,603.51
Cash paid to and on behalf of employees		16,328,642,238.15	12,171,909,848.22	Cash payments for interest expenses and distribution of dividends or profits		2,898,969,569.61	1,807,044,796.22
Payments of taxes and surcharges		7,835,178,863.95	6,348,293,330.29	Including: Cash payments for dividends or profit to non-controlling shareholders of subsidiaries			
Cash paid relating to other operating activities	V.62	13,887,073,804.06	10,738,781,692.67				
Sub-Total of Cash Outflows		149,393,404,784.50	130,638,837,175.01	Cash payments relating to other financing activities	V.64	126,660,039.02	223,282,344.35
Net Cash Flows from Operating Activities	V.65	16,086,588,028.31	8,135,878,351.88	Sub-Total of Cash Outflows From Financing Activities		25,947,743,065.60	13,715,381,744.08
II . Cash Flows from Investing Activities:				Net Cash Flows from Financing Activities		922,886,793.22	29,849,765,650.55
Cash received from disposal of investments		275,405,926.37	682,200,570.32	IV . Effect of Fluctuations in Exchange Rates on Cash and Cash Equivalents		-342,880,074.16	209,746,501.09
Cash received from returns on investments		282,045,768.46	130,529,291.68	V . Net Increase in Cash and Cash Equivalents		11,044,774,129.17	-1,430,412,463.50
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		191,270,429.93	260,932,344.56	Add: balance of cash and cash equivalents at the beginning of the period	V.66	23,295,239,445.05	24,725,651,908.55
				VI. Balance of Cash and Cash Equivalents at the End of the Period	V.66	34,340,013,574.22	23,295,239,445.05

CASH FLOW STATEMENT OF THE COMPANY

FY2017

Currency: RMB Yuan

	Notes	2017	2016
I . Cash Flows from Operating Activities:			
Cash received from sales of goods or rendering of services		3,062,693,505.16	4,807,305,663.14
Refund of taxes and surcharges		27,750,963.05	40,093,606.18
Cash received relating to other operating activities		104,679,759.70	83,279,056.52
Sub-Total of Cash Inflows from Operating Activities		3,195,124,227.91	4,930,678,325.84
Cash paid for goods and services		2,094,136,731.85	1,435,151,669.31
Cash paid to and on behalf of employees		679,495,971.97	584,720,717.20
Payments of taxes and surcharges		181,894,997.28	140,362,961.29
Cash paid relating to other operating activities		194,723,652.37	391,453,674.63
Sub-Total of Cash Outflows		3,150,251,353.47	2,551,689,022.43
Net Cash Flows from Operating Activities		44,872,874.44	2,378,989,303.41
II . Cash Flows from Investing Activities:			
Cash received from disposal of investments			
Cash received from returns on investments		421,211,612.57	250,135,174.02
Net cash received from disposal of fixed assets, intangible assets and other long-term assets			
Net cash received from disposal of subsidiaries and other business units			
Cash received relating to other investing activities		20,000,000.00	
Sub-Total of Cash Inflows		441,211,612.57	250,135,174.02
Cash paid to acquire fixed assets, intangible assets and other long-term assets		32,789,662.23	12,468,050.25
Cash paid to acquire investments		1,006,813,576.50	15,893,337,507.50
Net cash paid to acquire subsidiaries and other business units			
Cash paid on other investment related activities			338,162,467.03

Sub-Total of Cash Outflows from Investing Activities		1,039,603,238.73	16,243,968,024.78
Net Cash Flows from Investing Activities		-598,391,626.16	-15,993,832,850.76
III. Cash Flows from Financing Activities:			
Cash received from capital contributions			
Cash received from borrowings			
Cash received from issuing bonds			
Cash received from other financing related activities		462,368,825.80	18,373,218,934.98
Sub-Total of Cash Inflows from Financing Activities		462,368,825.80	18,373,218,934.98
Cash repayments of borrowings			
Cash payments for interest expenses and distribution of dividends or profits		1,725,900,890.96	1,292,697,714.12
Cash payments relating to other financing activities		1,041,960.00	139,884,839.50
Sub-Total of Cash Outflows from Financing Activities		1,726,942,850.96	1,432,582,553.62
Net Cash Flows from Financing Activities		-1,264,574,025.16	16,940,636,381.36
IV. Effect of Fluctuations in Exchange Rates on Cash and Cash Equivalents		-2,820.43	3,558.31
V. Net Increase in Cash and Cash Equivalents		-1,818,095,597.31	3,325,796,392.32
Add: balance of cash and cash equivalents at the beginning of the period		3,888,623,400.28	562,827,007.96
VI. Balance of Cash and Cash Equivalents at the End of the Period		2,070,527,802.97	3,888,623,400.28

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FY2017

Currency: RMB Yuan

	2017												
	Equity attributable to owners of the Company										Non-controlling Interests	Total Equity	
	Share Capital	Other Equity Instruments			Capital Reserve	Less: Treasury Stock	Other Comprehensive Income	Special Reserve	Surplus Reserve	General reserve			Retained Earnings
	Preference Share	Perpetual Note	Others										
I . Closing balance in 2016	6,097,630,727.00				83,383,194.51	1,041,960.00	566,238,911.96		2,074,118,571.01		17,544,395,965.35	11,215,641,001.64	37,580,366,411.47
Add: changes in accounting policies													
Errors correction for prior year													
Business combination under common control							748,523.61		2,341,506.77		70,372,786.35	26,711,159.52	100,173,976.25
Others													
II . Opening balance for the current year	6,097,630,727.00				83,383,194.51	1,041,960.00	566,987,435.57		2,076,460,077.78		17,614,768,751.70	11,242,352,161.16	37,680,540,387.72

III. Increase/decrease for the current period (decrease is represented by “-”)	-228,000.00			431,424,524.07	743,499,899.33	-1,041,960.00	-603,351,245.53		26,597,704.63		5,178,342,132.39	3,292,138,774.75	9,069,465,749.64
(I) Total comprehensive income							-603,351,245.53				6,925,792,321.27	2,125,152,416.69	8,447,593,492.43
(II) Capital contribution and withdrawal by shareholders	-228,000.00			431,424,524.07	743,499,899.33	-1,041,960.00			-20,869,660.79		-187,826,947.16	1,452,333,557.09	2,419,375,332.54
1. Capital contribution by shareholders												1,452,333,557.09	1,452,333,557.09
2. Capital contribution by holders of other equity instruments				431,424,524.07								-	431,424,524.07
3. Share-based payment included in shareholders' equity													-
4. Others	-228,000.00				743,499,899.33	-1,041,960.00			-20,869,660.79		-187,826,947.16		535,617,251.38
(III) Profit distribution									47,467,365.42		-1,559,623,241.72	-285,347,199.03	-1,797,503,075.33

1. Appropriation to surplus reserves									47,467,365.42		-47,467,365.42		
2. Appropriation for general risks													
3. Distribution to owners (or shareholders)											-1,512,155,876.30	-285,347,199.03	-1,797,503,075.33
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 making up losses													
4. Others													
(V) Special reserve													
1. Appropriation													
2. Utilization													

(VI) Others													
IV. Closing balance for													
2017	6,097,402,727.00			431,424,524.07	826,883,093.84		-36,363,809.96		2,103,057,782.41		22,793,110,884.09	14,534,490,935.91	46,750,006,137.36

	2016												
	Equity attributable to owners of the Company											Non-controlling Interests	Total Equity
	Share Capital	Other Equity Instruments			Capital Reserve	Less: Treasury Stock	Other Comprehensive Income	Special Reserve	Surplus Reserve	General reserve	Retained Earnings		
		Preference Share	Perpetual Note	Others									
I. Closing balance in													
2015	6,123,154,268.00			83,383,194.51	77,604,544.70	633,183,460.03		2,026,585,301.23		13,944,632,981.28		9,708,285,895.93	32,441,620,556.28
Add: changes in accounting policies													
Errors correction for prior year													
Business combination under common control						-5,069,562.59		2,341,506.77		65,242,746.41		27,195,349.54	89,710,040.13
Others													
II. Opening balance for													
the current year	6,123,154,268.00			83,383,194.51	77,604,544.70	628,113,897.44		2,028,926,808.00		14,009,875,727.69		9,735,481,245.47	32,531,330,596.41

III. Increase/decrease for the current period (decrease is represented by “-”)	-25,523,541.00					-76,562,584.70	-61,126,461.87	47,533,269.78		3,604,893,024.01	1,506,870,915.69	5,149,209,791.31
(I) Total comprehensive income							-61,126,461.87			5,041,782,280.78	1,678,632,828.13	6,659,288,647.04
(II) Capital contribution and withdrawal by shareholders	-25,523,541.00					-76,562,584.70		-9,665,827.29		-86,992,445.58	56,237,351.07	10,618,121.90
1. Capital contribution by shareholders	-25,523,541.00					-76,562,584.70					56,237,351.07	107,276,394.77
2. Capital contribution by holders of other equity instruments												
3. Share-based payment included in shareholders' equity												
4. Others								-9,665,827.29		-86,992,445.58		-96,658,272.87
(III) Profit distribution								57,199,097.07		-1,349,896,811.19	-227,999,263.51	-1,520,696,977.63

1. Appropriation to surplus reserves									57,199,097.07		-57,199,097.07		
2. Appropriation for general risks													
3. Distribution to owners (or shareholders)											-1,292,697,714.12	-227,999,263.51	-1,520,696,977.63
4. Others													
(IV) Internal transfer of owner's equity													
1. Transfer of capital reserves into capital (or share capital)													
2. Transfer of surplus reserves into capital (or share capital)													
3. Surplus reserves used for making up losses													
4. Others													
(V) Special reserve													
1. Appropriation													
2. Utilization													

(VI) Others													
IV. Closing balance for													
2016	6,097,630,727.00				83,383,194.51	1,041,960.00	566,987,435.57		2,076,460,077.78		17,614,768,751.70	11,242,352,161.16	37,680,540,387.72

STATEMENT OF CHANGES IN EQUITY OF THE COMPANY

FY2017

Currency: RMB Yuan

	2017										
	Share Capital	Other Equity Instruments			Capital Reserve	Less: Treasury Stock	Other Comprehensive Income	Special Reserve	Surplus Reserve	Retained Earnings	Total Equity
		Preference Share	Perpetual Note	Others							
I . Closing balance in 2016	6,097,630,727.00				2,061,597,739.78	1,041,960.00	-10,881,603.15		1,389,846,284.51	2,258,102,166.73	11,795,253,354.87
Add: changes in accounting policies											
Errors correction for prior year											
Others											
II . Opening balance for the current year	6,097,630,727.00				2,061,597,739.78	1,041,960.00	-10,881,603.15		1,389,846,284.51	2,258,102,166.73	11,795,253,354.87
III. Increase/decrease for the current period (decrease is represented by “-”)	-228,000.00				256,310,207.93	-1,041,960.00	-32,353,134.62		47,467,365.42	-129,599,837.97	142,638,560.76

(I) Total comprehensive income							-32,353,134.62			1,430,023,403.75	1,397,670,269.13
(II) Capital contribution and withdrawal by shareholders	-228,000.00				256,310,207.93	-1,041,960.00					257,124,167.93
1. Capital contribution by shareholders	-228,000.00				-15,248,846.94	-1,041,960.00					-14,434,886.94
2. Capital contribution by holders of other equity instruments											
3. Share-based payment included in shareholders' equity											
4. Others					271,559,054.87						271,559,054.87
(III) Profit distribution									47,467,365.42	-1,559,623,241.72	-1,512,155,876.30
1. Appropriation to surplus reserves									47,467,365.42	-47,467,365.42	
2. Distribution to owners (or shareholders)										-1,512,155,876.30	-1,512,155,876.30
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 making up losses											
4. Others											
(V) Special reserve											
1. Appropriation											
2. Utilization											
(VI) Others											
IV. Closing balance for 2017	6,097,402,727.00				2,317,907,947.71		-43,234,737.77		1,437,313,649.93	2,128,502,328.76	11,937,891,915.63

	2016										
	Share Capital	Other Equity Instruments			Capital Reserve	Less: Treasury Stock	Other Comprehensive Income	Special Reserve	Surplus Reserve	Retained Earnings	Total Equity
		Preference Share	Perpetual Note	Others							
I . Closing balance in 2015	6,123,154,268.00				2,229,511,649.19	77,604,544.70	18,842,022.25		1,332,647,187.44	3,036,008,007.25	12,662,558,589.43

Add: Changes in accounting policies											
Errors correction for prior year											
Others											
II. Opening balance for the current year	6,123,154,268.00				2,229,511,649.19	77,604,544.70	18,842,022.25		1,332,647,187.44	3,036,008,007.25	12,662,558,589.43
III. Increase/decrease for the current period (decrease is represented by "-")	-25,523,541.00				-167,913,909.41	-76,562,584.70	-29,723,625.40		57,199,097.07	-777,905,840.52	-867,305,234.56
(I) Total comprehensive income							-29,723,625.40			571,990,970.67	542,267,345.27
(II) Capital contribution and withdrawal by shareholders	-25,523,541.00				-167,913,909.41	-76,562,584.70					-116,874,865.71
1. Capital contribution by shareholders	-25,523,541.00				-163,646,699.20	-189,170,240.20					
2. Capital contribution by holders of other equity instruments											
3. Share-based payment included in shareholders' equity											

4. Others					-4,267,210.21	112,607,655.50					-116,874,865.71
(III) Profit distribution									57,199,097.07	-1,349,896,811.19	-1,292,697,714.12
1. Appropriation to surplus reserves									57,199,097.07	-57,199,097.07	
2. Distribution to owners (or shareholders)										-1,292,697,714.12	-1,292,697,714.12
3. Others											
(IV) Internal transfer of owner's equity											
1. Transfer of capital reserves into capital (or share capital)											
2. Transfer of surplus reserves into capital (or share capital)											
3. Surplus reserves used for making up losses											
4. Others											
(V) Special reserve											
1. Appropriation											
2. Utilization											
(VI) Others											

IV. Closing balance for 2016	6,097,630,727.00				2,061,597,739.78	1,041,960.00	-10,881,603.15		1,389,846,284.51	2,258,102,166.73	11,795,253,354.87
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Legal representative:

Liang Haishan

Chief Financial Officer:

Gong Wei

Person in charge of accounting

department: Ying Ke

3. 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 TiGai [1989] No.3 on 24 March 1989, based on the reconstruction of the original Qingdao Refrigerator Factory, a limited company was set up by directional fund raising of RMB150 million. In March and September 1993, as approved by the document of Qing Gu Ling Zi [1993] No. 2 and No. 9 issued by the pilot leading team of Qingdao joint stock company, the Company was converted from a directional offering company to a public subscription company and issued additional 50million shares to the public and listed with trading on Shanghai Stock Exchange in November 1993.

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

In the opinion of the directors, the ultimate holding company of the Company is Haier Group Corporation ("Haier Corp"), which is established in the PRC.

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.

These financial statements have been approved for publication by the Board of the Company on 24 April 2018. Under the Company's constitution, these financial statements shall be submitted for consideration at general meetings.

2) Scope of consolidated financial statements

For details of changes in the scope of consolidated financial statements for 2017, please refer to "VI. Changes in Consolidation Scope" and "VII. Interest in Other Entities" of this note.

4. Basis of Preparation of the Financial Statements

The financial statements of the Company were prepared on the going concern basis according to the transactions and matters actually occurred, in accordance with the Accounting Standards for Enterprises – Basic Standards published by the Ministry of Finance, specific accounting standards, and guidance on application of accounting standards for enterprises, interpretations to accounting standards for enterprises and other relevant requirements (hereinafter collectively referred to as the “Accounting Standards for Enterprises”) which issued subsequently, and in combination with the disclosure provisions of the Rules for the Information Disclosure and Compilation of Companies Publicly Issuing Securities No.15: General Provisions for Financial Report (Revised in 2014) of CSRC as well as the following significant accounting policies and accounting estimation.

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

5. 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, which accurately and completely reflected information relating to the financial condition as of 31 December 2017, operation result and cash flow of the Company in 2017.

2) Accounting period

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

3) Operating cycle

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

4) Recording currency

Renminbi is the recording currency of the Company.

5) Business combinations under common control and not under common control

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

(1) Business combinations under common control

A business combination under common control is a business 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 business combination under common control, the party that obtains the control over the other parties on the combination date is the acquirer, and other parties involving in the business combination are the transferors. The combination date is the date on which the acquiring party effectively obtains the control over the party being acquired.

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

the consideration for the combination is paid by issuance of equity instruments, the aggregate nominal value of shares issued will be deemed as the share capital. The difference between the initial investment cost of long-term equity investments and aggregate nominal value of shares issued shall be adjusted to capital reserve (capital premium or share premium), in case the capital reserve (capital premium or share premium) is insufficient for the elimination, the surplus reserves and undistributed profits shall be used to dilute such expenses in order.

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

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

In the consolidated financial statements, the long-term equity investment held by the combining party before the date of acquiring control of the combined parties, and the profit and loss, the other comprehensive income and changes in the other owners' equity recognized during the period between the later of the date of acquisition and the date when the combining and the combined parties are under the common control of the same party and the date of combination, are

written down to the retained earnings or profit or loss at the beginning of the comparative reporting period, respectively.

(2) Business combinations involving entities not under common control

A business combination not under common control is an business 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 business 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 business combination are the transferors. The combination date is the date on which the acquirer effectively obtains control of the transferors.

In business combination involving entities not under common control, the cost of combination shall be the sum of the assets paid, obligations incurred or assumed and the fair value of the equity securities issued by the acquirer for obtaining control of the transferor at the date of acquisition. Intermediary fees (such as audit, legal services and valuation consultancy) and other relevant management fees incurred by the acquirer for the purpose of business 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 arise 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 business combination shall be amended accordingly.

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

combination cost is still lower than the fair value of the identifiable net assets of the transferor obtained during the course of combination, then the difference is recorded in the profit and loss.

In business combination involving entities not under common control that is realized in phases through multiple exchange transactions, in the Company individual financial statements, the sum of the book value of the equity investment of the transferor held before the date of acquisition and the cost of new investment on the date of acquisition are recognized as the initial investment cost of such investment.

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

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

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

(3) Offset matters in the consolidated financial statements

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

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

(4) Accounting treatment of subsidiaries acquired from combination

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

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

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

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

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

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

Joint ventures refer to a joint arrangement during which the Company only is entitled to net assets of this arrangement. Investment in joint venture is accounted for using the equity method according to the accounting policies referred to under “13 Long-term equity investment” of 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 in the profit or loss, except ① those arising from the funds denominated in foreign currency specially borrowed for the establishment of the qualifying assets are treated based on the principal of capitalization of borrowing costs; ② those arising from the other changes in the balance other than amortized cost of available-for-sale monetary items denominated in foreign currency are recognized in the other comprehensive income.

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

(2) Translation of foreign currency financial statements

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

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

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

When disposing overseas operations, the translation difference related to the overseas operation shall be transferred together or as the percentage of disposing the overseas operation to profit or loss for 2017 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 the profit or loss for financial assets and financial liabilities at fair value with its change consolidated in profit/loss or included in the amount recognized initially for other types of financial assets and financial liabilities.

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

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

on initial recognition, classified into financial liabilities at fair value 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 are financial assets held for trading. Financial assets may be classified as financial assets held for trading if one of the following conditions is met: ① the financial asset is acquired principally for the purpose of sale or repurchase in the near term; ② the financial asset is part of a portfolio of identified financial instruments that are managed together and for which there is an objective evidence of recent pattern of short-term profit-taking; or ③ the financial asset is a derivative, excluding the derivatives designated as effective hedging instruments, the derivatives classified as financial guarantee contract, and the derivatives linked to an equity instrument investment, which has no quoted price in an active market nor a reliably measured fair value, and required to be settled through delivery of that equity instrument. A financial asset may be designated as at fair value 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; or ③ pursuant to Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments, the financial asset is designated as combination instrument of financial assets measured at fair value through 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.

Held-to-maturity investments are non-derivative financial assets that have fixed or determinable payments and fixed maturity and for which the Company has the positive intention and ability to hold to maturity. Held-to-maturity investments are measured subsequently at amortized cost by using the effective interest rate method. Gains or losses arising from de-recognition, impairment or amortization are recognized in the profit or loss for the year ended 31 December 2017.

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

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets, including bills receivable, accounts receivable, other receivables and long-term receivables are classified as loans and receivables by the Company. Loans and receivables are subsequently measured at amortized cost using the effective interest method. Gain or loss on derecognition, impairment or amortization is recognized to the consolidated profit or loss for the year ended 31 December 2017.

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 profit or loss.

For hybrid instruments containing embedded derivatives, an embedded derivative is separated from the hybrid instrument, where the hybrid instrument is not designated as a financial asset or financial liability at fair value with its change consolidated in profit/loss, and treated as a stand-alone derivative if the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract, and a separate instrument with the same terms as the embedded derivative would be in compliance with the definition of a derivative. If the Group is unable to measure the embedded derivative separately either at acquisition or at a subsequent balance sheet date, it will designate the entire hybrid instrument as a financial asset or financial liability at fair value through 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; or ③ the financial asset has been transferred, and the Company has given up the control on such financial asset, though it does not assign or maintain substantially all the risk and return arising from the ownership of the financial asset.

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

On derecognition of a financial asset, the difference between the following amounts is recognized in profit or loss in 2017: the carrying amount and the sum of the consideration received and any accumulated changes in fair value that had been recognized originally and directly in capital reserve. If a part of the financial assets qualifies for derecognition, the carrying amount of the financial asset is allocated between the part that continues to be recognized and the part that qualifies for derecognition, based on the fair values of the respective parts. The difference between the following amounts is recognized in profit or loss in 2017 when the carrying amount of the part that qualifies for derecognition and the sum of the consideration received and any accumulated changes in fair value that had been recognized originally and directly in capital reserve.

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is currently an enforceable legal right to offset the recognized financial assets and financial liabilities and there is an intention to settle on a net basis, or to realize the

assets and settle the liabilities simultaneously. Otherwise, financial assets and financial liabilities are presented separately in the balance sheet without being offset.

(3) Classification, recognition and measurement of financial liabilities

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

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

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

instrument of financial liabilities measured at fair value through 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 year ended 31 December 2017.

Other financial liabilities: The derivative financial liabilities linked to and to be settled through delivery of the equity instruments that are not quoted in an active market and the fair value of which cannot be reliably measured, such equity instruments are subsequently measured at cost. Other financial liabilities apart from the financial guarantee contracts are subsequently measured at amortized cost using the effective interest rate method and the gains or losses arising from de-recognition or amortization are recognized in profit or loss for the year ended 31 December 2017.

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

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

consideration paid (including non-cash assets transferred out or new financial liability assumed) is recognized in the profit or loss.

(4) Impairment of financial assets

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

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

- ① The issuer or debtor is experiencing significant financial difficulties;
- ② The debtor breaches the contractual terms, including default or delinquency in interest or principal payments;
- ③ The Company, based on economic or legal or other factors, waive the debts;
- ④ It is highly probable that the debtor will enter bankruptcy or other financial reorganization;
- ⑤ The issuer is experiencing significant financial difficulties that the corresponding financial instruments could not be traded in an active market;
- ⑥ When it is unable to determine whether cash flows of a specific instrument in a group of financial assets decrease, but the cash flows since initial recognition of that group of financial assets would decrease and be measurable, or the ability to repay by the debtors in that group of financial asset deteriorate, or the unemployment rate of the country or region in which the debtors situate increases, or the price of the underlying collateral decreases significantly in its region, or the industry of the debtors is diminishing;
- ⑦ There are significant adverse changes in the technology, market, economy or legal environments in issuance place of the equity instrument so that the investor could not recover its investment costs;
- ⑧ There is significant or other than temporary decrease in fair value of equity instrument;
- ⑨ Other objective evidences show that the financial asset is impaired.

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

When held-to-maturity investments, loans and accounts receivables have been impaired, the book value of the financial assets shall be written down to the current value of estimated future cash flow discounted at the original effective interest rate, and the write-down amount is recorded as impairment loss and written into profit or loss for the year ended 31 December 2017. When a financial asset based on amortized cost is impaired, if there are objective evidences showing the value of this financial asset is recovered and it is objectively related to the matters happened after the impairment loss recognition, the impairment loss recognized shall be reversed. However, the reversal shall not result in a carrying amount of the financial asset that exceeds the amortized cost if the impairment had not been recognized at the date when the impairment is reversed.

If an available-for-sale financial asset is impaired, the cumulative loss arising from decline in fair value that had been recognized directly in other comprehensive income is reclassified to the 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 profit or loss.

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

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

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

11) Receivables

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

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

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

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

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

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

Receivables that are individually tested not impairment, is classified by similar credit risks into several portfolio and then recognize the impairment loss and make bad debts provision on prorated basis 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, wrap page, low-cost consumables, goods in progress, self-made semi-finished goods, finished goods (merchandise inventory) and engineering construction, etc.

(2) Measurement of inventories transferred out

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

(3) Provision for inventory impairment

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

The net realizable value of inventories (including finished products, merchandize and materials for sale) that can be sold directly is determined using the estimated saleable price of such inventory deducted by the cost of sales and relevant taxation. The net realizable value of materials in inventory that are held for production is determined using the estimated saleable price of the finished product deducted by the cost to completion, estimated cost of sales and relevant taxation. The net realizable value of inventory held for performance of sales contract or labor service contract is determined based on the contractual price; in case the amount of inventory held by the enterprise exceeds the contractual amount, the net realizable value of the excess portion of inventory is calculated using the normal saleable price. Provision for impairment of inventories is made for individual inventory.

For items of inventories that is produced and marketed in the same geographical area and with the same or similar end uses or purposes, which cannot be 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 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 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 and other comprehensive incomes of the investee, and the carrying amount of the long-term equity investments shall be adjusted accordingly; the carrying amount of the investment is reduced by the Company's share of the profit distribution or cash dividends declared by an investee; for changes in owner's equity of the investee other than those arising from its net profit or loss, other comprehensive income and profit distribution, the carrying amount of the long-term equity investment shall be adjusted and recognized to capital reserve. When recognizing attributable share of the net profit and losses of the investee, the net profit of the investee shall be

recognized after adjustment on the ground of the fair value of all identifiable assets of the investee when it obtains the investment. If the accounting policies and accounting periods adopted by the investee are different from those adopted by the Company, an adjustment shall be made to the financial statements of the investee in accordance with the accounting policies and accounting periods of the Company and recognize the investment incomes and other comprehensive incomes.

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

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

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

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

③ Change of accounting under equity method to measurement at fair value: the long-term equity investment originally held with common control or significant impact on the investee that

cannot conduct common control or significant impact on the investee due to the decrease of shareholding as a result of factors such as partial disposal, shall be accounted in accordance with Standards for Recognition and Measurement of Financial Instruments, and the difference between the fair value on the date when the common control or significant impact is lost and the book value is included in profit or loss in the relevant year.

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

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

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

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

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

5) Major transactions with the investee.

(5) Impairment test and provision of impairment

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

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

(6) Disposal of long-term equity investments

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

14) Investment properties

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

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

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

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

15) Fixed assets

(1). Recognition criteria of fixed assets

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

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

(2) Classification and Depreciation method of fixed assets

The fixed assets of the Company can be divided into: buildings and constructions, production equipment, transportation equipment and office equipment, etc. The straight-line method over useful lives is used to measure depreciation. The useful lives and the expected net residual value of fixed assets are determined according to the nature and usage of various fixed assets. At the end of each year, the useful lives, expected net residual value and depreciation method of fixed assets are reviewed, and adjusted if there is variance with original policies; The Company has made provisions for all of the fixed assets except for the fixed assets with full provision and used continuously.

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

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

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

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

Basis for recognition of fixed assets held under finance lease: leases that transfer all the risks and rewards related to the ownership of the relevant assets. The asset is recognized if one or more

of the following criteria is met: ① upon expiry of the lease term, the ownership of the leased asset is transferred to the lessee; ② the lessee has the option to purchase the leased asset at a price expected to be sufficiently lower than the fair value of the leased asset when the option is exercised and at the inception of the lease, it is reasonably certain that the lessee will exercise the option; ③ the lease term approximates the useful life of the leased asset even if the ownership is not transferred; ④ at the inception of the lease, the present value of the minimum lease payments is substantially equivalent to the fair value of the leased asset; ⑤ the leased assets are of such a specialized nature that only the lessee can use them without major modification.

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

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

16) Construction in progress

(1) Types of construction in progress

Construction in progress for the Company is self-constructed.

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

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

- ① The construction of the fixed assets (including installation) has been completed or substantially completed;
- ② The fixed asset has been used for trial operation and it is evidenced that the asset can operate ordinarily or produce steadily qualified products; or the result of trial operation proves that it can operate normally;
- ③ Further expenditure incurred for construction is very minimal or remote;
- ④ The constructed fixed asset reaches or almost reaches the design or the requirements of contract, or complies with the design or the requirements of contract.

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

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

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

17) Borrowing costs

(1) Recognition principles for borrowing cost capitalization

The Company's borrowing costs that are directly attributable to the acquisition or production of a qualifying asset are capitalized into the cost of relevant assets. Other borrowing costs are recognized as expenses in profit and loss for the year ended 31 December 2017 when incurred. Qualifying assets include fixed assets, investment properties and inventories that necessarily take a substantial period of time for acquisition, construction or production to get ready for their intended use or sale.

(2) Computation of capitalized amount of borrowing costs

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

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

Computation of capitalized amount of borrowing costs: ① Specific borrowings will be recorded based on the actual interest expense incurred in the period of special borrowings less the interest income from unutilized borrowings placed at banks or investment gain from temporary investment; ② Normal borrowings utilized are calculated based on the weighted average of expenses of the aggregate asset exceeding the asset expenses of the portion of special borrowings multiplied by the capitalization ratio of the normal borrowings utilized. Capitalization ratio is calculated based on weighted average interest rate of normal borrowings; ③ For borrowings with

discount or premium, the discount or premium was amortized over the accounting periods borrowings to adjust the interest in every period using the effective interest rates.

18) Intangible assets

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

Measurement of intangible assets

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

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

Criterion of determining indefinite useful life

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

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

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

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

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

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

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

As for an internal research and development project, expenditure incurred in the research stage is recognized in profit or loss in the period as incurred. Expenses incurred in the development stage are recognized as intangible assets if all of the following conditions are met:

① the technical feasibility of completing the intangible asset so that it will be available for use or for sale; ② the intention to complete the intangible asset for use or for sale; ③ how the intangible asset will generate economic benefits, including there is evidence that the products produced by the intangible asset has a market or the intangible asset itself has a market; if the intangible asset is for internal use, there is evidence that there exists usage for the intangible asset; ④ the availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; ⑤ the expenditures attributable to the development of the intangible asset could be reliably measured.

Basis for distinguishing research stage and development stage of an internal research and development project: research stage is the activities carried out for the planned investigation and search for obtaining new technology and knowledge, which has the characteristics of planning and

exploration; before commercial production or other uses, the application of achievements and other knowledge obtained from the research stage in a plan or design to produce new or substantially improved materials, equipment and products is regarded as development stage, which has the characteristics of pinpointing and is very likely to form results.

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

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 will be made for the difference will be recorded in impairment loss. The recoverable amount is the higher of the net of the asset's fair value less disposal costs and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognized on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

Goodwill is tested for impairment at least at each year end. In terms of impairment test of the goodwill, the carrying amount of the goodwill, arising from enterprise combination, shall be allocated to the related asset groups on reasonable basis since the acquisition date, or to the related asset group portfolios if it is difficult to be allocated to the related asset groups. When the carrying amount of the goodwill is allocated to the related asset groups or asset group portfolios, it shall be allocated in the proportion of the fair value of each asset group or asset group portfolio against the total fair value of related asset groups or asset group portfolios. If it is difficult to measure the fair value reliably, it shall be allocated in the proportion of the carrying amount of each asset group or asset group portfolio against the total carrying amount of related asset groups or asset group portfolios. When impairment test is made to the related asset groups or asset group portfolios including goodwill, if there is an indication that the related asset groups or asset group portfolios

are prone to impair, the Company shall firstly test for impairment for the asset groups or asset group portfolios excluding goodwill and calculate the recoverable amount and recognize the impairment loss accordingly by comparing with its carrying amount. The Company shall then test for impairment for the asset groups or asset group portfolios including goodwill and compare the carrying amount (including the carrying amount of allocated goodwill) with its recoverable amount of related asset groups or asset group portfolios. Provision for impairment loss shall be recognized when the recoverable amount of the related asset groups or asset group portfolios is lower than its carrying amount.

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

20) Long-term prepaid expense

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

21) Employee benefits

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

Short-term employee benefits 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 profit and loss or relevant assets cost on an accrual basis for the benefit objects.

Post-employment benefits mainly include the basic pension insurance, supplementary pension, etc., In accordance with the risks and obligations undertaken by the Company, the post-employment benefits are classified as defined contribution plans and defined benefit pension

plans. Defined contribution plans: the Company shall recognize the sinking fund paid to individual entity on balance sheet date as a liability in exchange of services from the employee in accounting period, and credited into 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 year 2017 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 profit or loss and recognized (3) above as other comprehensive income without transferring to profit or loss in subsequent accounting periods.

Termination benefits: the indemnity proposal provided by the Company for employees for the purpose of terminating labor relation with the employees before the expiry of the labor contract or encouraging employees to accept downsizing voluntarily, when the following conditions are met, recognize and at the same time credited into 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 for the year ended 2017 when recognition conditions for accrued liabilities are met.

22) Provision

(1) Criterion for determining of estimated liability

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

(2) Measurement of estimated liability

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

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

23) Share-based payments

For equity-settled share-based payment transaction in return for services from employees, it shall be measured at the fair value of equity instruments granted to the employees. For the payment of such fair value that may only be exercised if services are fulfilled during the vesting period or the specified performance is achieved, the fair value shall, based on the best estimate of the number of exercisable instruments during the vesting period, be recognized in relevant costs or expenses in straight-line method with the increase in the capital reserve accordingly.

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

balance sheet date within the vesting period, the services acquired in the year 2017 shall, based on the best estimate of exercise, be recognized in relevant costs or expenses at the fair value of the liability assumed by the Company, and the liabilities shall be adjusted correspondingly.

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

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

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

24) Revenue

(1) Sale of goods

Revenue from the sale of goods shall be recognized at the amount received or receivable from buyers based on contractual or agreed prices, when all of the following conditions are satisfied: ① the significant risks and rewards of ownership of the goods have been passed to the buyer; ② the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; ③ the amount of revenue can be measured reliably; ④ it is probable that the associated economic benefits will flow to the enterprise; ⑤ the associated costs incurred or to be incurred can be measured reliably.

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

(2) Provision of labor services

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

(3) Assignment of asset use rights

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

connection with transaction could flow into the Company and the amount of revenue could be reliably measured.

(4) Construction contracts revenue

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

25) Government grants

(1) Types of government grants

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

(2) Accounting treatment of government grants

Asset-related government grants shall be recognized as deferred income in profit or loss for year ended 31 December 2017 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 year ended 31 December 2017. 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 year ended 31 December 2017 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 year ended 31 December 2017.

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

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

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

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

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

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

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

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

(5) Recognition of government grants

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

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

26) Deferred tax assets / deferred tax liabilities

Deferred tax assets and deferred 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 tax asset is recognized to the extent that there is enough taxable income for the utilization of the deductible temporary difference. At the balance sheet date, if there is sufficient

evidence that there would be enough taxable benefit for the utilization of the deductible temporary difference, the deferred income tax asset not previously recognized is recognized in current period. If there is no sufficient evidence that there would be enough future taxable income for the deduction of the deferred income tax asset, the carrying value of the deferred income tax asset is reduced.

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

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

27) Lease

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

② Rental income received from assets rented out is amortized on a straight-line basis over the lease term (including rent-free periods), and recognized as lease income. Initial direct costs

involving leasing transactions paid by the Company are credited into current expenses, in case the amount is significant, it will be capitalized, and are credited into current revenue on the same basis as rental income recognized over the lease term.

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

(2) Finance lease

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

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

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

28) Other significant accounting policies and accounting estimations

(1) Share repurchases

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

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

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

(2) Asset securitization business

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

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

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

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

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

(3) Hedge accounting

① Hedges are classified as:

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

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

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

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

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

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

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

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

③ Method of Hedge accounting:

1) Fair value hedges

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

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

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

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

2) Cash flow hedges

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

Amounts taken to capital reserve (other capital reserve) are transferred to the profit or loss when the hedged transaction affects the profit or loss, such as when hedged financial income or financial expense is recognized or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts taken to capital reserve (other

capital reserve) are transferred to the initial carrying amount of the non-financial asset or non-financial liability (or the amounts originally recognized in capital reserve (other capital reserve) will be transferred to the profit or loss for in the same period when the profit or loss are affected by the non-financial asset or non-financial liability).

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

3) Hedge of net investment in foreign operation

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

(4) Explanations on significant accounting estimates

Judgments, estimates and assumptions shall be made to book value of the financial statements items, which could not be measured accurately, due to the inherent uncertainties of operating activities, while applying accounting policy. Such judgments, estimates and assumptions were based on the management's historical experience and made after considered other various factors. These judgments, estimates and assumptions will influence the amount of revenues, expenses, assets and liabilities presented in financial reports and the disclosure of contingent liabilities on the balance sheet date. However, the actual results caused by the uncertainties of these estimations may be different from the current estimates of the management, and thus cause a material adjustment to the carrying amounts of assets and liabilities affected in the future. The judgments, estimates and assumptions mentioned above shall be reviewed on a going concern basis. If the revisions to accounting estimates only affected for the year ended 31 December 2017,

relevant adjustment due to the effect shall be recognized for the year ended 31 December 2017; if the revision affects both the current and future period, the effect shall be recognized in the current and future period.

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

① Provision

Provision for product quality guarantee, estimated onerous contracts, and other estimates shall be recognized in accordance with the terms of contract, current knowledge and historical experience. If the contingent event has formed a practical obligation which probably results in outflow of economic benefits from the Company, an estimated liability shall be recognized on the basis of the best estimate of the expenditures to settle relevant practical obligation.

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

② Allowance for bad debts

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

③ Provision of inventories

Inventories are measured by lower of historical cost or net realizable value method according to the accounting policies of inventories; for obsolete and unsalable inventories or

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

④ Fair value of financial instruments

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

⑤ Impairment of available-for-sale financial assets

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

⑥ Provision of long-term assets impairment

On the balance sheet date, the Company shall judge whether there is any possible indication of impairment against non-current assets other than financial assets. The intangible assets with indefinite useful life must be tested for impairment on an annual basis as well as when there is any indication of impairment. Other non-current assets other than financial assets shall be tested for impairment when there is an indication showing that the carrying value is not recoverable. Impairment occurs while the carrying value of an asset or asset group is higher than the recoverable value, which is the higher of the net of fair value deducted disposal

expenses and the present value of expected future cash flow. The net of fair value deducted by disposal expenditure is determined with reference to the price in the sale agreement regarding analogous asset, and observable market price less the increase of cost that directly attributable to the disposal of assets. Significant judgments regarding the production amount, sales price, relevant operating costs of the assets (or assets group) and the discount rate used to calculate the present value shall be made when determining the present value of future cash flows.

Recoverable amount shall be estimated by using all accessible relevant information, including production amount, sales price, and relevant operating costs predictions made based on reasonable and supportive assumptions. The Company shall test for goodwill impairment at least every year. This requires the Company to estimate the present value of future cash flows for such assets groups or asset group portfolios allocated with goodwill. When estimating the present value of future cash flows, the Company shall not only estimate the future cash flows generated by such asset groups or asset group portfolios, and select the appropriate discount rate to determine the present value of such future cash flows.

⑦ Depreciation and amortization

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

⑧ Deferred tax assets

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

⑨ Income tax

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

⑩ Rebate accrual

The Company and its subsidiaries adopt the policy of rebate 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 accrue rebate on a regular basis with reference to the completion of agreed assessment indexes. Rebate accrual involve the judgment and estimates of the management. In case of any significant changes in the previous estimates, the difference above will have an impact on the rebate during the period when significant changes occur.

29、 Significant changes on accounting policies

In 2017, the Ministry of Finance promulgated the *accounting standards for Enterprises No. 42 held-for-sale, disposal groups and discontinued operation*, the revised *accounting standards for Enterprises No. 16 - government grants* and the *notice on the revision of the format of the general financial statements for enterprise (Accounting [2017] 30)*. The Company has prepared the financial statement per above guidelines in 2017 and the impact is as follows:

Details	Accounts affected in Financial statements	Restatement for 2016
The government grants which is credited in profit and loss and related to the daily operation is recognized in other income. The comparatives in 2016 were not restated.	Other income Non-operating income	N/A
The gain/loss from disposal of long term assets is recognized in Gains/(losses) on disposal of non-current assets. The comparatives in 2016 were adjusted accordingly.	Gains/(losses) on disposal of non-current assets	Increase by RMB 231,246,918.49
	Non-operating income	Decrease by RMB 252,475,880.16
	Non-operating expenses	Decrease by RMB 21,228,961.67

6. Taxation

1). Main tax categories and rates

Category	Tax base	Tax rate
Value-added tax	Taxable revenue from sales of goods or rendering services	5%, 6%, 11%, 17%
City maintenance and construction tax	Circulation tax payable	7%
(Local) Educational surcharge	Circulation tax payable	1%, 2%, 3%
Corporate income tax	Taxable income	Statutory tax rate or preferential rates as follows

2). Preferential tax

Companies subjected to preferential tax:

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

Wuhan Haier Freezer Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Hefei Haier Refrigerator Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Hefei Haier Air-conditioning Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Zhengzhou Haier Air-conditioning Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Shenyang Haier Refrigerator Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Chongqing Haier Air-conditioning Co., Ltd.	15%	entitled to the preferential taxation policies under the Western Development initiative of the PRC
Chongqing Haier Refrigeration Appliance Co., Ltd.	15%	entitled to the preferential taxation policies under the Western Development initiative of the PRC
Guizhou Haier Electronics Co., Ltd.	15%	entitled to the preferential taxation policies under the Western Development initiative of the PRC
Qingdao Haier Air-Conditioner Electronics Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Moulds Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Meier Plastic Powder Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Chongqing Haier Precision Plastic Co., Ltd.	15%	entitled to the preferential taxation policies under the Western Development initiative of the PRC
Chongqing Haier Intelligent Electronics Co., Ltd.	15%	entitled to the preferential taxation policies under the Western Development initiative of the PRC

Qingdao Haigao Design & Manufacture Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Technology Co., Ltd.	10%	entitled to the preferential taxation policies as a key software 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
Qingdao Haier Intelligent Technology Development Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Foshan Haier Freezer Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Wuhan Haier Energy and Power Co., Ltd.	10%	entitled to the preferential policies as a small/micro enterprise
Shanghai Haier Zhongzhifang Innovation Management Co	10%	entitled to the preferential policies as a small/micro enterprise
Hefei Haier Washing Machine Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Washing Machine Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Jiaonan Haier Washing Machine Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Drum Washing Machine Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Foshan Shunde Haier Electric Appliance	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Economy and Technology Development Zone Haier Water Heater Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise

Wuhan Haier Water Heater Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Foshan Drum Washing Machine Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier Goodaymart Logistic Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Qingdao Haier New Energy Appliance Co., Ltd.	15%	entitled to the preferential taxation policies as a hi-tech enterprise
Shengfeng Supply Chain Co., Ltd.	15%	entitled to the preferential taxation for enterprises in Pingtan Comprehensive Experimental Area
Chongqing Goodaymart Electronics Sales Co., Ltd.	15%	entitled to the preferential taxation policies under the Western Development initiative of the PRC
Chongqing Haier Home Appliance Sale Co., Ltd. and some branches in western region	15%	entitled to the preferential taxation policies under the Western Development initiative of the PRC
Chongqing Goodaymart Electronics Sales Co., Ltd. and some of branch companies	15%	entitled to the preferential taxation policies under the Western Development initiative of the PRC
Chongqing Haier washing machine Co., Ltd.	15%	entitled to the preferential taxation policies under the Western Development initiative of the PRC
Chongqing Haier Water Heater Co., Ltd.	15%	entitled to the preferential taxation policies under the Western Development initiative of the PRC
Chongqing Haier Drum Washing Machine Co., Ltd.	15%	entitled to the preferential taxation policies under the Western Development initiative of the PRC

7. Notes to the consolidated financial statements

1) Cash

Items	2017	2016
Cash on hand	513,781.37	565,073.32
Cash in bank	32,994,884,486.17	23,268,681,467.29
Other cash balances	2,181,878,636.37	312,992,470.59
Total	35,177,276,903.91	23,582,239,011.20
Include: total amount deposit overseas	7,732,752,678.06	2,076,472,495.27

The cash deposited in Haier Group Finance Co., Ltd. was RMB13,023,745,865.25 on 31 December 2017, the balance of which included a fixed deposit of RMB1,523,531,572.38. The investment fund in the closing balance of other cash balances was RMB1,212,429,818.26, deposit in third party payment platform was RMB132,185,488.42 and the amount securing notes payable was RMB837,263,329.69.

2) Financial assets measured at fair value with fair value changes included in profit and loss for the year

Items	2017	2016
Foreign exchange contacts	20,681,695.50	80,432,384.17
Total	20,681,695.50	80,432,384.17

3) Notes receivable

(1) Categories:

Items	2017	2016
Bank acceptance notes	1,946,518,710.06	3,410,072,113.31
Commercial acceptance notes	11,086,564,810.93	10,386,489,124.74
Total	13,033,083,520.99	13,796,561,238.05

(2) The pledged notes at the end of the period was RMB 10,122,596,789.43.

4) Accounts receivable

(1) Accounts receivables disclosed by categories:

Items	2017		2016	
	Book balance	Allowance for bad debts	Book balance	Allowance for bad debts
Individually significant accounts receivables of which provision for bad debts is made on an individual basis				
Accounts receivables of which	12,803,484,274.71	355,479,441.65	12,603,132,822.50	337,937,379.10

provision for bad debts is made on a group basis				
Individually insignificant accounts receivables of which provision for bad debts is made on an individual basis	88,400,865.52	88,400,865.52	71,243,900.12	71,243,900.12
Total	12,891,885,140.23	443,880,307.17	12,674,376,722.62	409,181,279.22

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

Aging	2017		2016	
	Book balance	Allowance for bad debts	Book balance	Allowance for bad debts
Within 1 year	12,477,896,240.89	339,251,644.04	12,298,498,084.65	322,748,629.33
1 to 2 years	178,439,139.23	8,870,352.87	201,611,814.67	10,037,603.63
2 to 3 years	121,898,217.63	6,094,910.89	79,398,804.14	3,969,940.20
Over 3 years	25,250,676.96	1,262,533.85	23,624,119.04	1,181,205.94
Total	12,803,484,274.71	355,479,441.65	12,603,132,822.50	337,937,379.10

(3) The total amount of the top 5 in the accounts receivables at the end of the period was RMB4,378,349,246.22, accounting for 33.96% of the book balance of the accounts receivables, and the amount of provision for bad debts was RMB56,136,215.78.

(4) Provisions for bad debts in the amount of RMB68,240,543.13 were provided in 2017.

(5) Accounts receivable written off in 2017

The bad debts written off in 2017 were RMB21,367,480.50, and there was no significant accounts receivable written off in 2017.

(6) Accounts receivable secured for loans was RMB 57,202,845.67.

5) Prepayments

(1) Aging:

Aging	2017		2016	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	500,715,555.59	84.77%	561,808,819.41	94.82%
1-2 years	71,155,092.86	12.05%	20,243,191.67	3.42%
2-3 years	11,070,761.72	1.87%	9,492,337.02	1.60%
Over 3 years	7,752,248.04	1.31%	965,768.51	0.16%
Total	590,693,658.21	100.00%	592,510,116.61	100.00%

(2) The total amount of the top 5 in the prepayments at the end of the period was RMB99,756,168.90, accounting for 16.89% of the book balance of the prepayments.

6) Interest receivable

Aging	2017		2016	
	Book balance	Proportion	Book balance	Proportion
Within 1 year	202,405,171.56	99.39%	133,777,402.17	98.86%
1-2 years	1,232,372.27	0.61%	1,542,372.24	1.14%
Total	203,637,543.83	100.00%	135,319,774.41	100.00%

7) Other receivables

(1) Other receivables disclosed by categories:

Items	2017		2016	
	Book balance	Allowance for bad debts	Book balance	Allowance for bad debts
Individually 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	989,277,529.42	28,013,547.55	1,217,243,603.74	36,825,550.99
Individually insignificant other receivables of which provision for bad debts is made on an individual basis	48,882,935.05	48,882,935.05	61,449,863.58	61,449,863.58
Total	1,038,160,464.47	76,896,482.60	1,278,693,467.32	98,275,414.57

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

Aging	2017		2016	
	Book balance	Allowance for bad debts	Book balance	Allowance for bad debts
Within 1 year	873,640,986.50	22,317,036.56	872,780,892.61	19,602,415.43
1-2 years	60,265,756.01	2,927,971.65	288,221,508.15	14,411,075.41
2-3 years	21,037,477.39	1,051,873.86	37,909,711.73	1,895,485.59
Over 3 years	34,333,309.52	1,716,665.48	18,331,491.25	916,574.56
Total	989,277,529.42	28,013,547.55	1,217,243,603.74	36,825,550.99

(3) At the end of the period, total amount of top 5 other receivables was RMB322,809,706.07, representing 31.09% of the book balance of other receivables, and the amount of provision for bad debts was RMB4,418,141.79.

(4) Allowance for bad-debt provided, collected or reversed in 2017:

Allowance for bad debts of RMB7,191,177.79 were provided in 2017.

(5) The other receivables actually written off in 2017 was RMB13,732,925.91.

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

8) Inventories

(1) Details

Items	2017		2016	
	Book balance	Impairment Provision	Book balance	Impairment Provision
Raw materials	3,459,878,187.81	33,888,186.04	2,086,658,637.93	56,844,901.08
Work in progress	212,212,549.56		216,384,326.73	
Unsettled payments of completed projects	187,935,341.58		205,608,536.83	
Finished goods	18,374,187,900.35	696,800,993.08	13,317,528,331.13	484,430,600.50
Total	22,234,213,979.30	730,689,179.12	15,826,179,832.62	541,275,501.58

(2) Impairment provision of inventories

Items	2016	Increase for the period		Decrease for the period		2017
		Provision	Other movement	Reversal	Write-off / other movement	
Raw materials	56,844,901.08	17,659,387.37			40,616,102.41	33,888,186.04
Finished goods	484,430,600.50	515,154,291.56	4,734,665.72		307,518,564.70	696,800,993.08
Total	541,275,501.58	532,813,678.93	4,734,665.72		348,134,667.11	730,689,179.12

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

Items	Accumulated cost occurred	Accumulatively recognized gross margin	Settled payments	Unsettled payments of completed projects from the construction contracts
	946,671,023.57	190,969,369.89	949,705,051.88	187,935,341.58

9) Other current assets

Items	2017	2016
Bank deposit for financial products	2,007,051,839.54	490,807,882.39
Deductible taxes	1,941,860,551.67	1,795,947,798.29

Others	440,847,627.62	370,706,508.21
Total	4,389,760,018.83	2,657,462,188.89

10) Available-for-sale financial assets

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

Items	2017			2016		
	Book balance	Impairment provision	Book Value	Book balance	Impairment provision	Book Value
Available-for-sale equity instrument:						
Measured at fair value	26,931,420.99		26,931,420.99	30,354,194.80		30,354,194.80
Measured at cost	1,418,647,886.83	30,225,000.00	1,388,422,886.83	1,528,749,522.25	3,225,000.00	1,525,524,522.25
Total	1,445,579,307.82	30,225,000.00	1,415,354,307.82	1,559,103,717.05	3,225,000.00	1,555,878,717.05

(2) Available-for-sale financial assets measured 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	22,939,705.93
Fair value	26,931,420.99
Accumulated fair value changes credited into other comprehensive income	3,270,254.43
Provision for impairment	

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

Book value	2016	Increase in current period	Decrease in current period	2017
(1) Book balance				
China Petrochemical Marketing Co., Ltd.	1,379,537,271.77		97,055,356.14	1,282,481,915.63
Others	149,212,250.48	8,723,000.00	21,769,279.28	136,165,971.20
Total	1,528,749,522.25	8,723,000.00	118,824,635.42	1,418,647,886.83
(2) Provision for impairment				
China Petrochemical Marketing Co., Ltd.				
Others	3,225,000.00	27,000,000.00		30,225,000.00
Total	3,225,000.00	27,000,000.00		30,225,000.00

(3) Book value				
China Petrochemical Marketing Co., Ltd.	1,379,537,271.77			1,282,481,915.63
Others	145,987,250.48			105,940,971.20
Total	1,525,524,522.25			1,388,422,886.83

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

Items	Provision for impairment of available-for-sale equity instrument
Provision balance at the beginning of the period	3,225,000.00
Increase in current period	27,000,000.00
Decrease in current period	
Provision balance at the end of the period	30,225,000.00

11) Long-term equity investments

Investees	2016	Increase/decrease in current 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.	4,108,505,917.07		599,531,382.04	-25,150,071.38		
Bank of Qingdao co., Ltd.	1,670,058,752.11	35,575,618.47	179,946,554.84	-89,828,108.22	743,740,179.58	-76,868,897.00
Haier Medical and Laboratory Products Co., Ltd.	303,384,893.47		28,846,036.10	-557.68		
Wolong Electric Zhangqiu Haier Motor Co., Ltd.	122,669,926.30		-3,772,588.90			
Qingdao Haier Software Investment Co., Ltd.	17,045,106.31		854,224.76			
Qingdao Haier SAIF Smart Home Industry Investment Center (limited partnership)	227,531,053.19		43,005,828.79			
Qingdao Haier Special Steel Plate	102,915,605.69		3,153,197.39			

Research and Development Co., Ltd.						
Hefei Haier Special Steel Plate Research and Development Co., Ltd.	126,896,206.56		13,598,315.11			
Mitsubishi Heavy Industries Haier (Qingdao) Air-conditioners Co., Ltd.	503,375,198.93		67,851,552.02			-41,292,000.00
Qingdao Haier Carrier Refrigeration Equipment Co., Ltd.	302,112,378.55		3,072,758.54			
Beijing Mr. Hi Network Technology Company Limited	5,838,036.16		-2,080,276.41			
Qingdao Haier Media Co., Ltd.		525,252,525.00	17,218,526.54		1,297,604.70	
Beijing Xiaobei Technology Co., Ltd.	6,422,222.58		-8,034,056.78		4,299,176.02	
Guangzhou Heying Investment Partnership (limited partnership)	153,796,910.58		-1,749,375.14			
Qingdao HSW Water Appliance Co., Ltd.	30,722,549.43		11,163,969.26			
Qingdao Roca Water Appliance Co., Ltd.	13,124,212.46		-5,774,212.46			
China Shengfeng Microfinance limited in Jin'an District of Fuzhou City	79,553,513.46		1,033,082.28			-360,000.00
Fujian ATL-Shengfeng Logistics Co., Ltd.	12,675,789.21		441,959.22			
Qingdao Java Cloud Network Technology Co., Ltd.	2,729,378.59		-974,021.75			
Qingdao JSH Network Technology Co. Ltd.	6,706,394.01		-1,194,645.01			
Hunan Electronic	50,269,006.41		16,293,186.76	-1,430,266.42		-275,400.00

Co., Ltd.						
HNR Company (Private) Limited	89,650,522.58		7,252,163.18	-5,324,458.14		
HPZ LIMITED	78,885,757.89		5,247,912.02	-3,545,099.90		
CONTROLADORA MABE S.A.deC.V.	3,011,983,426.16		187,824,212.45	-180,862,238.39		-33,883,079.64
Middle East Air conditioning Company Limited	30,966,870.44		-7,326,638.14	-1,589,688.88		
Total	11,057,819,628.14	560,828,143.47	1,155,429,046.71	-307,730,489.01	749,336,960.30	-152,679,376.64

(continued)

Investees	Increase/decrease in current period		2017	Closing balance of provision for impairment
	Other movement	The disposal of the investment		
Associates:				
Haier Group Finance Co., Ltd.			4,682,887,227.73	
Bank of Qingdao co., Ltd.			2,462,624,099.78	
Haier Medical and Laboratory Products Co., Ltd.			332,230,371.89	
Wolong Electric Zhangqiu Haier Motor Co., Ltd.			118,897,337.40	
Qingdao Haier Software Investment Co., Ltd.			17,899,331.07	
Qingdao Haier SAIF Smart Home Industry Investment Center (limited partnership)			270,536,881.98	
Qingdao Haier Special Steel Plate Research and Development Co., Ltd.			106,068,803.08	
Hefei Haier Special Steel Plate Research and Development Co., Ltd.			140,494,521.67	
Mitsubishi Heavy Industries Haier (Qingdao) Air-conditioners Co., Ltd.			529,934,750.95	
Qingdao Haier Carrier Refrigeration Equipment Co., Ltd.			305,185,137.09	-21,000,000.00
Beijing Mr. Hi Network Technology Company Limited			3,757,759.75	
Qingdao Haier Media Co., Ltd.			543,768,656.24	
Beijing Xiaobei Technology Co., Ltd.			2,687,341.82	
Guangzhou Heying Investment Partnership (limited partnership)			152,047,535.44	
Qingdao HSW Water Appliance Co., Ltd.		-41,886,518.69		
Qingdao Roca Water Appliance Co., Ltd.		-7,350,000.00		

China Shengfeng Microfinance limited in Jin'an District of Fuzhou City			80,226,595.74	
Fujian ATL-Shengfeng Logistics Co., Ltd.			13,117,748.43	
Qingdao Java Cloud Network Technology Co., Ltd.			1,755,356.84	
Qingdao JSH Network Technology Co. Ltd.			5,511,749.00	
Hunan Electronic Co., Ltd.			64,856,526.75	
HNR COMPANY (PRIVATE) LIMITED			91,578,227.62	
HPZ LIMITED			80,588,570.01	
CONTROLADORA MABE S.A.deC.V.			2,985,062,320.58	
Middle East Air Conditioning Company Limited			22,050,543.42	
Total		-49,236,518.69	13,013,767,394.28	-21,000,000.00

12) Investment properties

(1) Increase/decrease of investment properties recognized under cost method for the year are

set out as follows:

Items	2016	Increase in current period	Decrease in current period	Exchange differences	2017
(1) Total original costs	48,177,608.70			-1,640,579.17	46,537,029.53
Land and buildings	48,177,608.70			-1,640,579.17	46,537,029.53
(2) Total accumulated amortization	13,577,215.33	1,792,405.00		-46,606.79	15,323,013.54
Land and buildings	13,577,215.33	1,792,405.00		-46,606.79	15,323,013.54
(3) Total accumulated provision for Impairment					
Land and buildings					
(4) Total book value	34,600,393.37				31,214,015.99
Land and buildings	34,600,393.37				31,214,015.99

(2) Depreciation and amortization in 2017 was RMB1,792,405.00.

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

13) Fixed assets

Category	2016	Increase in current period	Decrease in current period	Exchange differences	2017
(1) Cost					
Buildings	7,652,338,608.01	1,251,347,764.42	106,142,901.14	-94,083,548.19	8,703,459,923.10

Machinery and equipment	14,484,407,964.25	2,337,500,807.90	900,644,448.35	-440,160,171.41	15,481,104,152.39
Motor vehicles	271,954,859.35	62,765,916.93	46,063,267.43	-594,648.34	288,062,860.51
Office furniture	343,213,649.04	80,332,039.30	61,159,874.23	-3,017,038.70	359,368,775.41
Others	651,054,841.59	53,906,696.55	17,629,427.81	660,034.44	687,992,144.77
Total	23,402,969,922.24	3,785,853,225.10	1,131,639,918.96	-537,195,372.20	25,519,987,856.18

(2) Accumulated depreciation

Buildings	2,108,838,241.55	428,111,233.23	27,007,535.84	-5,756,141.11	2,504,185,797.83
Machinery and equipment	5,098,620,275.87	1,849,637,197.44	560,034,776.04	-95,961,402.80	6,292,261,294.47
Motor vehicles	139,157,416.64	47,686,567.17	41,990,990.90	-525,022.94	144,327,969.97
Office furniture	168,071,346.48	44,070,081.55	19,659,967.49	-1,001,044.15	191,480,416.39
Others	304,128,099.83	33,375,766.37	10,905,518.69	1,285,736.60	327,884,084.11
Total	7,818,815,380.37	2,402,880,845.76	659,598,788.96	-101,957,874.40	9,460,139,562.77

(3) Net balance

Buildings	5,543,500,366.46				6,199,274,125.27
Machinery and equipment	9,385,787,688.38				9,188,842,857.92
Motor vehicles	132,797,442.71				143,734,890.54
Office furniture	175,142,302.56				167,888,359.02
Others	346,926,741.76				360,108,060.66
Total	15,584,154,541.87				16,059,848,293.41

(4) Provision for impairment

Buildings	31,269,149.66			-565,980.78	30,703,168.88
Machinery and equipment	8,658,226.28	4,033,767.05	1,191,213.04	-10,743.79	11,490,036.50
Motor vehicles	1,959.66			59.63	2,019.29
Office furniture					
Others	125,862.87			3,829.76	129,692.63
Total	40,055,198.47	4,033,767.05	1,191,213.04	-572,835.18	42,324,917.30

(5) Book value

Buildings	5,512,231,216.80				6,168,570,956.39
Machinery and equipment	9,377,129,462.10				9,177,352,821.42
Motor vehicles	132,795,483.05				143,732,871.25
Office furniture	175,142,302.56				167,888,359.02
Others	346,800,878.89				359,978,368.03
Total	15,544,099,343.40				16,017,523,376.11

(1) Total fixed asset transferred from construction-in-progress in 2016 amounted to RMB2,664,003,620.50 in current period.

(2) The pledged fixed assets were RMB123,187,034.47 at the end of the period.

14) Construction in progress

(1) Balance of Construction in progress

Projects	2016	Increase in current period	Transfer to fixed assets	Other decrease	Exchange differences	2017	Source of fund
Smart kitchen		35,666,458.97				35,666,458.97	Self-funding
Hefei refrigerator	55,163,303.93	56,464,359.42	56,149,243.02			55,478,420.33	Self-funding
Dalian air conditioning	11,779,137.62	12,959,299.86	11,019,620.18			13,718,817.30	Self-funding
Qingdao Haier refrigerator	8,971,965.00	10,263,634.79	5,987,237.25			13,248,362.54	Self-funding
Hefei air conditioning	18,323,657.33	24,049,043.13	17,191,420.29			25,181,280.17	Self-funding
Dishwasher	19,276,332.48	60,579,748.77	14,627,429.29			65,228,651.96	Self-funding
Qingdao special refrigerator	28,632,842.95	6,577,695.19	26,337,099.29			8,873,438.85	Self-funding
Qingdao central air conditioning	238,645,406.28	28,231,402.67	253,807,681.65			13,069,127.30	Self-funding
Wuhan air conditioning	9,133,948.47	12,652,711.93	11,019,074.13			10,767,586.27	Self-funding
Washing appliance	1,526,886.75	204,437,620.91				205,964,507.66	Self-funding
Tianjin ririxin	18,661,632.65	89,358,693.84				108,020,326.49	Self-funding
Jiaozhou logistics		68,399,634.69	3,883.50			68,395,751.19	Self-funding
Nanjing logistics	321,699.00	54,524,009.25				54,845,708.25	Self-funding
Huangdao sales		44,828,353.19				44,828,353.19	Self-funding
Jinzhou gooday mart	138,200.00	23,146,612.07				23,284,812.07	Self-funding

Hefei drum washing machine		22,895,993.54	3,846,153.84			19,049,839.70	Self-funding
Thailand	5,744,901.13	23,222,821.62	17,515,680.04		191,996.36	11,644,039.07	Self-funding
India	100,824,148.31	335,497,564.88	437,712,506.69		1,390,793.50		Self-funding
GEA	189,281,952.27	689,177,512.92	589,264,859.24		-14,288,930.43	274,905,675.52	Self-funding
Mexico		150,561,752.65	87,618,213.01		-4,599,720.20	58,343,819.44	Self-funding
Others	1,081,896,995.27	463,242,946.95	1,131,903,519.08	1,245,000.00	7,883,730.84	419,875,153.98	Self-funding
Total	1,788,323,009.44	2,416,737,871.24	2,664,003,620.50	1,245,000.00	-9,422,129.93	1,530,390,130.25	

(2) Provision for impairment of construction in progress

Projects	Opening balance	Increase in current period	Transfer to fixed assets	Other decrease	Exchange differences	Closing balance
Other	2,155,743.92		2,155,743.92			

15) Disposals of fixed assets

Items	2017	2016	Reason
International Refrigerator Assets	55,808,808.81	55,808,808.81	Demolition
Total	55,808,808.81	55,808,808.81	

16) Intangible assets

Categories	2016	Increase in current period	Decrease in current period	Exchange differences	2017
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(1) Cost

Proprietary technology	773,207,000.00	13,837,839.10		-44,436,979.82	742,607,859.28
Licenses and franchises	3,933,279,000.00	47,300,834.00	54,058,096.00	-228,164,538.00	3,698,357,200.00
Land use rights	1,598,673,596.98	182,519,669.53	13,654,775.23	-1,694,884.48	1,765,843,606.80
Brand	659,015,000.00			-38,266,000.00	620,749,000.00
Software and others	807,290,760.91	228,329,658.01	14,448,494.46	-23,640,702.94	997,531,221.52
Total	7,771,465,357.89	471,988,000.64	82,161,365.69	-336,203,105.24	7,825,088,887.60

(2) Accumulated amortization

Proprietary technology	48,117,075.00	80,350,113.96		-4,810,298.02	123,656,890.94
Licenses and franchises	57,360,318.75	98,175,645.70		-6,571,499.77	148,964,464.68
Land use rights	140,470,939.99	43,424,905.16	416,758.41	-660,863.95	182,818,222.79
Brand					
Software and others	251,076,613.21	112,604,565.67	4,194,768.42	-5,913,988.39	353,572,422.07
Total	497,024,946.95	334,555,230.49	4,611,526.83	-17,956,650.13	809,012,000.48

(3) Net balance

Proprietary technology	725,089,925.00				618,950,968.34
Licenses and franchises	3,875,918,681.25				3,549,392,735.32
Land use rights	1,458,202,656.99				1,583,025,384.01
Brand	659,015,000.00				620,749,000.00
Software and others	556,214,147.70				643,958,799.45
Total	7,274,440,410.94				7,016,076,887.12

(4) Provision for impairment

Proprietary technology					
Licenses and franchises					
Land use rights					
Brand					
Software and others		10,020,069.91		870,520.93	10,890,590.84
Total		10,020,069.91		870,520.93	10,890,590.84

(5) Book value

Proprietary technology	725,089,925.00				618,950,968.34
Licenses and franchises	3,875,918,681.25				3,549,392,735.32
Land use rights	1,458,202,656.99				1,583,025,384.01
Brand	659,015,000.00				620,749,000.00

Software and others	556,214,147.70				633,068,208.61
Total	7,274,440,410.94				7,005,186,296.28

At the end of the period, the intangible assets arising from internal research and development accounted for 4.87% of the cost at the end of the period.

17) Development expenditure

Items	2016	Increase in current period	Decrease in current period		Exchange differences	2017
			Credit to profit or loss in current period	Transferred to intangible asset		
U+ platform construction	5,088,000.00	6,580,000.00	6,580,000.00	5,088,000.00		
91ABD.ERPprogram	857,168,622.06	209,551,049.10		59,506,242.01	-54,724,963.60	952,488,465.55
Others	51,027,174.26	44,964,030.49		80,643,215.87	-1,785,120.62	13,562,868.26
Total	913,283,796.32	261,095,079.59	6,580,000.00	145,237,457.88	-56,510,084.22	966,051,333.81

18) Goodwill

Items	2016	Increase in current period	Decrease in current period	Exchange differences	2017
GEA	20,611,638,212.84			-1,193,184,015.50	19,418,454,197.34
Furniture after-sales service	6,123,000.00				6,123,000.00
Shanghai Guande Logistics Co., Ltd.		29,079,469.66			29,079,469.66
GREEN one TEC Solarindustrie GmbH		3,298,757.75			3,298,757.75
Shanghai Boyol New Brothers Supply Chain Management Company Limited	68,407,241.86				68,407,241.86
Shengfeng Logistics Group	317,954,690.69				317,954,690.69

Co., Ltd					
Total	21,004,123,145.39	32,378,227.41		-1,193,184,015.50	19,843,317,357.30

The Company calculates the recoverable amount of the asset groups by discounted cashflow method. Cash flows in the next five to ten years is based on the financial budget approved by the management, the terminal growth rate is estimated to be 2% to 3%, which is not larger than the long-term average growth rate of the asset group's business. The discount rate is within the range of 9.00% to 18.50%. The management estimates those based on the past performance and market development forecasts. It is believed that no provision for impairment of goodwill was required per result of impairment test.

19) Long-term prepaid expenses

Items	2016	Increase in current period	Amortization	Other decrease	Exchange differences	2017
Renovation	23,495,429.77	5,405,235.93	7,230,906.47	14,011,401.17		7,658,358.06
Improvement on leased property	45,710,143.55	58,965,978.28	20,956,047.70			83,720,074.13
Others	46,568,019.46	7,776,587.00	8,519,796.83	13,545,631.83	111,061.34	32,390,239.14
Total	115,773,592.78	72,147,801.21	36,706,751.00	27,557,033.00	111,061.34	123,768,671.33

20) Deferred income tax assets / Deferred income tax liabilities

(1) Deferred income tax assets balance after elimination

Items	2017	2016
Provision for assets impairment	185,051,809.02	206,179,413.32
Liabilities	1,514,275,639.33	1,588,572,631.81
Unrealized earnings due to consolidation	418,158,297.39	306,515,615.29
Others	327,972,788.34	10,774,534.11
Total	2,445,458,534.08	2,112,042,194.53

(2) Deferred income tax liabilities balance after elimination

Items	2017	2016
Changes of the fair value	5,298,198.09	30,458,666.66
Disposal of subsidiaries and available-for-sale financial assets	102,860,801.45	111,105,965.55

Withholding tax	161,690,532.32	38,629,859.78
Difference between accounting and tax laws on assets depreciation and amortization	471,732,062.64	461,236,134.20
Interest rate swap agreement	13,902,650.26	6,663,731.01
Others	73,875,505.00	5,181,579.42
Total	829,359,749.76	653,275,936.62

(3) The deferred income tax assets and the deferred income tax liabilities eliminated at the end of this year was RMB550,245,129.41.

21) Other non-current assets

Items	2017	2016
Prepayments for equipment and land	757,518,103.03	776,647,520.39
Foreign exchange contracts	343,283,948.90	
Others	153,262,129.83	81,813,868.47
Total	1,254,064,181.76	858,461,388.86

22) Short-term borrowings

Category	2017	2016
Borrowings - secured by guarantor	2,501,400,000.00	6,950,000,000.00
Borrowings - secured by mortgage	130,394,916.35	23,000,000.00
Borrowings - secured by pledge	3,914,042,669.00	3,994,850,204.62
Borrowings - unsecured	4,332,742,689.83	7,197,681,674.53
Total	10,878,580,275.18	18,165,531,879.15

23) Financial liabilities measured at fair value with fair value changes included in profit and loss for the year

Items	2017	2016
Foreign exchange contracts	2,524,569.45	2,340,213.20
Total	2,524,569.45	2,340,213.20

24) Notes payable

Items	2017	2016
Bank acceptance notes	14,212,716,989.23	10,679,473,278.57
Commercially acceptance notes	2,165,982,670.54	1,725,416,481.48

Total	16,378,699,659.77	12,404,889,760.05
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25) Accounts payable

Items	2017	2016
Accounts payable	25,654,013,649.96	20,601,681,120.03
Total	25,654,013,649.96	20,601,681,120.03

The ending balance was mainly the unpaid expenditures on material, equipment and labor.

26) Advances from customers

Items	2017	2016
Advances from customers	5,833,552,815.05	5,737,348,712.97
Total	5,833,552,815.05	5,737,348,712.97

27) Employee benefits payable

(1) Employee benefits payable:

Items	2016	Increase in current period	Decrease in current period	2017
Short-term employee benefits	2,201,368,234.58	14,009,125,746.30	14,080,469,336.87	2,130,024,644.01
Post-employment benefits-defined contribution plan	190,360,845.76	1,270,177,716.22	1,416,120,913.16	44,417,648.82
Termination benefits	16,796,576.14	122,649,985.70	124,486,594.65	14,959,967.19
Other benefits due in one year		159,786,862.88		159,786,862.88
Total	2,408,525,656.48	15,561,740,311.10	15,621,076,844.68	2,349,189,122.90

(2) Short-term employee benefits:

Items	2016	Increase in current period	Decrease in current period	2017
(1) Salaries, bonus, allowances	1,086,883,513.72	9,352,812,040.33	9,182,630,366.42	1,257,065,187.63
(2) Welfare	531,758,045.89	180,884,089.00	415,371,419.54	297,270,715.35
(3) Social security	91,041,425.17	1,655,558,914.10	1,599,233,591.32	147,366,747.95
(4) Housing fund	8,587,321.53	247,944,420.53	248,804,583.14	7,727,158.92
(5) Union fund and education fund	2,291,456.49	73,062,279.43	72,478,376.61	2,875,359.31
(6) Short-term paid leave	228,698,109.89	251,881,649.87	304,336,887.10	176,242,872.66
(7) Others	252,108,361.89	2,246,982,353.04	2,257,614,112.74	241,476,602.19
Total	2,201,368,234.58	14,009,125,746.30	14,080,469,336.87	2,130,024,644.01

(3) Defined contribution plan:

Items	2016	Increase in current period	Decrease in current period	2017
Pension	189,197,049.65	1,247,515,619.27	1,393,609,223.32	43,103,445.60
Unemployment insurance	700,838.23	21,649,871.97	21,585,432.91	765,277.29
Supplementary pension	462,957.88	1,012,224.98	926,256.93	548,925.93
Total	190,360,845.76	1,270,177,716.22	1,416,120,913.16	44,417,648.82

(4) Termination benefits:

Items	2017	2016
Termination compensation	14,959,967.19	16,796,576.14
Total	14,959,967.19	16,796,576.14

28) Taxes payable

Items	2017	2016
VAT	482,237,560.42	501,344,246.89
Corporate income tax	1,246,597,129.08	930,301,189.86
City Construction tax	10,698,089.06	33,805,437.30
Business tax	6,482,581.69	11,554,246.76
Individual income tax	22,133,761.57	19,205,381.15
Education surcharge	4,651,788.94	12,144,570.87
Treatment fund for appliance and electronic products waste	77,767,756.79	73,838,985.81
Others	58,691,859.87	38,394,342.63
Total	1,909,260,527.42	1,620,588,401.27

29) Interest payable

Items	2017	2016
Interest on long-term borrowings	46,938,624.99	15,891,113.99
Interest on short-term borrowings	10,717,833.80	14,679,214.67
Total	57,656,458.79	30,570,328.66

30) Dividends payable

Shareholder	2017	2016
BRAVE LION (HK) LIMITED	122,756,874.10	122,756,874.10
Others	30,999,441.54	25,933,614.91

Total	153,756,315.64	148,690,489.01
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31) Other payables

Items	2017	2016
Other payables	10,805,162,943.62	9,459,636,746.05
Total	10,805,162,943.62	9,459,636,746.05

The ending balance mainly included the incurred but unpaid costs.

32) Other non-current liabilities due in one year

Items	2017	2016
Long-term payables due in one year		9,338,365.85
Bonds payable due in one year		1,223,220,143.70
Long-term borrowings due in one year	2,850,325,000.00	1,734,250,000.00
Total	2,850,325,000.00	2,966,808,509.55

33) Long-term borrowings

Items	2017	2016
Borrowings - secured by guarantor and mortgage	10,489,849,095.99	14,716,253,452.30
Borrowings - secured by guarantor	5,227,360,000.00	
Borrowings - unsecured	288,741,397.35	814,547,859.50
Borrowings - secured by mortgage	30,542,316.47	
Total	16,036,492,809.81	15,530,801,311.80

Interest rate on long-term borrowings – secured by guarantor is the one as provided in the agreement plus LIBOR.

Interest rate on domestic long-term borrowings – unsecured is the benchmark rate published by the People’s Bank of China.

Interest rate on offshore long-term borrowings – unsecured is the one as provided in the agreement plus LIBOR.

Interest rate on long-term borrowings – secured by mortgage is the one as provided in the agreement plus LIBOR.

34) Bonds payable

On 21 November 2017, Harvest International Company, the Company's wholly-owned subsidiary, issued HK\$8 billion exchangeable corporate bonds, of which term is 5 years, coupon rate is zero and rate of return is 1%.

The bonds were divided into liabilities and equities on initial recognition:

Items	Convertible bonds issued in 2017
Initial recognition:	6,731,131,007.13
Including:	
Equities of exchangeable bonds	431,424,524.07
Liabilities of exchangeable bonds	6,299,706,483.06

Change in liabilities for the period:

Items	2016	Increase in current period	Accrued bond interest	Less: bond interest paid for the period	Difference on exchange rate	Reclassified to maturity within one year	2017
Exchangeable bonds issued in 2017		6,299,706,483.06	12,236,509.61		-100,854,629.99		6,211,088,362.68
Total		6,299,706,483.06	12,236,509.61		-100,854,629.99		6,211,088,362.68

35) Long-term payable

Items	2017	2016
Investment from CDB development fund	93,000,000.00	93,000,000.00
Lease	13,020,029.74	22,783,382.28
Total	106,020,029.74	115,783,382.28

Under the Investment Contract of China Development Fund executed by the Company and its subsidiaries including Qingdao Haier Refrigerator Co., Ltd., Qingdao Haier Air Conditioner Gen Corp., Ltd., Qingdao Haier (Jiaozhou) Air-conditioning Co., Limited together with China Development Fund Co. Ltd. in 2015 and 2016, China Development Fund Co. Ltd. invested RMB20 million in Qingdao Haier Refrigerator Co., Ltd., and RMB73 million in Qingdao Haier (Jiaozhou) Air-conditioning Co., Limited. China Development Fund Co. Ltd. earns 1.2% of the annual profits by means of dividends or repurchase premiums. The Company and its subsidiaries will repurchase the investments above during 2020 to 2027.

36) Long-term employee benefits payable

(1) Long-term employee benefits payable

Items	2017	2016
I. Post-employment benefits: net liability of defined benefit plan	549,421,555.18	837,967,757.25
II. Termination benefits	81,557,019.60	54,148,397.79
III. Provision for work-related injury compensation	267,182,167.75	317,102,409.75
IV. Other long-term benefits		
Total	898,160,742.53	1,209,218,564.79

(2) Defined benefit plan

Some subsidiaries of the Company have participated in several defined benefit plans, in which eligible employees are entitled to the retirement benefits agreed.

These plans are exposed to interest rate risks, changes in life expectancy of the beneficiary and other risks.

The actuarial valuation of the assets and the present value of defined benefit obligations under such plans are determined by using the Projected Unit Credit (PUC) method.

①. The defined benefit plan of Haier Asia Co., Ltd., a subsidiary of the Company

Actuarial assumption:

Items	Rate
I. Discount rate	0.50%
II. Expected rate of return	2.00%

Change in Defined Benefit Obligation

Items	Amount
I. Defined benefit obligation at beginning of year	314,909,686.37
II. Cost recognized in current profit or loss	11,101,765.66
1. Current service cost	9,511,366.06
2. Past service cost	
3. Settlement gains (loss indicated in “—”)	
4. Interest cost	1,590,399.60
III. Cost recognized in other comprehensive incomes	317,903.32
1. Actuarial loss (gain indicated in “—”)	317,903.32
IV. Other changes	-23,013,289.43

1. Settlements	
2. Benefit paid	-14,134,696.44
3. Exchange differences	-8,878,592.99
V. Defined benefit obligation at end of year	303,316,065.92

Change in Fair Value of Plan Assets

Items	Amount
I. Fair value of plan assets at beginning of year	300,272,483.59
II. Amount recognized in current profit or loss	1,516,476.83
1. Interest income	1,516,476.83
III. Amount recognized in other comprehensive incomes	13,283,096.23
1. Return on plan assets (except those included in net interests)	13,283,096.23
2. Changes in impact of asset cap (except those included in net interests)	
IV. Other changes	-7,748,158.75
1. Employer contributions	15,571,690.85
2. Benefits paid out	-14,134,696.44
3. Exchange differences	-9,185,153.16
V. Fair value of plan assets at end of year	307,323,897.90

Neither the Company's ordinary shares 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	14,637,202.78
II. Cost recognized in current profit or loss	9,585,288.83
III. Cost recognized in other comprehensive incomes	-12,965,192.91
IV. Other changes	-15,265,130.68
V. Closing balance	-4,007,831.98

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

②. The defined benefit plan of Roper Corporation, a subsidiary of the Company

Roper Corporation, a subsidiary of the Company, has provided post-employment defined benefit plan of health care benefits to eligible employees.

Actuarial assumption:

Items	Rate
I. Discount rate	3.98%

Change in Defined Benefit Obligation

Items	Amount
I. Defined benefit obligation at beginning of year	147,664,284.01
II. Business combination not under common control	
III. Cost recognized in current profit or loss	11,036,022.36
1. Current service cost	6,169,577.08
2. Past service cost	-702,792.99
3. Settlement gains (loss indicated in “—”)	
4. Interest cost	5,569,238.27
IV. Cost recognized in other comprehensive incomes	5,158,509.31
1. Actuarial loss (gain indicated in “—”)	5,158,509.31
V. Other changes	-18,181,734.40
1. Settlements	
2. Benefit paid	-9,382,639.44
3. Exchange differences	-8,799,094.96
VI. Defined benefit obligation at end of year	145,677,081.28

Net liability (net asset) of defined benefit plan:

Items	Amount
I. Opening balance	147,664,284.01
II. Business combination not under common control	
III. Cost recognized in current profit or loss	11,036,022.36
IV. Cost recognized in other comprehensive incomes	5,158,509.31
V. Other changes	-18,181,734.40
VI. Closing balance	145,677,081.28

The average term for the defined benefit obligation is 12.14 years at the balance sheet date.

③. The defined benefit plan of Haier US Appliance Solutions, Inc., a subsidiary of the Company.

Haier US Appliance Solutions, Inc., a subsidiary of the Company, has provided post-retirement defined benefit plan of health care benefits for the eligible employees.

Actuarial assumption:

Items	Rate
I. Discount rate	3.68%

Change in Defined Benefit Obligation

Items	Amount
I. Defined benefit obligation at beginning of year	385,674,932.23
II. Business combination not under common control	
III. Cost recognized in current profit or loss	19,303,876.24
1. Current service cost	5,484,636.88
2. Past service cost	
3. Settlement gains (loss indicated in “—”)	
4. Interest cost	13,819,239.36
IV. Cost recognized in other comprehensive incomes	17,768,624.43
1. Actuarial loss (gain indicated in “—”)	17,768,624.43
V. Other changes	-37,959,222.07
1. Settlements	
2. Benefit paid	-14,830,489.57
3. Exchange differences	-23,128,732.50
VI. Defined benefit obligation at end of year	384,788,210.83

Net liability (net asset) of defined benefit plan:

Items	Amount
I. Opening balance	385,674,932.23
II. Business combination not under common control	
III. Cost recognized in current profit or loss	19,303,876.24
IV. Cost recognized in other comprehensive incomes	17,768,624.43
V. Other changes	-37,959,222.07
VI. Closing balance	384,788,210.83

④. The defined benefit plan of Haier US Appliance Solutions, Inc., a subsidiary of the Company.

Haier US Appliance Solutions, Inc., a subsidiary of the Company, has provided defined benefit plan of pension for the eligible employees.

Actuarial assumption:

Items	Rate
I. Discount rate	3.21%

Change in Defined Benefit Obligation

Items	Amount
I. Defined benefit obligation at beginning of year	344,065,731.00
II. Business combination not under common control	
III. Cost recognized in current profit or loss	21,279,102.59
1. Current service cost	13,521,404.60
2. Past service cost	
3. Settlement gains (loss indicated in “—”)	-3,040,785.00
4. Interest cost	10,798,482.99
IV. Cost recognized in other comprehensive incomes	18,144,337.07
1. Actuarial loss (gain indicated in “—”)	18,144,337.07
V. Other changes	-50,134,189.83
1. Settlements	
2. Benefit paid	-29,839,432.68
3. Exchange differences	-20,294,757.15
VI. Defined benefit obligation at end of year	333,354,980.83

Change in Fair Value of Plan Assets

Items	Amount
I. Fair value of plan assets at beginning of year	8,170,835.63
II. Amount recognized in current profit or loss	
1. Interest income	
III. Amount recognized in other comprehensive incomes	99,717.48
1. Return on plan assets (except those included in net interests)	99,717.48
2. Changes in impact of asset cap (except those included in net interests)	
IV. Other changes	218,467,225.83
1. employer contributions	256,259,925.97
2. benefits paid out	-29,839,432.68
3. Exchange differences	-7,953,267.46
V. Fair value of plan assets at end of year	226,737,778.94

Net liability (net asset) of defined benefit plan:

Items	Amount
I. Opening balance	335,894,895.37
II. Business combination not under common control	
III. Cost recognized in current profit or loss	21,279,102.59
IV. Cost recognized in other comprehensive incomes	18,044,619.59
V. Other changes	-268,601,415.66
VI. Closing balance	106,617,201.89

(3) Provision for work-related injury compensation

Haier US APPLIANCE SOLUTIONS, INC. made a provision for the occupational injury claims filed by the injured due to production accidents starting from 1 January 1991. The provision was calculated by Beecher Carlson Insurance Services, LLC., based on actuarial method. The discount rate used in the actuary is 3.72%.

Items	Amount
I . Opening balance	317,102,409.75
II. Business combination not under common control	
III. Compensation recognized in current profit and loss	54,164,730.17
IV. Actual compensation paid	-86,748,055.06
V. Other changes	-17,336,917.11
VI. Closing balance	267,182,167.75

Classification of the balance of defined benefit plan

Items	2017	2016
Current	87,660,938.82	45,903,557.14
Non-current	549,421,555.18	837,967,757.25
Total	637,082,494.00	883,871,314.39

37) Provisions

Items	2017	2016
Warranty and installation	2,600,696,051.30	2,275,917,930.84
Active litigation	19,003,500.11	18,501,499.76
Others		15,700,000.00
Total	2,619,699,551.41	2,310,119,430.60

Significant assumptions and estimates related to warranty and installation: estimates are based on historical expenditures and sales, warranty policies, and realized sales in current period.

38) Deferred revenue

Items	2016	Increase in current period	Decrease in current period	2017
Government grants	337,441,740.36	242,595,462.63	85,844,575.37	494,192,627.62
Sale and leaseback	5,383,852.99		2,435,391.89	2,948,461.10
Total	342,825,593.35	242,595,462.63	88,279,967.26	497,141,088.72

39) Other non-current liabilities

Items	2017	2016
Changes of fair value in hedging instruments		582,785,069.86
Foreign exchange contract	242,417,657.63	
Obligation of repurchase non-controlling interest	916,938,153.36	
Contingent consideration	5,384,860.29	
Changes of fair value in put option	6,196,157.27	
Total	1,170,936,828.55	582,785,069.86

40) Share capital

Category	2016	Increase in current period	Decrease in current period	2017
I. Restricted shares	606,213,988		606,213,988	
1. State-owned shares				
2. Shares held by domestic non-state-owned legal entities				
3. Shares held by domestic individuals	228,000		228,000	
4. Shares held by offshore non-state-owned legal entities	605,985,988		605,985,988	
II. Non-restricted shares	5,491,416,739	605,985,988		6,097,402,727
1. Ordinary shares in RMB	5,491,416,739	605,985,988		6,097,402,727
2. Domestic listed foreign				

shares				
3. Offshore listed foreign shares				
4. Others				
III. Total shares	6,097,630,727	605,985,988	606,213,988	6,097,402,727

41) Other equity instruments

Items	2016	Increase in current period	Decrease in current period	2017
Equity portion of exchangeable bonds		431,424,524.07		431,424,524.07
Total		431,424,524.07		431,424,524.07

42) Capital reserve

Items	2016	Increase in current period	Decrease in current period	2017
Capital surplus		331,168,733.63	331,168,733.63	
Other capital reserve	83,383,194.51	743,499,899.33		826,883,093.84
Total	83,383,194.51	1,074,668,632.96	331,168,733.63	826,883,093.84

Movements in capital surplus mainly include:

- ① Capital contribution to subsidiaries not on the original proportion of equity interest led to the changes in the shareholdings of the Company, which results to an increase of RMB122,472,125.68 in 2017.
- ② Cancellation of treasury shares in 2017, which results to an decrease of RMB813,960.00.
- ③ Business combination not under common control in 2017, which results to an decrease of RMB317,663,275.95.
- ④ Purchase of non controlling interest in 2017, which results to an decrease of RMB12,691,497.68.
- ⑤ Retained earnings was transferred to capital surplus due to insufficiency for offsetting, which results to an increase of RMB208,696,607.95.

Movements in other capital reserve mainly include:

Changes on other equity of the investee applied equity method, which results proportionate movement of other capital reserves by the Company.

43) Treasury shares

Items	2016	Increase in current period	Decrease in current period	2017
Restricted shares	1,041,960.00		1,041,960.00	
Share repurchase				
Total	1,041,960.00		1,041,960.00	

The Company cancelled restricted shares with a value of RMB1,041,960.00 in 2017.

44) Other comprehensive income

Items	2016	2017					2017
		Pre-tax amount	Less: income tax expense	Post-tax amount Attributable to parent	Post-tax amount Attributable to non-controlling shareholders	Others	
a	34,176,554.03	-307,730,489.01		-307,016,515.96	-713,973.05		-272,839,961.93
b	6,134,086.21	-3,401,925.21	-410,431.40	-3,059,092.10	67,598.29		3,074,994.11
c	11,943,250.39	35,816,200.12	7,962,331.90	27,853,868.22			39,797,118.61
d	520,919,042.22	-317,418,943.44		-317,446,061.32	27,117.88		203,472,980.90
e	-6,185,497.28	-3,355,628.26	413,005.31	-3,683,444.37	-85,189.20		-9,868,941.65
Total	566,987,435.57	-596,090,785.80	7,964,905.81	-603,351,245.53	-704,446.08		-36,363,809.96

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

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

Item b represents changes in fair value of available-for-sale financial assets.

Item c represents effective portion of gains/losses arising from cash flow hedging instruments

Item d represents exchange differences from translation of foreign currency financial statements.

(2) Item e represents changes arising from remeasurement of net liabilities or assets of defined benefit plans, which may not be subsequently reclassified to profit or loss.

45) Surplus reserve

Items	2016	Increase in current period	Decrease in current period	2017
Statutory surplus reserve	2,028,803,276.19	47,467,365.42	20,869,660.79	2,055,400,980.82
Discretionary	26,042,290.48			26,042,290.48

surplus reserve				
Reserve fund	11,322,880.64			11,322,880.64
Enterprise expansion fund	10,291,630.47			10,291,630.47
Total	2,076,460,077.78	47,467,365.42	20,869,660.79	2,103,057,782.41

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.

Retained earnings was transferred to capital surplus due to insufficiency for offsetting, which results to a decrease in 2017

46) Retained Earnings

Items	Amount
Retained Earnings at the end of last year	17,544,395,965.35
Add: correction of accounting errors	
Adjustment due to implementation of new accounting standard	
Adjustment due to business combination under common control	70,372,786.35
Retained Earnings at the beginning of the year	17,614,768,751.70
Add: net profit attributable to owners of the Company	6,925,792,321.27
Profit available for appropriation for the year	24,540,561,072.97
Less: appropriation of statutory surplus reserve	47,467,365.42
Appropriation of staff incentive and welfare fund	
Dividend payable for ordinary shares	1,512,155,876.30
Business combination under common control	187,826,947.16
Retained Earnings at the end of the period	22,793,110,884.09

47) Operating revenue and COGS

(1) Operating revenue

Categories	2017	2016
Primary Business	158,726,338,506.38	118,575,634,618.01
Other Business	528,128,403.08	556,627,044.59
Total	159,254,466,909.46	119,132,261,662.60

(2) Primary Business revenue and COGS presented by product categories:

Categories	2017		2016	
	Revenue	COGS	Revenue	COGS
Air conditioner	28,744,555,048.98	19,607,984,859.83	18,676,423,237.28	12,645,964,675.28
Refrigerator	47,113,594,913.60	31,984,588,757.22	36,254,741,110.25	24,260,152,441.10
Kitchen appliance	28,560,362,564.19	17,205,073,338.09	19,013,918,291.78	11,187,891,955.96
Washing machine	30,895,409,074.18	19,903,403,843.63	23,479,946,836.50	15,346,199,597.38
Equipment product	3,024,833,837.20	2,833,882,299.86	2,651,194,282.78	2,464,745,052.71
Integrated channel services and others	20,387,583,068.23	18,301,887,553.75	18,499,410,859.42	16,097,749,339.90
Total	158,726,338,506.38	109,836,820,652.38	118,575,634,618.01	82,002,703,062.33

48) Taxes and surcharges

Items	2017	2016
Business tax	3,937,319.54	10,230,737.89
City maintenance and construction tax	289,360,072.51	289,324,905.41
Education surcharge	207,436,359.71	197,382,776.46
Property tax	58,333,977.34	45,615,653.30
Land use tax	39,803,659.28	28,738,931.20
Stamp tax	164,204,646.62	87,975,062.38
Others	45,814,953.25	28,639,619.70
Total	808,890,988.25	687,907,686.34

49) Selling and distribution expenses

Items	2017	2016
Selling and distribution expenses	28,276,014,979.78	21,254,103,195.32
Total	28,276,014,979.78	21,254,103,195.32

Selling expenses of the Company mainly include employee benefit expenses, transportation and warehousing costs, advertising and sales promotion expenses, after-sale expenses, etc.

50) General and administrative expenses

Items	2017	2016
General and administrative expenses	11,133,225,318.88	8,404,150,036.49
Total	11,133,225,318.88	8,404,150,036.49

G&A expenses of the Company mainly include employee benefit expenses, research and development costs, administrative expenses, rental expense, etc.

51) Finance income/(expenses)

Items	2017	2016
Interest expenses	1,214,335,487.98	789,048,547.63
Less: Interest income	313,552,297.85	225,930,059.97
Less: Cash discount	178,496,609.91	98,631,937.73
Exchange gain or loss	583,170,145.68	179,026,421.60
Others	87,415,548.31	76,895,245.00
Total	1,392,872,274.21	720,408,216.53

52) Asset impairment loss/reversal

Items	2017	2016
Impairment loss/(reversal) of bad debts	61,049,365.34	21,816,555.49
Impairment loss on inventories	532,813,678.93	466,518,247.15
Impairment loss on fixed assets	4,033,767.05	
Impairment loss on intangible assets	10,020,069.91	
Impairment loss on construction in progress		2,213,568.88
Impairment loss on long term equity investment	21,000,000.00	
Impairment loss on available for sale financial assets	27,000,000.00	

Total	655,916,881.23	490,548,371.52
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53) Gains/(losses) on changes in fair value

Items	2017	2016
Financial instruments measured at fair value with changes included in current profit and loss - derivative financial instruments	614,071,259.47	83,266,828.84
Changes in fair values of hedging instrument and hedged items in an effective hedge relationship		11,381,247.23
Total	614,071,259.47	94,648,076.07

54) Gains/(losses) on investment

Items	2017	2016
Gains/(losses) on long-term equity investments under equity method	1,189,499,159.93	974,078,918.55
Gains/(losses) on disposal of long-term equity investments	154,563,929.68	86,010,966.27
Gains/(losses) on available for sale financial assets during the holding period	41,422,977.72	26,720,731.79
Gains/(losses) on disposal of available for sale financial assets	1,006,946.64	531,827,281.30
Gains/(losses) on disposal of financial assets measured at fair value with changes included in current profit and loss	49,335,869.06	-9,217,370.89
Gains/(losses) on financial products	45,971,181.79	10,296,906.76
Total	1,481,800,064.82	1,619,717,433.78

55) Gains/(losses) on disposal of non-current assets

Items	2017	2016
Gains on disposal of non-current assets	15,690,888.77	252,475,880.16
Losses on disposal of non-current assets	4,926,679.12	21,228,961.67
Total	10,764,209.65	231,246,918.49

56) Other income

Items	2017	2016	Related to
Government grants	867,832,122.10		Profit or loss
Government grants	40,729,868.30		Assets
Total	908,561,990.4		

57) Non-operating income

Items	2017	2016
Gains on disposal of non-current assets	60,431,217.90	4,908,681.33
Government grants		696,833,330.02
Changes in accounting treatment of available for sale financial assets		166,840,685.70
Others	632,532,019.86	301,981,681.15
Total	692,963,237.76	1,170,564,378.20

Government grants:

Items	2017	2016
Related to assets		63,310,400.17
Related to profit or loss		633,522,929.85
Total		696,833,330.02

58) Non-operating expenses

Items	2017	2016
Losses on disposal of non-current assets	162,131,645.01	239,227,865.90
Donation	12,959,800.05	15,145,964.51
Others	86,538,272.93	81,799,870.64
Total	261,629,717.99	336,173,701.05

59) Income tax expenses**(1) Income tax expenses**

Items	2017	2016
Current tax	1,663,220,970.73	1,319,650,567.57
Deferred tax	-170,414,253.00	172,986,187.75
Total	1,492,806,717.73	1,492,636,755.32

(2) Numerical reconciliation of income tax expense prima facie tax payable

Items	2017
Profit before income tax expense	10,544,455,901.77
Tax at China tax rate of 25%	2,636,113,975.44
Difference in overseas tax rates	-485,447,920.31
Adjustments for prior periods	-106,909,555.19
Non-assessable income	-251,839,213.46

Non-deductible amount	65,890,435.62
Unrecognition on deductible temporary differences or losses	277,059,386.40
Others	-642,060,390.77
Income tax expense	1,492,806,717.73

60) Other comprehensive income

Relevant disclosure in V.44

61) Cash received relating to other operating activities

Items	2017
Deposits and securities	139,228,669.93
Government grants	318,432,554.22
Non-operating income excluding government grants	318,000,399.91
Interest income	244,201,255.41
Others	78,006,845.70
Total	1,097,869,725.17

62) Cash paid relating to other operating activities

Items	2017
Selling and distribution expenses	9,683,277,105.13
General and administrative expenses	3,865,733,432.42
Financial expenses	84,547,951.86
Non-operating expenses	49,401,553.54
Others	204,113,761.11
Total	13,887,073,804.06

63) Cash received relating to other investing activities

Items	2017
Government grants related to assets	188,727,997.88
Cash received from acquiring subsidiaries	3,002,450.64
Total	191,730,448.52

64) Cash payments relating to other financing activities

Items	2017
Cash paid on repurchasing shares	13,080,466.40
Cash paid due to the withdrawal of non-controlling shareholders	1,508,000.00
Cash paid on financial lease	17,263,522.47
Acquisition of non-controlling interest	76,641,300.81
Others	18,166,749.34
Total	126,660,039.02

65) Supplementary information of cash flow statement

Items	2017	2016
1. Net profit	9,051,649,184.04	6,695,980,185.55
Plus: provisions for assets impairment	655,916,881.23	490,548,371.52
Depreciation of fixed assets	2,404,673,250.76	2,150,460,933.50
Amortization of intangible assets	334,555,230.49	241,325,547.38
Amortization of long-term prepaid expenses	36,706,751.00	32,843,689.24
Loss on disposal of fixed assets, intangible assets and other long term assets (“—” represents “gains”)	90,936,217.46	3,064,257.71
Loss on change of fair value (“—” represents “gains”)	-614,071,259.47	-94,648,076.07
Financial expenses (“—” represents “gains”)	1,214,335,487.98	789,048,547.63
Loss on investments (“—” represents “gains”)	-1,481,800,064.82	-1,619,717,433.78
Decrease of deferred income tax assets (“—” represents “increase”)	-329,983,599.43	-398,120,606.40
Increase of deferred income tax liabilities (“—” represents “decrease”)	159,569,346.43	571,106,794.15
Decrease of inventories (“—” represents “increase”)	-6,726,791,971.64	-1,659,356,640.18

Decrease of operational account receivables ("—" represents "increase")	694,351,560.41	-3,017,750,721.23
Increase of operational account payables ("—" represents "decrease")	10,188,558,879.93	4,314,265,550.01
Others	407,982,133.94	-363,172,047.15
Net cash flows generated from operational activities	16,086,588,028.31	8,135,878,351.88
2. Significant investment and financing activities not involving cash inflows and outflows		
Capital transferred from debts	1,223,220,143.70	
Convertible corporate bonds due within 1 year		1,223,220,143.70
Financial leased fixed assets		
3. Changes of cash and cash equivalents:		
Cash balance at the end of 2017	34,340,013,574.22	23,295,239,445.05
Less: cash balance at the beginning of 2017	23,295,239,445.05	24,725,651,908.55
Add: cash equivalents balance at the end of 2017		
Less: cash equivalents balance at the beginning of 2017		
Net increase of cash and cash equivalents	11,044,774,129.17	-1,430,412,463.50

66) Cash and cash equivalents

Items	2017	2016
I. Cash	34,340,013,574.22	23,295,239,445.05
Including: cash on hand	513,781.37	565,073.32
Cash in bank which is available for payment at any time	32,994,884,486.17	23,268,681,467.29
Other cash available for payment at any time	1,344,615,306.68	25,992,904.44
II. Cash equivalents		
Including: bond investment due within three months		
III. Closing balance of cash and cash equivalents	34,340,013,574.22	23,295,239,445.05
Including: restricted cash and equivalents held by the Company or subsidiaries		

67) Foreign Currency

Items	2017	2016
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	Balance in foreign currency	Exchange rate	Balance in RMB	Balance in foreign currency	Exchange rate	Balance in RMB
Cash						
USD	1,249,816,041.00	6.5342	8,166,547,975.10	387,284,566.46	6.9370	2,686,593,037.53
EUR	20,058,292.65	7.8023	156,500,816.74	21,250,231.16	7.3068	155,271,189.04
JPY	5,007,949,886.95	0.057883	289,875,163.31	5,184,441,120.54	0.059591	308,946,030.81
HKD	1,029,213,931.69	0.8359	860,319,925.50	324,689,386.07	0.8945	290,434,655.84
Others			772,356,596.65			671,853,643.07
Sub-total			10,245,600,477.30			4,113,098,556.29
Accounts receivables						
USD	1,036,244,584.01	6.5342	6,771,029,360.84	976,653,474.79	6.9370	6,775,045,154.62
EUR	46,516,973.55	7.8023	362,939,382.73	49,108,138.60	7.3068	358,823,347.12
JPY	3,875,029,615.17	0.057883	224,298,339.21	4,314,375,738.62	0.059591	257,097,964.64
Others			1,744,262,398.17			1,900,121,489.06
Sub-total			9,102,529,480.95			9,291,087,955.44
Short-term borrowings						
USD	1,048,141,122.69	6.5342	6,848,763,723.88	1,329,063,973.44	6.937	9,219,716,783.75
EUR	11,319,902.42	7.8023	88,321,274.65	10,815,675.73	7.3068	79,027,979.42
JPY	740,217,334.97	0.057883	42,846,000.00	5,251,439,976.00	0.059591	312,938,559.61
HKD				725,000,000.00	0.8945	648,512,500.00
Others			296,567,076.35			21,015,000.00
Sub-total			7,276,498,074.88			10,281,210,822.78
Accounts payables						
USD	897,463,561.23	6.5342	5,864,206,401.79	894,240,568.95	6.937	6,203,346,826.81
EUR	15,125,382.24	7.8023	118,012,769.85	28,647,679.79	7.3068	209,322,866.69
JPY	1,215,454,339.45	0.057883	70,354,143.53	3,804,098,671.44	0.059591	226,690,043.93
Others			1,010,745,873.14			1,012,439,147.10
Sub-total			7,063,319,188.31			7,651,798,884.53
Non-current liabilities due in one year						
USD	375,000,000.00	6.5342	2,450,325,000.00	250,000,000.00	6.937	1,734,250,000.00
Sub-total			2,450,325,000.00			1,734,250,000.00
Long-term borrowings						
USD	2,449,565,439.28	6.5342	16,005,950,493.34	2,121,414,653.64	6.937	14,716,253,452.30
JPY				5,278,445,730.06	0.059591	314,547,859.50
Others						
Sub-total			16,005,950,493.34			15,030,801,311.80

8. Changes of consolidation scope

1) Business combination not under common control

(1) Business combination not under common control in 2017

Acquiree	Time of acquisition	Acquisition cost	(%) Interes t acquir ed	Acqui sition metho d	Acquisition date	Recogniti on basis of acquisitio n dates	Acquiree's revenue from acquisition date to the year end	Acquiree's net profit from acquisition date to the year end
Shanghai Grand Logistics Co., Ltd	2017.8.31	28,049,392.06	57	Acqui sition	2017.8.31	shareholdi ng transfere d	67,329,520.17	-8,497,474.28
GREENone TECSolarin dustrieGmb H	2017.5.17	60,307,603.61	51	Acqui sition	2017.5.17	shareholdi ng transfere d	143,717,836.33	-1,097,544.85

(2) Acquisition cost and goodwill

Acquisition cost	Shanghai Grand Logistics Co., Ltd	GREENoneTEC Solarindustrie GmbH
----- Cash		52,366,495.84
----- Fair value of contingent considerations		7,941,107.77
Other non-current assets	19,683,702.94	
Available-for-sale financial assets	8,365,689.12	
Total cost	28,049,392.06	60,307,603.61
Less: fair value of identifiable net assets acquired	-1,030,077.60	57,008,845.86
Goodwill	29,079,469.66	3,298,757.75

(3) Acquiree's identifiable assets and liabilities at acquisition date:

Items	Shanghai Grand Logistics Co., Ltd	
	Fair value	Book value
Cash	3,002,449.81	3,002,449.81
Accounts Receivables	57,568,812.25	57,568,812.25
Inventories	131,363.44	131,363.44
Fixed assets /Construction in progress / Intangible assets	8,982,560.18	8,982,560.18
Other long-term assets	14,868,469.35	14,868,469.35

Accounts Payables	-49,047,536.81	-49,047,536.81
Taxes payables	-121,522.65	-121,522.65
Long-term payable	-30,600,000.00	-30,600,000.00
Borrowings	-3,700,000.00	-3,700,000.00
Net assets	1,084,595.57	1,084,595.57
Less: Non-controlling interests	2,891,749.27	2,891,749.27
Net assets obtained	-1,807,153.70	-1,807,153.70

(Continued)

Items	GREENoneTEC Solarindustrie GmbH	
	Fair value	Book value
Cash	22,542.76	22,542.76
Accounts Receivables	48,279,085.49	48,279,085.49
Inventories	29,245,478.71	29,245,478.71
Fixed assets /Construction in progress / Intangible assets	175,517,957.81	142,590,494.37
Other long-term assets	1,916,134.91	1,916,134.91
Accounts Payables	-44,724,843.09	-44,724,843.09
Other long-term liabilities	-11,707,208.59	-3,712,041.75
Borrowings	-86,767,097.30	-86,767,097.30
Net assets	111,782,050.70	86,849,754.10
Less: Non-controlling interests		
Net assets obtained	111,782,050.70	86,849,754.10

2) Business combination under common control

(1) Business combination under common control in 2017

Acquiree	% interest acquired	Basis for recognition as business combination under common control	Acquisition date	Recognition basis of acquisition dates
FISHER&PAYKELPRODUCTION MACHINERY LIMITED	100%	Ultimately controlled by Haier Group before and	2017.9.30	Rights and obligations related to target shareholding have been

		after the transaction		transferred to the Company
Tianjin Ririxin Assets Management Co., Ltd.	100%	Ultimately controlled by Haier Group before and after the transaction	2017.9.30	Rights and obligations related to target shareholding have been transferred to the Company

(Continued)

Acquiree	Acquiree's revenue from beginning to the year end in 2017	Acquiree's net profit from beginning to the year end in 2017	Acquiree's revenue in comparative period	Acquiree's net profit in comparative period
FISHER & PAYKEL PRODUCTION MACHINERY LIMITED	102,889,623.68	3,858,338.44	96,749,199.17	4,131,170.90
Tianjin Ririxin Assets Management Co., Ltd.		-3,358,296.62		-580,505.70

(2) Acquisition cost

Acquisition cost	FISHER & PAYKEL PRODUCTION MACHINERY LIMITED	Tianjin Ririxin Assets Management Co., Ltd.
-----Cash	322,686,078.00	56,092,700.00

(3) Acquiree's assets and liabilities

Items	FISHER & PAYKEL PRODUCTION MACHINERY LIMITED	
	Acquisition date	2016
Cash	2,806,899.17	781,099.88
Accounts receivable	50,668,040.17	21,881,319.31
Inventories	27,063,064.46	46,961,910.19
Fixed assets	4,635,875.06	5,052,458.02
Intangible assets	308,887.42	398,312.94
Less: Accounts payable	-24,089,609.09	-19,768,010.49
Long-term employee benefits	-3,658,808.37	-2,707,647.46
Net assets	57,734,348.82	52,599,442.39
Less: Non-controlling interests		
Net assets obtained	57,734,348.82	52,599,442.39

(Continued)

Items	Tianjin Ririxin Assets Management Co., Ltd.	
	Acquisition date	2016
Cash	1,395,709.13	76,823,787.07
Accounts receivable	105,922,959.46	488,792.29
Construction in progress	65,937,254.45	16,292,215.17
Intangible assets	31,117,911.36	31,621,618.56
Other long term assets	41,977,122.83	13,565,510.12
Less: Accounts payable	-34,134,719.99	-91,217,389.35
Short-term borrowings	-168,000,000.00	
Net assets	44,216,237.24	47,574,533.86
Less: Non-controlling interests		
Net assets obtained	44,216,237.24	47,574,533.86

3) Disposal of subsidiaries

Lose control over subsidiaries at disposal once:

Subsidiaries	Ji'nan Goodaymart trading Co., Ltd.	Sunshine Enterprise International Co., Ltd.	Suzhou Goodaymart Appliance Co., Ltd.
Consideration			8,820,000.00
Proportion of disposal	49.00%	81.00%	81.00%
Method	Disposal	Disposal	Disposal
Date of loss-of-control	2017/6/30	2017/6/30	2017/1/1
Basis of determination of date of loss-of-control	Disposal	Disposal	Disposal
Difference between consideration and its share of net assets of the subsidiary as respect to the disposal in the consolidated level	-595,421.85	1,000,040.98	-2,551,432.07

(Continued)

Subsidiaries	Liaoning Goodaymart Co., Ltd.	Huadong Logistics Co., Ltd.	Shanghai Leya InfoTech Ltd
Consideration	2,080,000.00	2,100,000.00	23,044,485.99
Proportion of disposal	51.00%	60.00%	100.00%
Method	Sale		Liquidation
Date of loss-of-control	2017/12/31	2017/10/31	2017/1/1
Basis of determination of date of	Sale	Sale	Liquidation

loss-of-control			
Difference between consideration and its share of net assets of the subsidiary as respect to the disposal in the consolidated level	-1,480,620.62	511,838.05	

(Continued)

Subsidiaries	Shengfeng Yiwu Co., Ltd.	HH Retail Limited	Hai Yi Ke (Beijing) technology Co., Ltd.
Consideration	22,773,599.19	13,281.59	
Proportion of disposal	100.00%	51.00%	100%
Method	Sale	Liquidation	Liquidation
Date of loss-of-control	2017/10/31	2017/11/30	2017/10/25
Basis of determination of date of loss-of-control	Sale	Liquidation	Liquidation
Difference between consideration and its share of net assets of the subsidiary as respect to the disposal in the consolidated level	1,635,535.21	14,382.08	-182,884.25

4) Changes of consolidation scope due to other reasons

(1) The Company established a wholly-owned subsidiary Haier Shanghai Zhongzhi Fang Chuang Ke Management Co., Ltd. in 2017.

(2) The Company established a wholly-owned subsidiary Haier Industrial Holding Co., Ltd. in 2017.

(3) Haier Industrial Holding Co., Ltd., a subsidiary of the Company, established a wholly-owned subsidiary Maniiq (Qingdao) Intelligent Equipment Co., Ltd. in 2017.

(4) Haier Industrial Holding Co., Ltd., a subsidiary of the Company, established a wholly-owned subsidiary Haier Digital Technology (Shanghai) Co., Ltd. in 2017.

(5) Qingdao Haier Dishwasher Co., Ltd., a subsidiary of the Company, established a wholly-owned subsidiary Qingdao Haier Smart Kitchen Appliance Co., Ltd. in 2017.

(6) Qingdao Haier Dishwasher Co., Ltd., a subsidiary of the Company, established a wholly-owned subsidiary JIYI Appliance (Shanghai) Co., Ltd. in 2017.

(7) Wuhan Haier Energy Co., Ltd., a subsidiary of the Company, established a wholly-owned subsidiary Qingdao Hao Pin Hai Rui Information Technology Co., Ltd. in 2017.

(8) Maniiq (Qingdao) Intelligent Equipment Co., Ltd., a subsidiary of the Company, established a wholly-owned subsidiary Maniiq (HK) Intelligent Equipment Co. Ltd in 2017.

(9) Maniiq (Qingdao) Intelligent Equipment Co., Ltd., a subsidiary of the Company, established a wholly-owned subsidiary Maniiq (Singapore) Intelligent Equipment Co. Ltd in 2017.

(10) The Company established a wholly-owned subsidiary Qingdao Haier Special Refrigeration Appliance Co., Ltd. in 2017.

(11) Qingdao Haier Technology Investment Co., Ltd., a subsidiary of the Company, established Beijing Micro Technology Co., Ltd. in 2017, shareholding of which is 55% at the year end.

(12) Qingdao Haier Dishwasher Co., Ltd., a subsidiary of the Company, established a wholly-owned subsidiary Laiyang Haier Smart Kitchen Appliance Co., Ltd. in 2017.

(13) Qingdao Haier Technology Investment Co., Ltd., a subsidiary of the Company, established AituTuo (Shanghai) Information Technology Co., Ltd. in 2017, shareholding of which is 72% at the year end.

(14) Haier Industrial Holding Co., Ltd., a subsidiary of the Company, established Qingdao Blue Whale Technology Co., Ltd. in 2017, shareholding of which is 87% at the year end.

(15) The Company established a wholly-owned subsidiary Qingdao Hailian Rongchuang Technology Co., Ltd. in 2017.

(16) Qingdao Haier Air Conditioning Electronics Co., Ltd., a subsidiary of the Company, established a wholly-owned subsidiary Hefei Haier Air Conditioning Electronics Co., Ltd. in 2017.

(17) Beijing Haier Yun Kitchen Technology Co., Ltd., a subsidiary of the Company, established a wholly-owned subsidiary Qingdao Wine Intelligent Technology Co., Ltd. in 2017.

(18) Shanghai Haier Medical Technology Co., Ltd., a subsidiary of the Company, established a wholly-owned subsidiary Taizhou Haier Medical Technology Co., Ltd. in 2017.

(19) Haier (Hong Kong) Limited, a subsidiary of the Company, established a wholly-owned subsidiary Harvest International Company in 2017.

9. Interests in other entities

1) Interests in subsidiaries

(1) Structure of the Company

Subsidiaries	Operation location	Registered office	Business	Shareholding %		Right to vote%	Method
				Direct	Indirect		
Haier Electronics Group Co., Ltd.	Mainland of China and Hong Kong	Bermuda	Group company, which mainly engage in investment holding, the production and sale of washing machines and water heaters, distribution service and logistics service	14.01%	29.68%	55.70%	Business combination under common control
Wonder Global (BVI) Investment Limited	The US and other overseas areas	British Virgin Islands	Household appliances production & distribution		100.00%	100.00%	Establishment
Haier Singapore Investment Holding Co., Ltd.	Singapore and other overseas	Singapore	Household appliances production & distribution		100.00%	100.00%	Business combination under

	areas						common control
Qingdao Haier Air Conditioner Gen Corp., Ltd.	Qingdao High-tech Zone	Qingdao High-tech Zone	Manufacture and sale of household air-conditioners	99.95%		99.95%	Business combination under common control
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%	Business combination under common control
Hefei Haier Air-conditioning Co., Limited	Hefei Haier Industrial Park	Hefei Haier Industrial Park	Manufacture and sale of air-conditioners	100.00 %		100.00%	Business combination under common control
Wuhan Haier Electronics Co., Ltd.	Wuhan Haier Industrial Park	Wuhan Haier Industrial Park	Manufacture and sale of air-conditioners	60.00%		60.00%	Business combination under common control
Qingdao Haier Air-Conditioner Electronics Co., Ltd.	Qingdao Development Zone	Qingdao Development Zone	Manufacture and sale of air-conditioners	100.00 %		100.00%	Business combination under common control
Qingdao Haier Information Plastic Development Co., Ltd.	Qingdao High-tech Zone	Qingdao High-tech Zone	Manufacture of plastic products	100.00 %		100.00%	Business combination under common control
Dalian Haier Precision Products Co., Ltd.	Dalian Export Expressing Zone	Dalian Export Expressing Zone	Manufacture and sale of precise plastics	90.00%		90.00%	Business combination under common control
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%	Business combination under common control
Qingdao Haier	Qingdao	Qingdao	R&D and manufacture of	75.00%	25.00%	100.00%	Business

Moulds Co., Ltd.	High-tech Zone	High-tech Zone	precise mold and product				combination under common control
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%	Business combination under common control
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%	Business combination under common control
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%	Business combination under common control
Qingdao Haier Robot Co., Ltd.	Qingdao High-tech Zone	Qingdao High-tech Zone	R&D, manufacture and sale of robot	50.00%		50.00%	Business combination under common control
Qingdao Haier Refrigerator Co., Ltd.	Qingdao High-tech Zone	Qingdao High-tech Zone	Manufacture and production of fluorine-free refrigerators	100.00%		100.00%	Establishment
Qingdao Haier Refrigerator (International) Co., Ltd.	Pingdu Development Zone, Qingdao	Pingdu Development Zone, Qingdao	Manufacture of refrigerators	75.00%		75.00%	Establishment
Qingdao Household Appliance Technology and Equipment Research Institute	Qingdao High-tech Zone	Qingdao High-tech Zone	Research and development of home appliances mold and technological equipment	100.00%		100.00%	Establishment
Qingdao Haier Whole Set Home Appliance Service Co., Ltd.	Qingdao High-tech Zone	Qingdao High-tech Zone	Research, development and sales of health-related small home appliance	98.33%		98.33%	Establishment
Qingdao Haier Intelligent Electronics Co.,	Qingdao High-tech Zone	Qingdao High-tech Zone	Design, R&D of electronics and automatic control system	100.00%		100.00%	Establishment

Ltd.							
Qingdao Haier Special Refrigerator Co., Ltd.	Qingdao Development Zone	Qingdao Development Zone	Manufacture and sales of fluorine-free refrigerators	100.00%		100.00%	Establishment
Qingdao Haier Dishwasher Co., Ltd.	Qingdao Development Zone	Qingdao Development Zone	Manufacture of dish washing machine and gas stove	100.00%		100.00%	Establishment
Qingdao Haier Special Freezer Co., Ltd.	Qingdao Development Zone	Qingdao Development Zone	Research, manufacture and sales of freezer and other refrigeration products	96.06%		96.06%	Establishment
Dalian Haier Air-conditioning Co., Ltd.	Dalian Export Expressing Zone	Dalian Export Expressing Zone	Manufacture of air-conditioners	90.00%		90.00%	Establishment
Dalian Haier Refrigerator Co., Ltd.	Dalian Export Expressing Zone	Dalian Export Expressing Zone	Manufacture of refrigerators	90.00%		90.00%	Establishment
Qingdao Haier Electronic Plastic Co., Ltd.	Qingdao Development Zone	Qingdao Development Zone	Development, assembling and sales of plastics, electronics and product	80.00%		80.00%	Establishment
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%	Establishment
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%	Establishment
Qingdao Haier Intelligent Home Appliance Technology Co., Ltd.	Qingdao High-tech Zone	Qingdao High-tech Zone	Development and application of household appliances, communication, electronics and network engineering technology	98.91%	1.09%	100.00%	Establishment
Chongqing Haier Air-conditioning Co., Ltd.	Jiangbei District, Chongqing City	Jiangbei District, Chongqing City	Manufacture and sales of air conditioners	76.92%	23.08%	100.00%	Establishment
Qingdao Haier	Qianwangan	Qianwangan	Development and		70.00%	70.00%	Establishment

Precision Products Co., Ltd.	g Road, Jiaonan City	g Road, Jiaonan City	manufacture of precise plastic, metal plate, mold and electronic products for household appliances				ment
Qingdao Haier Air Conditioning Equipment Co., Ltd.	Jiaonan City, Qingdao	Jiaonan City, Qingdao	Manufacture of household appliances and electronics		70.00%	70.00%	Establishment
Dalian Free Trade Zone Haier Air-conditioning Trading Co., Ltd.	Dalian Export Expressing Zone	Dalian Export Expressing Zone	Domestic trade		100.00%	100.00%	Establishment
Dalian Free Trade Zone Haier Refrigerator Trading Co., Ltd.	Dalian Export Expressing Zone	Dalian Export Expressing Zone	Domestic trade		100.00%	100.00%	Establishment
Qingdao Ding Xin Electronics Technology Co., Ltd.	Qingdao Development Zone	Qingdao Development Zone	Manufacture and sale of electronic Parts.		100.00%	100.00%	Establishment
Chongqing Haier Electronics Sales Co., Ltd.	Jiangbei District, Chongqing City	Jiangbei District, Chongqing City	Household appliance sales	95.00%	5.00%	100.00%	Establishment
Chongqing Haier Refrigeration Appliance Co., Ltd.	Jiangbei District, Chongqing City	Jiangbei District, Chongqing City	Manufacture of refrigerator	84.95%	15.05%	100.00%	Establishment
Hefei Haier Refrigerator Co., Ltd.	Hefei Haier Industrial Park	Hefei Haier Industrial Park	Manufacture of refrigerator	100.00%		100.00%	Establishment
Wuhan Haier Energy and Power Co., Ltd.	Wuhan Haier Industrial Park	Wuhan Haier Industrial Park	Energy service		75.00%	75.00%	Establishment
Qingdao Haier HVAC Engineering Co., Ltd	Qingdao Development Zone	Qingdao Development Zone	Air-conditioning		100.00%	100.00%	Establishment
Chongqing Goodaymart Electric Appliance Sale Co., Ltd	Jiangbei District, Chongqing City	Jiangbei District, Chongqing City	Sales of household appliances and electronics		51.00%	51.00%	Establishment

Qingdao Haier (Jiaozhou) Air-conditioning Co., Limited	Jiaozhou City, Qingdao	Jiaozhou City, Qingdao	Manufacture and sale of air-conditioners		100.00 %	100.00%	Establishment
Qingdao Haier Component Co., Ltd.	Jiaozhou City, Qingdao	Jiaozhou City, Qingdao	Manufacture and sales of plastic and precise sheet metal products		100.00 %	100.00%	Establishment
Haier Shareholdings (Hong Kong) Limited	Hong Kong	Hong Kong	Investment	100.00 %		100.00%	Establishment
Harvest International Company	Cayman Islands	Cayman Islands	Investment		100.00 %	100.00%	Establishment
Shenyang Haier Refrigerator Co., Ltd.	Shenbei New Area, Shenyang City	Shenbei New Area, Shenyang City	Manufacture and sales of refrigerator	100.00 %		100.00%	Establishment
Foshan Haier Freezer Co., Ltd.	Shanshui District, Foshan City	Shanshui District, Foshan City	Manufacture and sales of freezer	100.00 %		100.00%	Establishment
Zhengzhou Haier Air-conditioning Co., Ltd.	Zhengzhou Economic and Technological Development Zone	Zhengzhou Economic and Technological Development Zone	Manufacture and sales of air conditioner	100.00 %		100.00%	Establishment
Qingdao Haidayuan Procurement Service Co., Ltd.	Qingdao Development Zone	Qingdao Development Zone	Development, purchase and sales of electrical product and components	100.00 %		100.00%	Establishment
Qingdao Haier Intelligent Technology Development Co., Ltd.	Qingdao High-tech Zone	Qingdao High-tech Zone	Development and research of household appliances	100.00 %		100.00%	Establishment
Qingdao Hai Ri High-Tech Model Co., Ltd.	Qingdao High-tech Zone	Qingdao High-tech Zone	Design, manufacture and sales of product model and mould		100.00 %	100.00%	Business combination under common control
Qingdao Hai Gao Design and	Qingdao High-tech	Qingdao High-tech	Industrial design and prototype production		75.00%	75.00%	Business combinat

Manufacture Co., Ltd.	Zone	Zone					ion under common control
Beijing Haier Guangke Digital Technology Co., Ltd.	Beijing	Beijing	Development, promotion and transfer of technology		55.00%	55.00%	Business combination under common control
Shanghai Haier Medical Technology Co., Ltd.	Shanghai	Shanghai	Wholesale and retail of medical facility		100.00%	100.00%	Establishment
Qingdao Haier Technology Co., Ltd.	Qingdao	Qingdao	Development and sales of software and information product	100.00%		100.00%	Business combination under common control
Qingdao Haier Technology Investment Co., Ltd.	Qingdao	Qingdao	Entrepreneurship investment and consulting	100.00%		100.00%	Establishment
Qingdao Casarte Smart Living Appliances Co., Ltd.	Qingdao	Qingdao	Development, production and sales of appliances		100.00%	100.00%	Establishment
Qingdao Haichuangyuan Appliances Sales Co., Ltd.	Qingdao	Qingdao	Sales of household appliances and digital products		100.00%	100.00%	Establishment
Beijing ASU Tech Co., Ltd.	Beijing	Beijing	Technical services, import and export business		100.00%	100.00%	Establishment
Haier Overseas Electric Appliance Co., Ltd.	Qingdao	Qingdao	Sales of household appliances, international freight forwarding	100.00%		100.00%	Establishment
Haier Group (Dalian) Electrical Appliances Industry Co., Ltd.	Dalian	Dalian	Sales of household appliances, international freight forwarding	100.00%		100.00%	Business combination under common control
Qingdao Haier Central Air-conditioner Co., Ltd.	Qingdao	Qingdao	Production and sales of air conditioners and refrigeration equipment		100.00%	100.00%	Establishment

Beijing Haier Yun Kitchen Technology Co., Ltd.	Beijing	Beijing	Technology development and transfer		100.00 %	100.00%	Establishment
Chongqing Haier Home Appliance Sale Hefei Co., Ltd.	Hefei	Hefei	Household appliance sales		100.00 %	100.00%	Establishment
Beijing Chuangshi Magic Mirror Technology Co., Ltd.	Beijing	Beijing	Smart home		100.00 %	100.00%	Establishment
Beijing Haier Zhongyou Netmedia Co., Ltd.	Beijing	Beijing	Radio and television program		51.00%	51.00%	Establishment
Qingdao Weixi Smart Technology Co., Ltd.	Qingdao	Qingdao	Intelligent bathroom		71.43%	71.43%	Establishment
Haier U+smart Technology (Beijing) Co., Ltd.	Beijing	Beijing	Software development	100.00 %		100.00%	Establishment
Qingdao Haier Industry Intelligence Research Institute Co., Ltd.	Qingdao	Qingdao	Industrial intelligent technology	100.00 %		100.00%	Establishment
Haier (Shanghai) Appliance Co., Ltd.	Shanghai	Shanghai	Sales, research and development of household appliances	100.00 %		100.00%	Establishment
Shanghai Haier Zhongzhifang Chuangke Management Co., Ltd.	Shanghai	Shanghai	Business management consulting, chuangke management	100.00 %		100.00%	Establishment
Haier Industrial Holding Co., Ltd.	Qingdao	Qingdao	Industrial investment, robotics and automation R&D, etc.	100.00 %		100.00%	Establishment
Maniiq (Qingdao) Intelligent Equipment Co.,	Qingdao	Qingdao	Robotics and automation R&D, design, etc.		100.00 %	100.00%	Establishment

Ltd.							
Haier digital technology (Shanghai) Co., Ltd.	Shanghai	Shanghai	Technology development, promotion and transfer, material sales, etc.		100.00 %	100.00%	Establishment
Qingdao Haier Smart Kitchen Appliance Co., Ltd.	Qingdao	Qingdao	Smart kitchen appliances production and sales		100.00 %	100.00%	Establishment
JIYI Appliance (Shanghai) Co., Ltd.	Shanghai	Shanghai	Household appliances sales		100.00 %	100.00%	Establishment
Qingdao Hao Pin Hai Rui Information Technology Co., Ltd.	Qingdao	Qingdao	Development, procurement and sales of electrical products and components		100.00 %	100.00%	Establishment
FISHER & PAYKEL PRODUCTION MACHINERY LIMITED	New Zealand	New Zealand	Automated and customized special equipment manufacturing		100.00 %	100.00%	Business combination under common control
Maniiq (Singapore) Intelligent Equipment Co. Ltd.	Singapore	Singapore	Investment & Management		100.00 %	100.00%	Establishment
Maniiq (HK) Intelligent Equipment Co. Ltd.	Hongkong	Hongkong	Investment & Management		100.00 %	100.00%	Establishment
Qingdao Haier Special Refrigeration Appliance Co., Ltd.	Qingdao	Qingdao	Household appliances production and sales		100.00 %	100.00%	Establishment
Beijing Micro Technology Co., Ltd.	Beijing	Beijing	Technology development and promotion		55.00%	55.00%	Establishment
Laiyang Haier Smart Kitchen Appliance Co., Ltd.	Laiyang	Laiyang	Household appliances production and sales		100.00 %	100.00%	Establishment
AituTuo	Shanghai	Shanghai	Technology development		72.22%	72.22%	Establishment

(Shanghai) Information Technology Co., Ltd.			and promotion				ment
Qingdao Blue Whale Technology Co., Ltd.	Qingdao	Qingdao	Industrial Intelligence Technology		87.00%	87.00%	Establishment
Qingdao Hailian Rongchuang Technology Co., Ltd.	Qingdao	Qingdao	Industrial Intelligence Technology	100.00%		100.00%	Establishment
Hefei Haier Air Conditioning Electronics Co., Ltd.	Hefei	Hefei	Household appliances production and sales		100.00%	100.00%	Establishment
Qingdao Wine Intelligent Technology Co., Ltd.	Qingdao	Qingdao	Wine sets R&D, sales		100.00%	100.00%	Establishment
Taizhou Haier Medical Technology Co., Ltd.	Taizhou	Taizhou	Medical R&D and promotion		100.00%	100.00%	Establishment
Small companies such as Qingdao Hai Heng Feng Electrical Appliances Sale & Service Co., Ltd.	All over the country	All over the country	Sales of household appliances				Establishment

Reasons for including subsidiaries which the Company has 50% or less of the equity into the scope of consolidated financial statements:

At the end of the reporting period, the Company had substantial control over the finance and operation of Haier Electronics Group Co., Ltd., and small companies like Qingdao Hai Heng Feng Electrical Appliances Sale & Service Co., Ltd, which were included into the scope of consolidated financial statements.

Reason for the ratio of voting rights higher than the ratio of shareholding of Haier Electronics Group Co., Ltd.: on 10 July 2015, HCH (HK) Investment Management Co., Limited (hereinafter

referred to as “HCH”) signed a Shareholder Voting Right Entrustment Agreement with the Company. HCH entrusted the Company to exercise the underlying shareholder voting rights of 336,600,000 shares of Haier Electronics Group Co., Ltd. Both parties agreed that HCH will not revoke the entrustment and authorization to the Company unless the Company issues a written notice of revoking trustee to HCH.

(2) Material non-wholly owned subsidiaries

Subsidiaries	Non-controlling interest%	Profit for the year attributable to non-controlling interests	Dividend declared to non-controlling shareholders	Non-controlling interest in 2017
Haier Electronics Group Co., Ltd.	56.31%	2,089,558,119.70	268,235,152.93	13,933,248,551.72
Guizhou Haier Electronics Co., Ltd.	41.00%	11,271,736.53	8,200,000.00	108,400,183.40
Wuhan Haier Electronics Co., Ltd.	40.00%	25,682,261.02	8,000,000.00	223,080,723.94
Qingdao Haier Refrigerator (International) Co., Ltd.	25.00%	601,920.58		79,720,746.80

(3) Summarized financial information in respect of material non-wholly owned subsidiaries

Subsidiaries	2017					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Haier Electronics Group Co., Ltd.	34,425,125,631.08	8,943,099,505.92	43,368,225,137.00	18,004,664,972.39	2,334,453,969.47	20,339,118,941.86
Guizhou Haier Electronics Co., Ltd.	382,643,646.95	36,428,561.26	419,072,208.21	154,508,222.80	173,294.24	154,681,517.04
Wuhan Haier Electronics Co., Ltd.	978,695,296.94	131,215,185.69	1,109,910,482.63	551,805,602.69	403,070.08	552,208,672.77
Qingdao Haier Refrigerator (International) Co., Ltd.	280,498,996.95	55,808,808.81	336,307,805.76	17,424,818.56		17,424,818.56

(continued)

Subsidiaries	2016					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Haier Electronics Group Co., Ltd.	28,447,723,872.34	7,710,129,372.00	36,157,853,244.34	16,781,946,993.59	1,039,492,037.45	17,821,439,031.04
Guizhou Haier Electronics Co., Ltd.	431,426,225.53	37,508,427.60	468,934,653.13	211,909,531.88	126,470.38	212,036,002.26
Wuhan Haier Electronics Co., Ltd.	689,813,474.19	132,342,221.17	822,155,695.36	308,318,253.02	341,285.04	308,659,538.06
Qingdao Haier Refrigerator (International) Co., Ltd.	277,702,166.97	55,808,808.81	333,510,975.78	17,035,670.88		17,035,670.88

Subsidiaries	2017			
	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Haier Electronics Group Co., Ltd.	78,800,676,129.43	3,581,699,624.80	3,591,581,429.04	4,124,147,398.81
Guizhou Haier Electronics Co., Ltd.	1,150,823,650.51	27,492,040.30	27,492,040.30	247,441,041.27
Wuhan Haier Electronics Co., Ltd.	2,497,891,874.47	64,205,652.56	64,205,652.56	152,962,111.33
Qingdao Haier Refrigerator (International) Co., Ltd.		2,407,682.30	2,407,682.30	-287,141.80

(continued)

Subsidiaries	2016			
	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Haier Electronics Group Co., Ltd.	63,861,599,904.07	2,803,182,356.85	2,848,171,495.64	3,660,201,428.95
Guizhou Haier Electronics Co., Ltd.	939,787,451.99	18,847,783.66	18,847,783.66	59,180,619.09
Wuhan Haier Electronics Co., Ltd.	1,636,159,440.14	31,640,081.80	31,640,081.80	329,771,205.77
Qingdao Haier Refrigerator (International) Co., Ltd.	11,943.43	674,048.72	674,048.72	57,378,584.24

2) Transactions leading to the change of shareholding in subsidiaries but not losing the control

(1) Change of shareholding ratio in subsidiaries:

Non-controlling shareholders of Haier Electronics Group Co., Ltd. exercise or reduce capital, which led to the changes in the shareholdings of the Company;

Capital contribution not on the original proportion of equity interest or acquisition of non-controlling interest, which results in changes of shareholdings ratio in the following subsidiaries: Beijing Haier Cloud Kitchen Technology Co., Ltd., Haier electric (India) Co., Ltd., Qingdao Wei Xi Intelligent Technology Co., Ltd., Beijing Yi Shu Technology Co., Ltd.

(2) Impact of the transactions on non-controlling interest and the equity attributable to owners of the Company:

Items	Haier Electronics Group Co., Ltd.	Others
Consideration for acquisition/disposal		418,463,664.00
Less: share of net assets of subsidiaries in respect to the shareholding proportion acquired/disposed	104,202,485.94	436,733,303.74
Difference	-104,202,485.94	-18,269,639.74
Including: capital reserve adjustment	104,202,485.94	18,269,639.74

3) Interests in joint ventures and associates

(1) Associates

Associates	Business location	Registered location	Business description	Shareholding %	Investment accounting method
Wolong Electric Zhangqiu Haier Motor	Zhangqiu	Zhangqiu	Motor	30.00%	Equity method

Co., Ltd.			Manufacturing		
Haier Medical and Laboratory Products Co., Ltd.	Qingdao	Qingdao	Medical freezer	27.37%	Equity method
Qingdao Hegang Composite New Material Technology Co., Ltd.	Qingdao	Qingdao	Manufacture of steel plate	30.00%	Equity method
Hefei Hegang New Material Technology Co., Ltd.	Hefei	Hefei	Manufacture of steel plate	30.00%	Equity method
Qingdao Haier SAIF Smart Home Industry Investment Center (limited partnership)	Qingdao	Qingdao	Venture capital investment	63.00%	Equity method
Mitsubishi Heavy Industries Haier (Qingdao) Air-conditioners Co., Ltd.	Qingdao	Qingdao	Manufacture of household appliances	45.00%	Equity method
Qingdao Haier Carrier Refrigeration Equipment Co., Ltd.	Qingdao	Qingdao	Manufacture of household appliances	49.00%	Equity method
Haier Group Finance Co., Ltd.	Qingdao	Qingdao	Financing	42.00%	Equity method
Qingdao Haier Software Investment Co., Ltd.	Qingdao	Qingdao	Software development	25.00%	Equity method
Beijing Mr. Hi Network Technology Company Limited	Beijing	Beijing	Technology development	40.00%	Equity method
Bank of Qingdao Co., Ltd.	Qingdao	Qingdao	Commercial bank	9.47%	Equity method
Beijing Xiaobei Technology Co., Ltd.	Beijing	Beijing	Sales of household appliances	45.00%	Equity method
Qingdao Haier Multimedia Co., Ltd.	Qingdao	Qingdao	R&D and sales of television	20.20%	Equity method
Guangzhou Heying Investment Partnership (Limited Partnership)	Guangzhou	Guangzhou	Investment	50.00%	Equity method
Fuzhou Jinan District Shengfeng Guorong Microfinance Co., Ltd.	Fuzhou	Fuzhou	Micro-finance	20.00%	Equity method
Fujian Bafang Shengfeng Logistics Co., Ltd.	Fuzhou	Fuzhou	Logistics	40.00%	Equity method

Qingdao Java Cloud Network Technology Co., Ltd.	Qingdao	Qingdao	Online Home Service	24.93%	Equity method
Qingdao Jushanghui Network Technology Co., Ltd.	Qingdao	Qingdao	E-commerce platform	24.02%	Equity method
Konan Electronic Co., Ltd.	Hunan	Hunan	Motor Manufacturing	50.00%	Equity method
HPZ LIMITED	Nigeria	Nigeria	Manufacture of household appliances	25.01%	Equity method
HNR COMPANY (PRIVATE) LIMITED	Pakistan	Pakistan	Manufacture of household appliances	31.72%	Equity method
CONTROLADORA MABE S.A.de C.V.	Mexico	Mexico	Manufacture of household appliances	48.41%	Equity method
Middle East Air Conditioning Company, Limited	Saudi Arabia	Saudi Arabia	Sales of household appliances	49.00%	Equity method

(2) Basic and financial information of significant associates

① Basic information:

a. Haier Group Finance Co., Ltd. (hereinafter referred to as “Finance Company”) is established by Haier Group Corporation and its three affiliates. Registration place and principal place of business: Qingdao High-tech Zone Haier Park. The Company’s subsidiaries hold an aggregate of 42.00% equity interest in Finance Company.

b. General Electric Company established CONTROLADORA MABE S.A.de C.V. (hereinafter referred to as “MABE”) with other parties. In June 2016, a subsidiary of the Company acquired 48.41% of equity interests in MABE held by General Electric Company. The registered address and principal place of business of MABE is Mexico. The subsidiaries of the Company hold approximately 48.41% of equity interests in MABE in total.

c. Bank of Qingdao Co., Ltd. (hereinafter referred to as “BOQ”), one of the first urban commercial banks in China, was established in November 1996. The registered address and

principal place of business is No.68 Hong Kong Middle Road, Shinan District, Qingdao, Shandong Province. The Company and its subsidiaries hold approximately 9.61% of equity interests in BOQ in total.

②Financial information:

Items	2017	2016
	Finance Company	Finance Company
Current assets	68,438,104,678.89	64,554,524,837.39
Non-current assets	7,913,830,198.85	7,512,078,269.27
Total assets	76,351,934,877.74	72,066,603,106.66
Current liabilities	62,029,645,645.42	57,728,520,903.78
Non-current liabilities	3,172,557,737.73	4,555,925,257.50
Total liabilities	65,202,203,383.15	62,284,446,161.28
Non-controlling interests		
Equity attributable to shareholders of the Company	11,149,731,494.59	9,782,156,945.38
Including: share of net assets calculated per shareholding percentage	4,682,887,227.73	4,108,505,917.06
Operating revenue	2,653,326,366.04	2,332,603,892.42
Net profit	1,427,455,671.54	1,274,117,159.81
Other comprehensive income	-59,881,122.33	-74,752,484.83
Total comprehensive income	1,367,574,549.21	1,199,364,674.98
Dividend received from associates for the year	210,000,000.00	294,000,000.00

Items	2017	2016
	MABE	MABE
Current assets	5,825,075,945.00	5,411,456,582.00
Non-current assets	10,303,936,800.80	9,986,415,019.00
Total assets	16,129,012,745.80	15,397,871,601.00
Current liabilities	7,048,408,869.00	5,947,561,816.00
Non-current liabilities	5,836,693,752.60	6,151,148,892.00
Total liabilities	12,885,102,621.60	12,098,710,708.00
Non-controlling interests		
Equity attributable to shareholders of the Company	3,243,910,124.20	3,299,160,893.00
Including: share of net assets calculated	1,570,532,598.81	1,597,453,704.39

per shareholding percentage		
Operating revenue	19,990,494,697.46	9,967,422,072.09
Net profit	387,947,925.94	451,756,280.78
Other comprehensive income	-373,213,732.21	155,137,412.22
Total comprehensive income	14,734,193.73	606,893,693.00
Dividend received from associates for the year	33,883,079.64	

Items	2017	2016
	BOQ	BOQ
Current assets	130,366,445,000.00	118,881,404,000.00
Non-current assets	175,909,647,000.00	159,106,702,000.00
Total assets	306,276,092,000.00	277,988,106,000.00
Current liabilities	203,654,201,000.00	214,236,012,000.00
Non-current liabilities	76,498,682,000.00	46,116,121,000.00
Total liabilities	280,152,883,000.00	260,352,133,000.00
Non-controlling interests	493,355,000.00	
Equity attributable to shareholders of the Company	25,629,854,000.00	17,635,973,000.00
Including: share of net assets calculated per shareholding percentage	2,462,624,099.78	1,670,058,752.11
Operating revenue	5,567,593,000.00	5,996,145,000.00
Net profit	1,903,607,000.00	2,088,605,000.00
Other comprehensive income	-948,623,000.00	-419,980,000.00
Total comprehensive income	954,984,000.00	1,668,625,000.00
Dividend received from associates for the year	76,868,897.00	76,868,897.00

(3) Summarized financial information of insignificant associates

Investment in associates	2017	2016
Wolong Electric Zhangqiu Haier Motor Co., Ltd.	118,897,337.40	122,669,926.30
Qingdao Haier Special Appliance Co., Ltd.	332,230,371.89	303,384,893.47
Qingdao Hegang Composite New Material Technology Co., Ltd.	106,068,803.08	102,915,605.69
Hefei Hegang New Material Technology Co., Ltd.	140,494,521.67	126,896,206.56
Qingdao Haier SAIF Smart Home Industry Investment Center (limited partnership)	270,536,881.98	227,531,053.19
Mitsubishi Heavy Industries Haier (Qingdao) Air-conditioners Co., Ltd.	529,934,750.95	503,375,198.93

Qingdao Haier Carrier Refrigeration Equipment Co., Ltd.	284,185,137.09	302,112,378.55
Qingdao Haier Software Investment Co., Ltd.	17,899,331.07	17,045,106.31
Beijing Mr. Hi Network Technology Company Limited	3,757,759.75	5,838,036.16
Beijing Xiaobei Technology Co., Ltd.	2,687,341.82	6,422,222.58
Guangzhou Heying Investment Partnership (Limited Partnership)	152,047,535.44	153,796,910.58
Qingdao Hai Shi water equipment Co., Ltd.		30,722,549.43
Qingdao Le Jia water equipment Co., Ltd.		13,124,212.46
Fuzhou Jinan District Shengfeng Guorong Microfinance Co., Ltd.	80,226,595.74	79,553,513.46
Fujian Bafang Shengfeng Logistics Co., Ltd.	13,117,748.43	12,675,789.21
Qingdao Java Cloud Network Technology Co., Ltd.	1,755,356.84	2,729,378.59
Qingdao Jushanghui Network Technology Co., Ltd.	5,511,749.00	6,706,394.01
Konan Electronic Co., Ltd.	64,856,526.75	50,269,006.41
HPZ LIMITED	91,578,227.62	89,650,522.58
HNR COMPANY (PRIVATE) LIMITED	80,588,570.01	78,885,757.89
Middle East Air-conditioning Company, Limited	22,050,543.42	30,966,870.44
Total book value of investment	2,318,425,089.95	2,267,271,532.80
Financial info of associates calculated based on shareholding percentage		
--Net profit	188,126,897.38	107,572,183.30
--Other comprehensive income	-11,890,071.02	-20,378,283.27
--Total comprehensive income	176,236,826.36	87,193,900.03

10. Segment Information

The Company principally engaged in manufacture and sales of household appliances and relevant services business, manufacture of household appliances parts, distribution of products of third-party, logistics and after-sale business. The Company has six business segments, including refrigerator segment, air-conditioner segment, washing machine segment, kitchenware and sanitary ware segment, equipment components segment, integrated channel services 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.

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.

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

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

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 channel business at 3rd and 4th tier markets 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 cash, 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 gains/(losses) on changes in fair value, gains/(losses) on investment, financial expenses, gains/(losses) on disposal of non-current assets, other income(exclude refundable VAT at filing), non-operating income and expense and income tax expenses.

(1) Information of reportable segments

Segment information in 2017

Segment information	Air-conditioner segment	Refrigerator segment	Kitchenware and sanitary ware segment	Washing machine segment
Segment revenue	28,840,347,171.08	44,131,030,463.73	27,601,150,579.00	29,020,717,182.83
Including:	9,684,628,827.73	25,594,590,993.02	20,551,150,314.45	14,389,559,050.19

external revenue				
Inter-segment revenue	19,155,718,343.35	18,536,439,470.71	7,050,000,264.55	14,631,158,132.64
Total segment operating cost	27,580,651,735.98	41,176,879,923.32	25,367,332,940.16	26,839,940,665.47
Segment operating profit	1,259,695,435.10	2,954,150,540.41	2,233,817,638.84	2,180,776,517.36
Total segment assets	14,045,226,564.02	15,092,982,587.34	12,461,571,650.25	10,774,302,199.29
Total segment liabilities	8,164,863,742.03	23,320,161,709.92	6,468,160,503.11	5,649,976,080.52

(continued)

Segment information	Air-conditioner segment	Refrigerator segment	Kitchenware and sanitary ware segment	Washing machine segment
Segment revenue	43,694,604,946.39	98,299,134,797.24	-111,951,569,237.57	159,635,415,902.70
Including: external revenue	3,126,185,862.59	86,289,300,854.72		159,635,415,902.70
Inter-segment revenue	40,568,419,083.80	12,009,833,942.52	-111,951,569,237.57	
Total segment operating cost	43,333,219,091.51	97,692,790,975.83	-111,227,145,554.68	150,763,669,777.59
Segment operating profit	361,385,854.88	606,343,821.41	-724,423,682.89	8,871,746,125.11
Total segment assets	26,193,061,725.41	31,818,076,218.88	-34,661,005,792.71	75,724,215,152.48
Total segment liabilities	28,088,630,394.16	26,753,925,068.41	-33,224,692,236.96	65,221,025,261.19

Segment information in 2016

Segment information	Air-conditioner segment	Refrigerator segment	Kitchenware and sanitary ware segment	Washing machine segment
Segment revenue	17,208,677,349.84	33,306,169,720.12	18,246,482,539.54	21,566,715,143.98
Including: external revenue	5,870,195,820.93	17,453,376,711.71	12,713,092,711.04	9,706,872,749.51

Inter-segment revenue	11,338,481,528.91	15,852,793,008.41	5,533,389,828.50	11,859,842,394.47
Total segment operating cost	16,640,596,218.18	30,744,680,296.73	16,610,785,512.02	19,825,524,531.56
Segment operating profit	568,081,131.66	2,561,489,423.39	1,635,697,027.52	1,741,190,612.42
Total segment assets	13,258,952,328.16	12,795,156,573.98	13,406,793,447.42	10,065,969,129.74
Total segment liabilities	6,076,480,008.35	21,272,341,142.80	5,761,567,268.81	4,054,914,657.29

(continued)

Segment information	Air-conditioner segment	Refrigerator segment	Kitchenware and sanitary ware segment	Washing machine segment
Segment revenue	32,870,306,719.36	78,259,359,141.97	-82,144,573,517.97	119,313,137,096.84
Including: external revenue	2,717,181,829.03	70,852,417,274.62		119,313,137,096.84
Inter-segment revenue	30,153,124,890.33	7,406,941,867.35	-82,144,573,517.97	
Total segment operating cost	32,572,157,593.68	78,627,932,124.67	-82,018,436,666.15	113,003,239,610.69
Segment operating profit	298,149,125.68	-368,572,982.70	-126,136,851.82	6,309,897,486.15
Total segment assets	23,098,412,868.47	26,812,236,664.64	-29,599,977,056.15	69,837,543,956.26
Total segment liabilities	21,745,513,699.93	24,218,008,110.86	-28,490,996,947.49	54,637,827,940.55

(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 revenue	2017	2016
Mainland China	92,230,801,573.98	71,729,266,323.31
Other countries/regions	67,404,614,328.72	47,583,870,773.53

Total	159,635,415,902.70	119,313,137,096.84
(continued)		
Total non-current assets	2017	2016
Mainland China	12,248,609,942.72	11,329,467,022.66
Other countries/regions	14,735,396,871.62	15,253,167,977.34
Total	26,984,006,814.34	26,582,635,000.00

The total non-current assets exclude: available-for-sale financial assets, long-term equity investment, goodwill, deferred income tax assets.

11. Disclosure of fair value

Fair value at the end of the period - financial assets/liabilities measured at fair value

Items	Fair value at the end of the period		
	Level 1	Level 2	Total
Financial assets measured at fair value with changes included in current profit and loss		363,965,644.40	363,965,644.40
Financial liabilities measured at fair value with fair value changes included in profit and loss for the year		256,523,244.65	256,523,244.65
Financial assets measured at fair value with changes included in other comprehensive income		56,024,787.21	56,024,787.21
Available-for-sale financial assets	24,571,561.22	2,359,859.77	26,931,420.99

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

12. Related parties and Related-party transactions

(I) Explanation for basis of identifying related party

According to Accounting Standards for Business Enterprises No. 36 — Related Party Disclosures, parties are considered to be related if one party has the ability to control or jointly control the other party or exercise significant influence over the other party. Parties (two or more than two) are also considered to be related if they are subject to common control, joint control or significant influence from other party.

According to Management Practices for Information Disclosure of Listed Company (China Securities Regulatory Commission Order No. 40), related legal entity or individual will be identified as related parties in certain occasions.

(II) Relationships between related parties

1. Information about the parent and other companies holding shares of the Company

Name	Type of enterprise	Registered address	Registered capital	Legal representative	Relationships	Interest in the Company (%)	Voting rights to the Company (%)
Haier Group Corporation	Collective ownership company	Qingdao High-tech Zone Haier Park	311,180,000	Zhang Ruimin	parent company	17.59%	17.59%
Haier Electric Appliances International Co., Ltd.	Joint-stock company	Qingdao High-tech Zone Haier Park	631,930,635	Zhang Ruimin	Subsidiary of parent company	20.64%	20.64%
Qingdao Haier Venture & Investment Information Co., Ltd.	Company with limited liability	Qingdao Free Trade Zone	100,000,000	Zhou Yunjie	Parties acting in concert	2.83%	2.83%

2. Subsidiaries of the Company

Relevant disclosure is in VII. 1 Interests in subsidiaries

3. Associates and joint ventures

Relevant disclosure is in V.11 and VII.3.

4. Other related parties

Name	Relationship
FISHER & PAYKEL APPLIANCES LIMITED	Affiliate of Haier Group
HAIER INFORMATION APPLIANCES S.R.L.	Affiliate of Haier Group
HAIER INTERNATIONAL (HK) LTD.	Affiliate of Haier Group
HAIER INTERNATIONAL CO., LTD	Affiliate of Haier Group
Feima Electronic (Qingdao) Co., Ltd.	Affiliate of Haier Group
Haier Group Finance Co., Ltd.	Affiliate of Haier Group

Haier Group Electric Appliance Industry Co., Ltd.	Affiliate of Haier Group
Haier Energy & Power Co., Ltd.	Affiliate of Haier Group
Haier Brothers Animation Industry Co., Ltd.	Affiliate of Haier Group
Hefei Haier Logistics Co., Limited	Affiliate of Haier Group
Laiyang Haier Electrical Co. Ltd.	Affiliate of Haier Group
Qingdao Haier furniture Co., Ltd.	Affiliate of Haier Group
Qingdao Haier Tooling Development and Manufacturing Co., Ltd.	Affiliate of Haier Group
Qingdao Haier International Travel Agency Co., Ltd.	Affiliate of Haier Group
Qingdao Haier International Trading Co., Ltd.	Affiliate of Haier Group
Qingdao Haier Household Integration Co., Ltd.	Affiliate of Haier Group
Qingdao Haier Parts Procurement Co., Ltd.	Affiliate of Haier Group
Qingdao Haier Strauss Water Equipment Co., Ltd.	Affiliate of Haier Group
Qingdao Haier Special Plastic Development Co., Ltd.	Affiliate of Haier Group
Qingdao Haier Communications Co., Ltd.	Affiliate of Haier Group
Qingdao Haier Logistics Consulting Co., Ltd.	Affiliate of Haier Group
Qingdao Haiyongda Property Management Co., Ltd.	Affiliate of Haier Group
Brave Lion (HK) limited	Affiliate of Haier Group
Chongqing Haier Electrical Appliances Sales Co., Ltd.	Affiliate of Haier Group
Chongqing Haier Logistics Co., Ltd.	Affiliate of Haier Group
Qingdao Goodaymart Lejia Technology Co., Ltd.	Affiliate of Haier Group
Suzhou Hai Xin InfoTech Ltd	Affiliate of Haier Group
Haier finance leasing (China) Co., Ltd.	Affiliate of Haier Group
Qingdao Haier new materials R & D Co., Ltd.	Associate of Haier Group's affiliate
CONTROLADORA MABE S.A.de C.V.	Associate
HNR Company (Pvt) Limited	Associate
Middle East Air-conditioning Company, Limited	Associate
Qingdao Haier Software Investment Co., Ltd.	Associate
Hefei Hegang New Material Technology Co., Ltd.	Associate
Qingdao Haier Carrier Refrigeration Equipment Co., Ltd.	Associate
Haier Medical and Laboratory Products Co., Ltd.	Associate
Qingdao Hegang Composite New Material Technology Co., Ltd.	Associate
Mitsubishi Heavy Industries Haier (Qingdao) Air-conditioners Co., Ltd.	Associate
Wolong Electric Zhangqiu Haier Motor Co., Ltd.	Associate

(III) Related-party transactions

1. Purchases of goods or services:

Related parties	2017	2016
Qingdao Haier Parts Procurement Co., Ltd.	8,788,819,505.91	6,559,317,331.99
CONTROLADORA MABE S.A.de C.V.	7,402,437,722.16	4,036,320,000.00
Chongqing Haier Electrical Appliances Sales Co., Ltd.	5,802,696,369.58	5,308,308,617.34
Hefei Haier Logistics Co., Limited	2,635,311,120.52	1,892,629,617.04
Chongqing Haier Logistics Co., Ltd.	2,243,036,226.80	1,589,002,597.45
HNR Company (Pvt) Limited	1,382,295,370.15	1,132,376,506.93
Qingdao Haier International Trading Co., Ltd.	1,131,818,054.68	1,032,040,565.52
Wolong Electric Zhangqiu Haier Motor Co., Ltd.	759,511,960.70	657,210,146.25
Hefei Hegang New Material Technology Co., Ltd.	741,061,609.82	628,809,482.35
Qingdao Haier Special Plastic Development Co., Ltd.	722,409,540.37	636,837,147.86
Qingdao Hegang Composite New Material Technology Co., Ltd.	621,080,904.82	460,990,968.73
Qingdao Haier Strauss Water Equipment Co., Ltd.	491,725,981.72	158,083,431.03
Haier Energy Power Co., Ltd.	448,843,514.32	417,094,079.20
Qingdao Haier Tooling Development and Manufacturing Co., Ltd.	381,538,275.52	321,030,643.12
HAIER INTERNATIONAL(HK)LTD.	282,924,819.61	41,838,241.70
Qingdao Haier furniture Co., Ltd.	237,032,081.27	237,013,845.15
HAIER INTERNATIONAL CO., LTD	227,930,736.42	147,195,063.71
Qingdao Haiyongda Property Management Co., Ltd.	196,524,982.09	142,315,716.56
Mitsubishi Heavy Industries Haier (Qingdao) Air-conditioners Co., Ltd.	78,433,710.84	39,119,316.10
FISHER & PAYKEL APPLIANCES LIMITED	28,744,430.47	49,575,049.05
Qingdao Haier Household Integration Co., Ltd.	16,811,242.24	154,078,740.02
Others	1,178,738,855.29	1,201,539,966.04
Total	35,799,727,015.30	26,842,727,073.14

2. Sales of goods:

Related parties	2017	2016
FISHER & PAYKEL APPLIANCES LIMITED	918,893,637.76	892,026,486.85

Hefei Hegang New Material Technology Co., Ltd.	720,039,062.34	782,482,433.58
Qingdao Haier International Trading Co., Ltd.	638,554,200.89	545,455,276.03
Wolong Electric Zhangqiu Haier Motor Co., Ltd.	567,996,750.61	486,108,923.29
Qingdao Haier New Materials R & D Co., Ltd.	519,845,230.06	356,450,592.68
CONTROLADORA MABE S.A.de C.V.	427,074,898.76	212,574,037.33
Qingdao Hegang Composite New Material Technology Co., Ltd.	336,114,667.51	414,573,862.79
Qingdao Haier Special Plastic Development Co., Ltd.	267,962,166.18	159,443,929.38
Chongqing Haier Electrical Appliances Sales Co., Ltd.	220,923,910.45	219,247,147.91
Qingdao Haier Tooling Development and Manufacturing Co., Ltd.	138,168,574.82	96,822,916.82
Haier Group Electrical Appliance Industry Co., Ltd.	72,815,827.07	128,226,503.41
Suzhou Hai Xin InfoTech Ltd	59,713,542.97	18,004,582.06
Qingdao Haier International Travel Agency Co., Ltd.	38,678,257.43	34,512,005.34
Haier finance leasing (China) Co., Ltd.	32,786,700.84	46,871,535.91
Qingdao Haier furniture Co., Ltd.	25,588,713.65	21,647,687.86
Qingdao Goodaymart Lejia Technology Co., Ltd.	12,623,292.07	18,418,533.09
Others	251,335,096.89	210,751,128.42
Total	5,249,114,530.30	4,643,617,582.75

3. Related-party balances

Items	2017	2016
Notes receivable:		
Haier Group Electric Appliance Industry Co., Ltd.		
Others	827,490.67	
Dividends receivable:		
Wolong Electric Zhangqiu Haier Motor Co., Ltd.		50,000,000.00

Qingdao Haier Carrier Refrigeration Equipment Co., Ltd.		39,306,692.40
Qingdao Haier Software Investment Co., Ltd.	4,524,472.84	4,524,472.84
MiddleEast Air conditioning Company, Limited		7,817,747.86

Accounts receivable:

Items	Book balance	Allowance for bad Debt	Book balance	Allowance for bad Debt
FISHER & PAYKEL APPLIANCES LIMITED	240,525,663.08	12,026,283.15	225,657,276.99	11,282,863.85
Haier Group Electric Appliance Industry Co., Ltd.	172,889,483.50	8,644,474.17	210,327,249.43	10,516,362.47
Qingdao Haier new materials R & D Co., Ltd.	60,381,881.38	3,019,094.07	44,543,720.65	2,227,186.03
Hefei Hegang New Material Technology Co., Ltd.	37,553,831.20	1,877,691.56	94,611,810.86	4,730,590.54
Haier finance leasing (China) Co., Ltd.	33,979,469.96	1,698,973.50	19,457,726.96	972,886.35
Qingdao Haier International Travel Agency Co., Ltd.	33,535,331.94	1,676,766.60	34,699,458.66	1,734,972.93
Qingdao Haier Special Plastic Development Co., Ltd.	30,061,911.52	1,503,095.58	21,214,104.15	1,060,705.21
Suzhou Hai Xin InfoTech Ltd	18,580,938.10	929,046.91	8,259,547.06	412,977.35
Haier International Co.,Ltd.	15,579,415.32	778,970.77	31,129,868.67	1,556,493.43
Haier Medical and Laboratory Products Co., Ltd.	5,293,566.32	264,678.32	6,963,446.22	348,172.31
Qingdao Hegang Composite New Material Technology Co., Ltd.	5,271,174.28	263,558.71	24,923,915.12	1,246,195.76
Wolong Electric Zhangqiu Haier Motor Co., Ltd.	4,280,804.75	214,040.24	5,706,153.26	285,307.66
Mitsubishi Heavy Industries Haier (Qingdao) Air-conditioners Co., Ltd.	2,609,651.81	130,482.59	18,441,193.77	922,059.69
HNR COMPANY (PRIVATE) LIMITED	1,562,877.40	78,143.87	122,775,678.35	6,138,783.92
Others	243,199,406.35	7,866,563.45	224,716,650.56	11235832.53

Prepayments:

Qingdao Haier International Trading Co., Ltd.	25,694,085.49	26,145,174.92
Qingdao Haier Parts Procurement Co., Ltd.	26,855,446.50	54,261,329.05
Others	76,575,980.84	36,355,338.71

Interest receivable:				
Haier Group Finance Co., Ltd.		16,597,598.16		10,353,293.15
Other receivables:				
Items	Book balance	Allowance for bad Debt	Book balance	Allowance for bad Debt
Haier Group Electric Appliance Industry Co., Ltd.	5,054,271.27	252,713.56	59,806,077.31	2,990,303.87
Chongqing Haier Electrical Appliances Sales Co., Ltd.			33,441,658.84	1,672,082.94
Qingdao Haier Logistics Consulting Co., Ltd.	7,742.59	387.13	13,593,017.74	679,650.89
Others	43,498,213.21	2,174,910.66	84,938,909.08	4,246,945.45
Notes payable:				
Wolong Electric Zhangqiu Haier Motor Co., Ltd.		61,412,756.84		76,131,434.12
Laiyang Haier Electrical Co. Ltd.		56,557,892.89		58,008,353.21
Others		6,544,689.10		20,169,217.84
Accounts payable:				
Qingdao Haier Parts Procurement Co., Ltd.		975,508,354.98		176,467,143.15
CONTROLADORA MABE S.A.deC.V.		359,468,427.60		1,231,921,638.54
Chongqing Haier Logistics Co., Ltd.		304,825,911.96		54,116,937.28
Qingdao Haier International Trading Co., Ltd.		268,481,130.24		209,554,906.25
Hefei Haier Logistics Co., Limited		257,354,153.49		50,255,970.60
HAIER INTERNATIONAL (HK) LIMITED		162,909,377.32		41,669,785.41
Chongqing Haier Electrical Appliances Sales Co., Ltd.		90,092,109.31		275,130,591.00
Qingdao Haier Strauss Water Equipment Co., Ltd.		61,152,328.59		46,642,817.01
HAIER INTERNATIONAL CO., LTD		56,102,305.76		61,199,874.08
Qingdao Haier Special Plastic Development Co., Ltd.		52,784,094.74		86,510,974.88
HNR Company (Pvt) Limited		49,389,796.48		75,871,533.43
Qingdao Haier furniture Co., Ltd.		33,084,367.38		39,042,729.52
Qingdao Haier new materials R & D Co., Ltd.		7,656,997.98		1,775,542.51
HAIER INFORMATION		6,105,741.28		33,861,555.29

APPLIANCES S.R.L.		
Qingdao Haier Communications Co., Ltd.	4,801,675.32	219,092,243.03
Feima Electronic (Qingdao) Co., Ltd.	1,609,886.22	144,450,361.18
Haier Group Electric Appliance Industry Co., Ltd.	163,868.98	11,485,262.70
Others	405,762,541.99	256,597,230.36
Advances from customers:		
Hefei Hai Zhi Real Estate Co., Ltd.	155,000,000.00	155,000,000.00
Haier Group Electric Appliance Industry Co., Ltd.	5,984,613.13	10,576,951.80
HAIER INTERNATIONAL CO., LTD	356,979.71	1,159,469.63
Others	12,012,397.83	24,877,981.64
Other payables:		
Haier Brothers Animation Industry Co., Ltd.	384,741,409.54	384,741,409.54
Chongqing Haier Logistics Co., Ltd.	51,830,739.06	51,830,739.06
Haier Energy Power Co., Ltd.	42,485,111.74	37,071,886.32
Hefei Haier Logistics Co., Limited	8,663,500.00	8,663,500.00
Haier Group Electric Appliance Industry Co., Ltd.	2,413,136.73	6,716,767.49
Haier Group Corporation		163,049,555.34
Qingdao Haier Industry Development Co., Ltd.		91,217,389.35
Others	159,066,947.95	150,926,828.65
Interest payable:		
Haier Group Finance Co., Ltd.	5,953,652.09	14,845,738.29
Dividends payable:		
BRAVE LION (HK) LIMITED	122,756,874.10	122,756,874.10
Others	30,999,441.54	16,781,015.20

4. Other Related-party transactions

(1) Certain of the Company's subsidiaries entered into loan contracts with Haier Group Finance Co., Ltd.. The loan balance as of 31 December 2017 was RMB4,252 million and the interest incurred in 2017 was RMB277 million.

(2) Loans guaranteed by related parties:

Borrower	Loan amount	Guarantor
Qingdao Haier Special Refrigerator Co., Ltd.	300,000,000.00	Haier Group Corporation
Qingdao Haier Special Freezer Co., Ltd.	500,000,000.00	Haier Group Corporation
Zhengzhou Haier Air-conditioning Co., Ltd.	170,000,000.00	Haier Group Corporation
Qingdao Haier (Jiaozhou) Air-conditioning Co., Limited	400,000,000.00	Haier Group Corporation
Qingdao Haier Air-Conditioner Electronics Co., Ltd.	300,000,000.00	Haier Group Corporation
Chongqing Haier Appliance Sales Co., Ltd.	500,000,000.00	Haier Group Corporation
Qingdao Haidayuan Procurement Service Co., Ltd.	300,000,000.00	Haier Group Corporation
HAIER US APPLIANCE SOLUTIONS, INC	18,167,534,095.99	Haier Group Corporation
Total	20,637,534,095.99	

(3) The interest income from deposits in Haier Group Finance Co., Ltd. in 2017 was RMB60 million.

(4) Haier Pakistan (Private) Limited, a Company's subsidiary, lend an amount of 274million to HNR COMPANY (PRIVATE) LIMITED, the Company's associate.

(5) Qingdao Haier Goodaymart Logistic Co., Ltd., a subsidiary of the Company and other companies provided logistics services to other related parties within Haier Group, the logistics income for 2017 was RMB208 million.

(6) Leasing

Lessees	Lessors	Used for	Lease expense recognized for the period
Subsidiaries of the Company	Qingdao Haier Investment and Development Co., Ltd. and its subsidiaries	Production and operation	29,177,127.64
Subsidiaries of the Company	Other companies of Haier Group	Production and operation	61,063,342.71

Total			90,240,470.35
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(IV) Transfer Pricing

1. Related-party sales

Following the acquisition of the overseas white household appliances assets, the Company's original overseas sales model, being exports through the Group's exporting platform, was changed. The trading company under the company holding overseas white household appliances assets was fully responsible for sales of export-oriented products. Meanwhile, the trading company was also responsible for the overseas sales of some of the Group's products (such as brown goods). As such, the Company entered into a Sales Framework Agreement with Haier Group Corporation. Under which, it was agreed that the Company and Haier Group Corporation will sell products and provide sales-related services (including but not limited to agency sales services, after-sales services and technical support) on a reciprocal basis for a term of three years.

Sales among Haier Electronics Group Co., Ltd. ("Haier Electronics"), a holding subsidiary of the Company, Qingdao Haier Investment and Development Co., Ltd, Haier Group Corporation are carried out according to relevant provisions of Goods Export Agreement, After-sales Service Agreement, Logistics Service Agreement entered into among parties.

2. Related-party Procurements

In addition to independent procurement platform, the Company entrusted Haier Group Corporation and its subsidiaries for procurements and delivery of part of raw materials, which is conducted according to the Purchase and Distribution Contract entered among the Company, Haier Group Corporation and other parties. The price consists of the actual purchase price and the agency fee, of which the agency fee was calculated by 1.25% of the actual purchase price, while in principle the price of materials should not be higher than the price that the Company independently purchases from the market.

Related-party procurements among Haier Electronics, Qingdao Haier Investment and Development Co., Ltd, Haier Group Corporation are carried out according to relevant provisions of Materials Procurement Agreement and Production and Experimental Equipment Procurement Agreement entered among parties.

3. Related-party Transactions on Financial and Logistics Services

Some of the financial services such as deposit and loan service, discounting service and foreign exchange derivatives needed by the Company are provided by Haier Group Corporation, its subsidiaries and other companies. According to the Financial Service Agreement entered

among the Company, Haier Group Corporation and other parties, the price is not less favorable than market price. The Company is entitled to decide whether to cooperate with them with the knowledge of the price prevailing on the market. While executing the agreement, the Company could also require other financial service institutions to provide related financial services. In order to mitigate foreign exchange fluctuation risk, the Company may choose Haier Group Finance Co., Ltd. (“Finance Company”) to provide service after comparison. All foreign exchange business shall have a normal and reasonable business background without speculation. At the same time, the Company has specified the authority and responsibilities at all levels to avoid unauthorized access.

Related-party transactions of financial services among Haier Electronics, Finance Company, Qingdao Haier Investment and Development Co., Ltd and Haier Group Corporation are carried out according to relevant provisions of Financial Service Agreement entered into among parties.

In order to further standardize the administrative services provided by the related companies of Haier Group Corporation, the Company signed the Administrative Service Agreement with Qingdao Haier Investment and Development Co., Ltd and Haier Group Corporation, and entrusted the subsidiaries of Haier Group to provide energy and power, 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 support on: energy, meeting, accommodation, ticket, product certification, software, catering, property decoration, house lease, finance and marketing, product research and development.

4. Other

In order to expand the sales businesses in the third and fourth-tier markets, Haier Electronics renewed the Products Procurement Agreement and Internal Sales Agreement with Qingdao Haier Investment and Development Co., Ltd and Haier Group Corporation, according to which, while Haier Electronics purchases products from contracted parties, the purchasing price shall be determined basing on the prices of which Haier Electronics purchases the same type of product in similar transactions from independent third parties in the market, and are not less favorable than the terms and conditions provided by the independent third parties to Haier Electronics; while Haier Electronics sales products to contract parties for their own use or distributes products through sales network, the selling price shall be determined basing on the prices of which Haier

Electronics sells the same type of product in similar transactions to independent third parties in the market, and are not less favorable than the terms and conditions provided by Haier Electronics to independent third parties.

The Company and its subsidiaries entered into a series of contracts, including the Framework Agreement Regarding the Procurement of Modular Products with Wolong Electric Zhangqiu Haier Motor Co., Ltd. and other companies. Pursuant to which, they agreed to supply modular products to the Company at the most favorable price which is no higher than the price it offered to other clients.

The Company and its subsidiaries entered into a series of contracts, including the Contract Arrangement Regarding the Procurement of Special Steel Plate Products with Qingdao Hegang Composite New Material Technology Co., Ltd. and Hefei Hegang New Material Technology Co., Ltd.. Under which, it is agreed that they shall supply goods to the Company on terms which are not less favorable than terms offered by other suppliers.

13. Share-based Payments

General information on share-based payment

Applicable Not Applicable

14. Contingencies

1) Critical commitment

Applicable Not Applicable

2) Contingencies

Critical contingencies on the balance sheet date

Applicable Not Applicable

3) Others

Applicable Not Applicable

15. Subsequent Events

1. According to the resolution of the 13th meeting of the 9th session of the Board of Directors of the Company held on 24 April 2018, 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 RMB3.42 (including taxes) for every 10 shares to all shareholders.

2. According to the resolution of the 12th meeting of the 9th session of the Board of Directors of the Company held on 10 April 2018, the Company passed the resolution of “Proposal of

Qingdao Haier Co., Ltd on the Initial Public Offering in the D-shares Market of the China European International Exchange”. The Company intends to make Initial Public Offer of the D-shares on China European International Exchange (the “D-Shares Market”). The listing will be implemented through the access and listing transaction of the Frankfurt Stock Exchange. China Europe International Exchange Co., Ltd. is a jointly company established by the Shanghai Stock Exchange, the Deutsche B ö rse Group, and the China Financial Futures Exchange. The Deutsche B ö rse Group is the main body of the Frankfurt Stock Exchange. The Frankfurt Stock Exchange's listing rules apply to the D Shares Market. Subject to regulatory requirements such as the minimum issuance ratio of the Company’s stocks listed on the market, combined with the company’s capital requirements for future business development, the number of D-shares to be issued this time will not exceed 400 million shares (before the execution of the over-allotment option) and may be awarded. The bookkeeping administrator does not exceed the above-mentioned over-allotment rights of 15% of the number of issued D shares. The final number of issues is submitted to the general meeting of shareholders for authorization of the board of directors and authorized persons of the board of directors to be determined in accordance with legal requirements, regulatory approvals, and market conditions.

3. The Company intends to acquire the 100% equity interest of Haier New Zealand Investment Holding Company Limited (“Haier New Zealand”) which is held by Haier (Singapore) Management Holding Co. Pte. Limited (“Haier Singapore”), through overseas subsidiary Haier Singapore Investment Holding Pte. Ltd. at cash consideration. (the "Transaction"). On 24 April 2018, Haier Singapore Investment Holding Pte. Ltd. and Haier Singapore entered into an equity transfer agreement Sale and Purchase Agreement (the “Equity Transfer Agreement”). Pursuant to the Equity Transfer Agreement, Haier Singapore Investment Holding Pte. Ltd. intends to acquire 100% of the equity of Haier New Zealand held by Haier Singapore at a cash consideration of US\$303,040,997.28. After the completion of this transaction, Haier New Zealand will become a wholly owned overseas subsidiary of the Company. The Transaction is subject to the approval of the overseas investment of domestic enterprises and the overseas anti-monopoly. The contractual party will examine the relevant filing, registration or examination and approval procedures in the competent authority according to relevant laws and regulations.

4. On 23 November 2017, the Company held the first extraordinary general meeting of shareholders in 2017 and passed the resolution of “Proposal on the Issue of Convertible Bonds by Qingdao Haier Co., Ltd.”. According to the resolution, the Company will issue convertible bonds of no more than RMB5,640 million at RMB 100 per face value, and the term of convertible bonds shall not exceed six years from the date of issue. The issue size, maturity, coupon interest rate and

payment period of the convertible bonds are authorized by the Company's Board of Directors to be implemented by the Company's shareholders. The issue of convertible bonds is subject to the approval of the China Securities Regulatory Commission, and there is still uncertainty about whether or not the approval can be obtained.

5. The Company has no other significant subsequent events that need to be disclosed.

16. Financial Instruments Related Risks

The Company's financial assets include notes receivable, accounts receivable and etc., and financial liabilities include notes payable, accounts payable, long- and short- term borrowings and etc. Relevant info is disclosed in Note V. Risks relating to these financial instruments and the risk management policies to mitigate these risks are summarized below. The Company manages and monitors these risk exposures to ensure above risks are well under control.

1) Credit risk

The credit risk the Company exposed to mainly arise from cash in bank, notes receivable, accounts receivable, interest receivable, other receivable and financial products in other current assets.

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

(2) Accounts receivable and notes receivable: The Company only trades with approved and reputable third parties. All consumers who are traded by credit are subject to credit assessment, and the payment terms shall be determined on a reasonable basis. The Company monitors the balances of accounts receivable on an ongoing basis and mitigates the risk with credit insurances.

(3) Other receivables mainly include export tax refund, loans and advances to its employees. The Company strengthened the management of these receivables and corresponding business activities based on historical data, and continued to monitor such receivables, so as to ensure that the Company's significant risk of bad debts are controllable and to be reduced.

2) Liquidity risk

Liquidity risk is the risk that an enterprise may encounter deficiency of funds in fulfilling obligations associated with financial liabilities. The Company utilizes various financing methods

such as notes and bank loans, to strive for a sustainable and flexible financing. It also has facilities with several commercial banks to satisfy its needs for working capital and capital expenditures.

3) Exchange rate risk

The Company's businesses are based in mainland China, USA, Japan, Southeast Asia, South Asia, central and east Africa, Europe, and Australia, etc. and are settled in RMB, USD, and other currencies.

The Company's overseas assets and liabilities denominated in foreign currencies as well as transactions settled in foreign currencies 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 and enter into forward foreign exchange contracts to minimize the exposure.

4) Interest rate risk

The Company mainly faces interest rate risk from its long- and short- term bank loans and bonds payables which are interest-bearing. Financial liabilities with floating interest rates expose the Company to cash flow interest rate risk, while financial liabilities with fixed interest rates expose the Company to fair value interest rate risk. The Group determines the percentage of fixed-interest rate and floating interest rate contracts in light of the prevailing market conditions.

17. Other Significant Events

The Company has no other significant events that need to be disclosed.

18. Notes to Major Accounts of Financial Statements of the Company

1) Accounts receivable

(1) Accounts receivables disclosed by categories:

Items	2017		2016	
	Book balance	Allowance for bad debts	Book balance	Allowance for bad debts
Individually significant accounts receivables of which provision for bad debts is made on an individual basis				
Accounts receivables of which provision for bad debts is made on a group basis	303,683,922.18	15,184,196.11	279,408,653.04	13,970,432.65
Individually insignificant accounts receivables of which provision for				

bad debts is made on an individual basis				
Total	303,683,922.18	15,184,196.11	279,408,653.04	13,970,432.65

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

Aging	2017		2016	
	Book balance	Allowance for bad debts	Book balance	Allowance for bad debts
Within 1 year	274,306,287.64	13,715,314.38	260,896,436.79	13,044,821.84
1 to 2 years	29,377,634.54	1,468,881.73	18,512,216.25	925,610.81
Total	303,683,922.18	15,184,196.11	279,408,653.04	13,970,432.65

(3) The total amount of the top 5 in the accounts receivables at the end of the period was RMB295,248,673.54, accounting for 97.22% of the book balance of the accounts receivables.

2) Other receivables

(1) Other receivables disclosed by categories:

Items	2017		2016	
	Book balance	Allowance for bad debts	Book balance	Allowance for bad debts
Individually 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	16,731,629.93	836,581.50	339,950,820.95	16,997,541.05
Individually insignificant other receivables of which provision for bad debts is made on an individual basis				
Total	16,731,629.93	836,581.50	339,950,820.95	16,997,541.05

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

Aging	2017		2016	
	Book balance	Allowance for bad debts	Book balance	Allowance for bad debts
Within 1 year	16,731,629.93	836,581.50	339,950,820.95	16,997,541.05
Total	16,731,629.93	836,581.50	339,950,820.95	16,997,541.05

(3) The total amount of the top 5 in the other receivables at the end of the period was RMB16,438,436.13, accounting for 98.25% of the book balance of the other receivables.

3) Long-term equity investments

(1) Details of long-term equity investments:

Items	2017		2016	
	Book balance	Provision for impairment	Book balance	Provision for impairment
Long-term equity investments				
Including: long-term equity investments to subsidiaries	20,490,178,326.42	7,100,000.00	20,211,704,813.36	7,100,000.00
Long-term equity investments to associates	3,119,176,601.66	21,000,000.00	2,137,474,063.71	
Total	23,609,354,928.08	28,100,000.00	22,349,178,877.07	7,100,000.00

(2) Long-term equity investments to subsidiaries

Investee	2016	Movement in 2017	2017	Impairment provision
Subsidiaries:				
Chongqing Haier Electronics Sales Co., Ltd.	9,500,000.00		9,500,000.00	
Haier Group (Dalian) Electrical Appliances Industry Co., Ltd.	34,735,489.79		34,735,489.79	
Qingdao Haier Refrigerator Co., Ltd.	402,667,504.64		402,667,504.64	
Qingdao Haier Special Refrigerator Co., Ltd.	329,832,047.28		329,832,047.28	
Qingdao Haier Information Plastic Development Co., Ltd.	102,888,407.30		102,888,407.30	
Dalian Haier Precision Products Co., Ltd.	41,836,159.33		41,836,159.33	
Hefei Haier Plastic Co., Ltd.	42,660,583.21		42,660,583.21	
Qingdao Haier Technology Co., Ltd.	16,817,162.03		16,817,162.03	
Qingdao Haier Moulds Co., Ltd.	273,980,796.30		273,980,796.30	
Qingdao Haier Intelligent Electronics Co., Ltd.	271,380,000.00	23,073,513.06	294,453,513.06	
Qingdao Household Appliance Technology and Equipment Research Institute	66,778,810.80		66,778,810.80	
Qingdao Meier Plastic Powder Co., Ltd.	24,327,257.77		24,327,257.77	
Chongqing Haier Precision Plastic Co., Ltd.	47,811,283.24		47,811,283.24	

Chongqing Haier Intelligent Electronics Co., Ltd.	11,870,511.98		11,870,511.98	
Qingdao Haier Electronic Plastic Co., Ltd.	48,000,000.00		48,000,000.00	
Dalian Haier Refrigerator Co., Ltd.	99,000,000.00		99,000,000.00	
Dalian Haier Air-conditioning Co., Ltd.	99,000,000.00		99,000,000.00	
Guizhou Haier Electronics Co., Ltd.	96,904,371.71		96,904,371.71	
Hefei Haier Air-conditioning Co., Limited	67,110,323.85		67,110,323.85	
Qingdao Haier Refrigerator (International) Co., Ltd.	158,387,576.48		158,387,576.48	
Qingdao Haier Robot Co., Ltd.	3,149,188.69		3,149,188.69	
Qingdao Haier Air-Conditioner Electronics Co., Ltd.	1,113,433,044.51		1,113,433,044.51	
Qingdao Haier Air Conditioner Gen Corp., Ltd.	218,245,822.50		218,245,822.50	
Qingdao Haier Special Freezer Co., Ltd.	442,684,262.76		442,684,262.76	
Qingdao Haier Dishwasher Co., Ltd.	206,594,292.82		206,594,292.82	
Wuhan Haier Freezer Co., Ltd.	47,310,000.00		47,310,000.00	
Wuhan Haier Electronics Co., Ltd.	100,715,445.04		100,715,445.04	
Chongqing Haier Air-conditioning Co., Ltd.	100,000,000.00		100,000,000.00	
Hefei Haier Refrigerator Co., Ltd.	49,000,000.00		49,000,000.00	
Qingdao Haier Whole Set Home Appliance Service Co., Ltd.	118,000,000.00		118,000,000.00	
Chongqing Haier Refrigeration Appliance Co., Ltd.	91,750,000.00		91,750,000.00	
Qingdao Haier Industry Intelligence Research Institute Co., Ltd.	8,000,000.00		8,000,000.00	
Haier Shareholdings (Hong Kong) Limited	13,561,203,702.07		13,561,203,702.07	
Shenyang Haier Refrigerator Co., Ltd.	100,000,000.00		100,000,000.00	
Foshan Haier Freezer Co., Ltd.	100,000,000.00		100,000,000.00	
Zhengzhou Haier Air-conditioning Co., Ltd.	100,000,000.00		100,000,000.00	
Qingdao Haidayuan Procurement Service Co., Ltd.	20,000,000.00		20,000,000.00	
Qingdao Haier Intelligent Technology Development Co., Ltd.	130,000,000.00		130,000,000.00	
Qingdao Haier Technology Investment Co., Ltd.	156,600,000.00	43,400,000.00	200,000,000.00	

Qingdao Casarte Smart Living Appliances Co., Ltd.	10,000,000.00		10,000,000.00	
Haier Overseas Electric Appliance Co., Ltd.	40,000,000.00		40,000,000.00	
Haier (Shanghai) Electronics Co., Ltd.	8,500,000.00	4,000,000.00	12,500,000.00	
Haier U+smart Intelligent Technology (Beijing) Co., Ltd.	137,000,000.00	6,000,000.00	143,000,000.00	
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	
Haier Shanghai Zhongzhi Fang Chuang Ke Management Co., Ltd.		2,000,000.00	2,000,000.00	
Haier Industrial Holding Co., Ltd.		100,000,000.00	100,000,000.00	
Qingdao Haier special refrigerating Appliance Co., Ltd.		100,000,000.00	100,000,000.00	
Qingdao Haier Intelligent Household Appliances Co.,Ltd.	326,400,000.00		326,400,000.00	
Total	20,211,704,813.36	278,473,513.06	20,490,178,326.42	7,100,000.00

(3) Long-term equity investments to associates:

Associates	2016	Movement in 2017			2017	Impairment provision
		Increase/ Decrease	Investment income recognized under the equity method	Others		
Haier Medical and Laboratory Products Co., Ltd.	192,525,039.75		37,390,308.79	-557.68	229,914,790.86	
Wolong Electric Zhangqiu Haier Motor Co., Ltd.	106,948,493.17		9,293.39		106,957,786.56	
Qingdao Hegang Composite New Material Technology Co., Ltd.	102,915,605.69		3,153,197.39		106,068,803.08	
Hefei Hegang New Material Technology Co., Ltd.	95,197,776.89		14,091,790.11		109,289,567.00	
Qingdao Haier SAIF Smart Home Industry Investment Center	227,531,053.19		43,005,828.79		270,536,881.98	

(Limited Partnership)						
Bank of Qingdao Co., Ltd.	606,868,517.54	35,575,618.47	65,389,255.82	209,686,836.07	917,520,227.90	
Mitsubishi Heavy Industries Haier (Qingdao) Air-conditioners Co., Ltd.	503,375,198.93		67,851,552.02	-41,292,000.00	529,934,750.95	
Qingdao Haier Carrier Refrigeration Equipment Co., Ltd.	302,112,378.55		3,072,758.54		305,185,137.09	21,000,000.00
Qingdao Haier multimedia Co., Ltd.		525,252,525.00	17,218,526.54	1,297,604.70	543,768,656.24	
Total	2,137,474,063.71	560,828,143.47	251,182,511.39	169,691,883.09	3,119,176,601.66	21,000,000.00

4) Operating revenue and Cost of sales:

Items	2017		2016	
	Operating revenue	COGS	Operating revenue	COGS
Primary Business	3,396,281,592.16	2,383,460,866.48	3,238,545,943.78	2,282,262,928.08
Other Business	55,720,755.44	407,940.53	12,499,443.97	3,250,821.85
Total	3,452,002,347.60	2,383,868,807.01	3,251,045,387.75	2,285,513,749.93

5) Gains/(losses) on investment

Items	2017	2016
Income from long-term equity investments under equity method	251,182,511.39	193,500,696.28
Investment income from disposal of long-term equity investments		17,262,280.41
Income from long-term equity investments under cost method	1,039,337,401.79	282,298,678.36
Investment income from available for sale financial assets during the holding period	231,157.27	229,880.16
Total	1,290,751,070.45	493,291,535.21

19. Supplementary Information

1) Basic earnings per share and diluted earnings per share

Items	2017		2016	
	Weighted	Earnings per share	Weighted	Earnings per share

	average return on net assets	(RMB)		average return on net assets	(RMB)	
		Basic earnings per share	Diluted earnings per share		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	23.59%	1.136	1.088	20.38%	0.827	0.824
Net profit attributable to ordinary shareholders of the Company after deduction of extraordinary profit or loss	19.15%	0.922	0.874	17.56%	0.710	0.708

2) Extraordinary profit or loss

Items	2017	2016
Net profit attributable to ordinary shareholders of the Company	6,925,792,321.27	5,041,782,280.78
Less: Extraordinary profit or loss	1,301,730,612.81	709,329,230.71
Net profit attributable to ordinary shareholders of the Company after deduction of extraordinary profit or loss	5,624,061,708.46	4,332,453,050.07

Details of extraordinary profit and loss in 2017:

Items	2017
Gain or loss from disposal of non-current assets	-90,936,217.46
Gain or loss from disposal of long-term equity investments	154,563,929.68
Gain or loss from disposal of available for sale financial assets	1,006,946.64
Government grants included in current profit or loss, except that closely related to the normal operating business, complied with requirements of the national policies, continued to be granted with the amount and quantity determined under certain standards	527,612,997.16
Gains from the costs of investment in the acquisition of subsidiaries, associated companies and joint ventures being lower than the share of the fair value of the investee's identifiable net assets	9,660,529.47
Enterprises' restructuring costs, such as the replacement cost of employees, the cost of integration, etc.	-120,358,066.45
Gain or loss from fair value changes of financial assets/liabilities held for trading, as well as investment gain/loss arising from disposal of financial assets/liabilities held for trading and available for sale financial assets, except the effective hedging related to the normal operations of the Company,	663,407,128.53
Trust fee income from entrusted business	2,830,188.68
Other non-operating income and expenses expect the aforementioned items	523,346,200.57

Impact on non-controlling interests	-250,957,566.29
Income tax	-118,945,499.54
The acquiree's net profit before business combination under common control	500,041.82
Total	1,301,730,612.81

Please state the reasons for classifying extraordinary profit and loss items according to definitions provided in the “Explanatory Announcement on Information Disclosure by Companies on Public Issuance of Securities No. 1 – Extraordinary profit and loss” (公开发行证券的公司信息披露解释性公告第 1 号–非经常性损益) and for classifying extraordinary profit and loss items listed in the “Explanatory Announcement on Information Disclosure by Companies on Public Issuance of Securities No. 1 – Extraordinary profit and loss” (公开发行证券的公司信息披露解释性公告第 1 号–非经常性损益) as recurring profit and loss items by the Company.

Applicable Not applicable

2. Differences between accounting data under domestic and foreign accounting standards

Applicable Not applicable

3. Others

Applicable Not applicable

SECTION XII DOCUMENTS AVAILABLE FOR INSPECTION

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

Chairman of the Board: Liang Haishan

Date of approval for publication by the Board: 24 April 2018

Revised information

Applicable Not applicable