HAIER ELECTRONICS GROUP CO., LTD.

海爾電器集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1169)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014 AND CLOSURE OF REGISTER OF MEMBERS

FINANCIAL HIGHLIGHTS

	2014	2013	Changes in
	RMB'000	RMB'000	%
Revenue	**67,133,962**	62,263,162	+7.8%
Gross profit	**9,841,933**	9,137,549	+7.7%
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	**3,174,959**	2,755,703	+15.2%
Profit for the year	**2,515,102**	2,090,313	+20.3%
Attributable to:			
Owners of the Company	**2,446,605**	2,036,882	
Non-controlling interests	**68,497**	53,431	
	2,515,102	2,090,313	
Earnings per share			
Basic	**RMB92.19 cents**	RMB80.15 cents	+15.0%
Diluted	**RMB89.76 cents**	RMB78.14 cents	+14.9%
Proposed final dividend per share	**HK11 cents**	HK10 cents	

* *For identification purpose only*

ANNUAL RESULTS

The Board (the "Board") of directors of Haier Electronics Group Co., Ltd. (the "Company") hereby announces the consolidated annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2014 together with comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2014

	Notes	**2014 RMB'000**	2013 RMB'000
REVENUE	4	**67,133,962**	62,263,162
Cost of sales		**(57,292,029)**	(53,125,613)
Gross profit		**9,841,933**	9,137,549
Other income and gains	4	**390,762**	203,942
Selling and distribution expenses		**(4,704,728)**	(4,403,956)
Administrative expenses		**(2,245,444)**	(2,221,437)
Other expenses and losses		**(20,647)**	(9,924)
Finance costs	6	**(95,961)**	(68,334)
PROFIT BEFORE TAX	5	**3,165,915**	2,637,840
Income tax expense	7	**(650,813)**	(547,527)
PROFIT FOR THE YEAR		**2,515,102**	2,090,313
Attributable to:			
Owners of the Company		**2,446,605**	2,036,882
Non-controlling interests		**68,497**	53,431
		2,515,102	2,090,313
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
Basic		**RMB92.19 cents**	RMB80.15 cents
Diluted		**RMB89.76 cents**	RMB78.14 cents

Details of the dividends proposed for the year are disclosed in note 8 to the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2014

	2014 RMB'000	2013 RMB'000
PROFIT FOR THE YEAR	**2,515,102**	2,090,313
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(4,061)**	(7,924)
OTHER COMPREHENSIVE INCOME FOR THE YEAR	**(4,061)**	(7,924)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**2,511,041**	2,082,389
Attributable to:		
Owners of the Company	**2,442,195**	2,029,773
Non-controlling interests	**68,846**	52,616
	2,511,041	2,082,389

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2014

	Notes	**2014** **RMB'000**	2013 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**2,135,286**	1,488,068
Investment properties		**12,339**	13,531
Prepaid land lease payments		**519,821**	307,013
Goodwill		**74,530**	6,123
Other intangible assets		**142,163**	90,455
Available-for-sale investments		**2,925**	2,925
Prepayments for investments		**–**	41,400
Prepayments for items of property, plant and equipment		**199,681**	309,095
Deferred tax assets		**623,548**	592,656
Total non-current assets		**3,710,293**	2,851,266
CURRENT ASSETS			
Inventories		**3,668,067**	2,891,587
Trade and bills receivables	10	**6,848,385**	7,558,920
Prepayments, deposits and other receivables		**2,011,145**	1,534,718
Pledged deposits		**105,096**	220,350
Deposits for bank financial products		**242,400**	–
Cash and cash equivalents		**10,929,888**	6,824,322
Total current assets		**23,804,981**	19,029,897
CURRENT LIABILITIES			
Trade and bills payables	11	**3,109,438**	3,202,301
Other payables and accruals		**8,707,645**	7,776,253
Interest-bearing borrowings		**–**	159,633
Due to a fellow subsidiary		**–**	15,000
Due to a non-controlling shareholder		**24,916**	24,301
Tax payable		**542,602**	693,964
Provisions		**517,788**	537,244
Put option liabilities		**218,230**	22,400
Total current liabilities		**13,120,619**	12,431,096
NET CURRENT ASSETS		**10,684,362**	6,598,801
TOTAL ASSETS LESS CURRENT LIABILITIES		**14,394,655**	9,450,067

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
31 December 2014

	Note	**2014** **RMB'000**	2013 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**14,394,655**	9,450,067
NON-CURRENT LIABILITIES			
Convertible bonds		**776,319**	716,835
Convertible and exchangeable bonds ("CEB")		**1,024,382**	–
Provisions		**319,396**	302,891
Deferred income		**55,773**	44,145
Deferred tax liabilities		**15,602**	8,503
Put option liabilities		**29,000**	305,600
Share-based payment liabilities		**41,143**	14,429
Other non-current liabilities		**31,000**	–
Total non-current liabilities		**2,292,615**	1,392,403
Net assets		**12,102,040**	8,057,664
EQUITY			
Equity attributable to owners of the Company			
Issued equity		**1,863,462**	2,761,754
Shares held for Restricted Share Award Scheme		**(96,461)**	(7,863)
Equity component of convertible bonds		**149,249**	149,249
Equity component of CEB		**54,838**	–
Reserves		**9,282,151**	4,617,064
Proposed final dividend	8	**237,191**	200,824
		11,490,430	7,721,028
Non-controlling interests		**611,610**	336,636
Total equity		**12,102,040**	8,057,664

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Haier Electronics Group Co., Ltd. is a limited liability company incorporated in Bermuda. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

In the opinion of the directors, the immediate holding company of the Company is Qingdao Haier Co., Ltd. ("Qingdao Haier"), which is established in the People's Republic of China (the "PRC"), and the controlling shareholders of the Company are Haier Group Corporation ("Haier Corp") and Qingdao Haier Investment and Development Co., Ltd. ("Haier Investment") (collectively referred to as "Haier Group"), which are established in the PRC, by reason of their acting in concert with each other in respect of the Company. Qingdao Haier is a non-wholly-owned subsidiary of Haier Corp.

During the year, the Group was involved in the following principal activities:

- manufacture and sale of washing machines
- manufacture and sale of water heaters
- provision of logistics, after-sale and other value-added consumer services as well as sale and distribution of home appliances and other products procured from subsidiaries and/or associates of Haier Group ("Haier Affiliates") and other external parties

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) issued by the International Accounting Standards Board (the "IASB"). These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. The financial statements have been prepared under the historical cost convention, except for derivative financial instruments which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2014. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards and new interpretation for the first time for the current year's financial statements.

Amendments to IFRS 10, IFRS12 and IAS 27	*Investment Entities*
Amendments to IAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to IAS 36	*Recoverable Amount Disclosures for Non-financial Assets*
Amendments to IAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
IFRIC 21	*Levies*
Amendment to IFRS 2 included in *Annual Improvements 2010–2012 Cycle*	*Definition of Vesting Condition*[1]
Amendment to IFRS 3 included in *Annual Improvements 2010–2012 Cycle*	*Accounting for Contingent Consideration in a Business Combination*[1]
Amendment to IFRS 13 included in *Annual Improvements 2010–2012 Cycle*	*Short-term Receivables and Payables*
Amendment to IFRS 1 included in *Annual Improvements 2011–2013 Cycle*	*Meaning of Effective IFRSs*

[1] Effective from 1 July 2014

Except for the amendment to IFRS 1 which is only relevant to an entity's first IFRS financial statements, the nature and the impact of each amendment and interpretation is described below.

(a) Amendments to IFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss rather than consolidate them. Consequential amendments were made to IFRS 12 and IAS 27. The amendments to IFRS 12 also set out the disclosure requirements for investment entities. The amendments have had no impact on the Group as the Company does not qualify as an investment entity as defined in IFRS 10.

(b) The IAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in IAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments have had no significant impact on the Group.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(c) The IAS 39 Amendments provide an exception to the requirement of discontinuing hedge accounting in situations where over-the-counter derivatives designated in hedging relationships are directly or indirectly, novated to a central counterparty as a consequence of laws or regulations, or the introduction of laws or regulations. For continuance of hedge accounting under this exception, all of the following criteria must be met: (i) the novations must arise as a consequence of laws or regulations, or the introduction of laws or regulations; (ii) the parties to the hedging instrument agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties; and (iii) the novations do not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty to achieve clearing. The amendments have had no impact on the Group as the Group has not novated any derivatives during the current and prior years.

(d) IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognised before the specified minimum threshold is reached. The interpretation has had no impact on the Group as the Group applied, in prior years, the recognition principles under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* which for the levies incurred by the Group are consistent with the requirements of IFRIC 21.

(e) The IFRS 2 Amendment clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including (i) a performance condition must contain a service condition; (ii) a performance target must be met while the counterparty is rendering service; (iii) a performance target may relate to the operations or activities of an entity, or to those of another entity in the same group; (iv) a performance condition may be a market or non-market condition; and (v) if the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied. The amendment has had no impact on the Group.

(f) The IFRS 3 Amendment clarifies that contingent consideration arrangements arising from a business combination that are not classified as equity should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 or IAS 39. The amendment has had no impact on the Group.

(g) The IFRS 13 Amendment clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. The amendment has had no impact on the Group.

2.3 NEW AND REVISED IFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

IFRS 9	*Financial Instruments*[4]
Amendments to IFRS 10 and IAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[2]
IFRS 14	*Regulatory Deferral Accounts*[5]
IFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*[2]
Amendments to IFRS 10, IFRS 12 and IAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[2]
Amendments to IAS 1	*Disclosure Initiative*[2]
Amendments to IAS 19	*Defined Benefit Plans: Employee Contributions*[1]
Amendments to IAS 27	*Equity Method in Separate Financial Statements*[2]
Annual Improvements 2010–2012 Cycle	Amendments to a number of IFRSs[1]
Annual Improvements 2011–2013 Cycle	Amendments to a number of IFRSs[1]
Annual Improvements 2012–2014 Cycle	Amendments to a number of IFRSs[2]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 January 2018
5 Effective for an entity that first adopts IFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

In addition, the Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31 December 2015. The Group is in the process of making an assessment of the impact of these changes.

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt IFRS 9 from 1 January 2018. The Group expects that the adoption of IFRS 9 will have an impact on the classification and measurement of the Group's financial assets. Further information about the impact will be available nearer the implementation date of the standard.

The amendments to IFRS 10 and IAS 28 (2011) address an inconsistency between the requirements in IFRS 10 and in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The Group expects to adopt the amendments from 1 January 2016.

2.3 NEW AND REVISED IFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED (continued)

The amendments to IFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in IFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016.

IFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. The Group expects to adopt IFRS 15 on 1 January 2017 and is currently assessing the impact of IFRS 15 upon adoption.

Amendments to IAS 16 and IAS 38 clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

The amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 28 *Investments in Associates and Joint Ventures* introduce minor clarifications to the requirements when accounting for investment entities. The amendments also provide relief in particular circumstances, which will reduce the costs of applying the standards.

The *Annual Improvements to IFRSs 2010–2012 Cycle* issued in January 2014 sets out amendments to a number of IFRSs. Except for those described in note 2.2, the Group expects to adopt the amendments from 1 January 2015. None of the amendments are expected to have a significant financial impact on the Group. Details of the amendment most applicable to the Group are as follows:

IFRS 8 *Operating Segments:* Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable segments as follows:

(a) the washing machine business segment manufactures and sells washing machines;

(b) the water heater business segment manufactures and sells water heaters; and

(c) the integrated channel services segment provides logistics, after-sale and other value-added consumer services as well as sells and distributes home appliances and other products procured from Haier Affiliates and other external parties.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that bank interest income, interest income from deposits for bank financial products, finance costs as well as corporate and other unallocated expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, pledged deposits, deposits for bank financial products, cash and cash equivalents and corporate and other unallocated assets as these assets are managed on a group basis.

Segment liabilities exclude an amount due to a fellow subsidiary, interest-bearing borrowings, tax payable, deferred tax liabilities, convertible bonds, CEB and corporate and other unallocated liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted in accordance with the terms and conditions mutually agreed by the parties involved.

3. **OPERATING SEGMENT INFORMATION (continued)**

	Washing machine business		**Water heater business**		**Integrated channel services**		**Consolidated**	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Segment revenue:								
Sales to external customers	**5,090,092**	4,804,767	**878,968**	907,312	**61,164,902**	56,551,083	**67,133,962**	62,263,162
Intersegment sales	**9,777,736**	9,417,158	**3,665,550**	3,450,345	**1,067,827**	1,016,704	**14,511,113**	13,884,207
Total	**14,867,828**	14,221,925	**4,544,518**	4,357,657	**62,232,729**	57,567,787	**81,645,075**	76,147,369
Reconciliation:								
Elimination of intersegment sales							**(14,511,113)**	(13,884,207)
Segment revenue							**67,133,962**	62,263,162
Segment other income and gains	**62,238**	48,757	**13,395**	17,165	**61,101**	58,339	**136,734**	124,261
Total segment revenue, other income and gains							**67,270,696**	62,387,423
Segment results	**1,351,785**	1,240,626	**533,957**	479,104	**1,255,161**	1,050,424	**3,140,903**	2,770,154
Reconciliation:								
Elimination of intersegment results							**(26,237)**	(83,040)
Bank interest income							**246,513**	79,681
Interest income from deposits for bank financial products							**7,515**	–
Corporate and other unallocated expenses							**(106,818)**	(60,621)
Finance costs							**(95,961)**	(68,334)
Profit before tax							**3,165,915**	2,637,840

3. OPERATING SEGMENT INFORMATION (continued)

	Washing machine business		Water heater business		Integrated channel services		Consolidated	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Segment assets	**4,724,101**	5,044,107	**1,385,883**	1,734,231	**10,086,820**	9,381,339	**16,196,804**	16,159,677
Reconciliation:								
Elimination of intersegment receivables							**(1,804,789)**	(3,428,353)
Deferred tax assets							**623,548**	592,656
Pledged deposits							**105,096**	220,350
Deposits for bank financial products							**242,400**	–
Cash and cash equivalents							**10,929,888**	6,824,322
Corporate and other unallocated assets							**1,222,327**	1,512,511
Total assets							**27,515,274**	21,881,163
Segment liabilities	**2,302,668**	1,964,579	**962,315**	818,524	**9,480,155**	8,688,621	**12,745,138**	11,471,724
Reconciliation:								
Elimination of intersegment payables							**(1,804,789)**	(3,428,353)
Deferred tax liabilities							**15,602**	8,503
Tax payable							**542,602**	693,964
Due to a fellow subsidiary							**–**	15,000
Interest-bearing borrowings							**–**	159,633
Convertible bonds							**776,319**	716,835
CEB							**1,024,382**	–
Corporate and other unallocated liabilities							**2,113,980**	4,186,193
Total liabilities							**15,413,234**	13,823,499

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, net of value-added tax and after allowances for returns and trade discounts; and the value of services rendered during the year.

An analysis of revenue, other income and gains is as follows:

Group

	2014	2013
	RMB'000	RMB'000
Revenue		
Sale of goods	**63,072,809**	59,411,600
Rendering of services	**4,061,153**	2,851,562
	67,133,962	62,263,162
Other income		
Bank interest income	**246,513**	79,681
Interest income from deposits for bank financial products	**7,515**	–
Government subsidies*	**44,813**	35,187
Compensation received from suppliers	**64,118**	67,080
Gross rental income in respect of buildings	**2,016**	2,016
Dividend income from available-for-sale investments	**–**	7,728
Others	**20,174**	12,234
	385,149	203,926
Gains		
Gains on disposal of items of property, plant and equipment	**1,107**	–
Gains on disposal of subsidiaries and a branch	**4,506**	–
Gain on bargain purchase	**–**	16
	5,613	16
	390,762	203,942

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

5. PROFIT BEFORE TAX

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

	2014 **RMB'000**	2013 RMB'000
Cost of inventories sold	**53,401,726**	50,318,036
Cost of services provided	**3,647,789**	2,607,277
Depreciation of property, plant and equipment	**146,021**	113,466
Depreciation of investment properties	**1,192**	1,192
Recognition of prepaid land lease payments	**11,746**	7,575
Amortisation of intangible assets*	**8,152**	6,977
Research and development costs**	**543,684**	444,605
Auditors' remuneration	**7,475**	7,000
Employee benefit expense: (including directors' and chief executive's remuneration):		
Wages and salaries	**2,774,644**	2,475,538
Welfare	**37,462**	41,857
Pension scheme contributions	**341,719**	433,185
Share-based payment expense	**26,714**	14,429
Equity-settled share option expense	**49,256**	12,955
Equity-settled Restricted Share Award Scheme expenses	**15,304**	–
	3,245,099	2,977,964
Minimum lease payments under operating leases in respect of land and buildings	**154,256**	123,861
Provision for obsolete and slow-moving inventories, net***	**33,077**	37,772
Product warranty and installation provisions	**705,033**	688,788
Management services arrangements expenses	**8,228**	34,877
Losses / (gains) on disposal / write-off of items of property, plant and equipment, net##	**(1,107)**	101
Loss on disposal / write-off of prepaid land lease payments, net#	**–**	5,387
Provision for impairment of trade receivables, net#	**16,600**	4,436
Provision for impairment of other receivables and prepayments, net#	**4,047**	–
Foreign exchange differences, net	**58,975**	11,615

* The amortisation of intangible assets for the year is included in "Administrative expenses" in the consolidated statement of profit or loss.

** The research and development costs included mould charges of RMB209,437,000 (2013: RMB163,222,000) which are included in "Cost of sales" in the consolidated statement of profit or loss.

*** The provision for obsolete and slow-moving inventories for the year is included in "Cost of sales" in the consolidated statement of profit or loss.

\# The net losses on disposal / write-off of prepaid land lease payments, and the net provision for impairment of trade receivables, other receivables and prepayments are included in "Other expenses and losses" in the consolidated statement of profit or loss.

\## The net gains / losses on disposal / write-off of items of property, plant and equipment are included in "Other income and gains" / "Other expenses and losses" in the consolidated statement of profit or loss.

6. FINANCE COSTS

An analysis of finance costs is as follows:

Group

	2014	2013
	RMB'000	RMB'000
Interest on borrowings wholly repayable within five years	**4,125**	4,262
Notional interest on loans from non-controlling shareholders	**–**	834
Interest on convertible bonds	**66,471**	63,238
Interest on CEB	**25,365**	–
	95,961	68,334

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

Tax on profits assessable in Mainland China has been calculated at the applicable PRC corporate income tax ("CIT") rates. Certain subsidiaries of the Group are entitled to preferential tax treatment of reduction in the CIT rate to 15%.

Group

	2014	2013
	RMB'000	RMB'000
Current — Hong Kong		
Charge for the year	**16,514**	13,485
Current — Mainland China		
Charge for the year	**651,592**	677,246
Underprovision/(overprovision) in prior years	**13,599**	(6,182)
Deferred	**(30,892)**	(137,022)
Total tax charge for the year	**650,813**	547,527

8. DIVIDENDS

	2014	2013
	RMB'000	RMB'000
Proposed final — HK11 cents (2013: HK10 cents)	**237,191**	200,824

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 2,653,867,520 (2013: 2,541,398,244) in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company, adjusted to reflect the interest on the convertible bonds and CEB. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares, and the contingently issuable shares.

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

	2014	2013
	RMB'000	RMB'000
Earnings		
Profit attributable to ordinary equity holders of the Company used in the basic earnings per share calculation	**2,446,605**	2,036,882
Interest on convertible bonds	**66,471**	63,238
Interest on CEB	**25,365**	–
	2,538,441	2,100,120

	Number of shares 2014	2013
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**2,653,867,520**	2,541,398,244
Effect of dilution — weighted average number of ordinary shares:		
Warrants	**5,220,480**	12,714,138
Share options	**5,814,818**	32,289,830
Awarded shares under Restricted Share Award Scheme	**846,034**	–
Contingently issuable shares#	**6,610,700**	1,319,261
Convertible bonds	**100,000,000**	100,000,000
CEB	**55,735,965**	–
	174,227,997	146,323,229
Total	**2,828,095,517**	2,687,721,473

\# The contingently issuable shares in 2014 included the estimated number of shares to be issued to certain non-controlling shareholders of subsidiaries who entered into incentive agreements with the Group.

The contingently issuable shares in 2013 included the estimated number of shares to be issued to certain Haier franchise store owners. These Haier franchise store owners entered into management services agreements with the Group and achieved the prescribed performance targets.

10. TRADE AND BILLS RECEIVABLES

Group

	2014 RMB'000	2013 RMB'000
Trade and bills receivables	**6,866,391**	7,563,356
Impairment	**(18,006)**	(4,436)
	6,848,385	7,558,920

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

Group

	2014 RMB'000	2013 RMB'000
Trade receivables:		
Within 1 month	**1,866,449**	1,615,539
1 to 2 months	**521,670**	479,679
2 to 3 months	**134,292**	255,945
Over 3 months	**190,109**	145,430
	2,712,520	2,496,593
Bills receivable	**4,135,865**	5,062,327
	6,848,385	7,558,920

The movements in provision for impairment of trade receivables are as follows:

Group

	2014 RMB'000	2013 RMB'000
At 1 January	**4,436**	–
Impairment losses recognised	**18,811**	4,436
Amount written off as uncollectible	**(3,030)**	–
Impairment losses reversed	**(2,211)**	–
As at 31 December	**18,006**	4,436

10. TRADE AND BILLS RECEIVABLES (continued)

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB6,571,000 (2013: RMB4,436,000) with a carrying amount before provision of RMB7,316,000 (2013: RMB23,343,000) and general provision for impaired trade receivables of RMB11,435,000 (2013: nil) with a carrying amount before provision of RMB20,256,000 (2013: nil).

The individually impaired trade receivables relate to customers that were in financial difficulties and only a portion of the receivables is expected to be recovered.

The aged analysis of the trade and bills receivables and the corresponding impairment is as follows:

Group

		Impaired		
	Not impaired *RMB'000*	**Carrying amount of trade receivables before provision** *RMB'000*	**Provision** *RMB'000*	**Total** *RMB'000*
2014				
Not past due	**6,782,469**	**–**	**–**	**6,782,469**
Less than 1 year past due	**50,002**	**10,265**	**(3,404)**	**56,863**
1 to 2 years past due	**6,348**	**17,307**	**(14,602)**	**9,053**
	6,838,819	**27,572**	**(18,006)**	**6,848,385**

		Impaired		
	Not impaired *RMB'000*	Carrying amount of trade receivables before provision *RMB'000*	Provision *RMB'000*	Total *RMB'000*
2013				
Not past due	7,436,417	–	–	7,436,417
Less than 1 year past due	97,811	23,343	(4,436)	116,718
1 to 2 years past due	5,785	–	–	5,785
	7,540,013	23,343	(4,436)	7,558,920

Receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that the provision for impairment is adequate in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Included in the Group's trade and bills receivables are amounts due from Haier Affiliates amounting to RMB937,277,000 (2013: RMB898,354,000), which are repayable on similar credit terms to those offered to the major customers of the Group.

At 31 December 2014, certain of the Group's bills receivable of approximately RMB77,271,000 (2013: RMB76,842,000) were pledged to secure certain of the Group's bills payable.

11. TRADE AND BILLS PAYABLES

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

Group

	2014	2013
	RMB'000	RMB'000
Trade payables:		
Within 1 month	**2,400,042**	2,080,386
1 to 2 months	**147,604**	539,491
2 to 3 months	**34,780**	114,846
Over 3 months	**356,667**	183,361
	2,939,093	2,918,084
Bills payable	**170,345**	284,217
	3,109,438	3,202,301

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

Included in the Group's trade payables are amounts due to Haier Affiliates amounting to RMB1,506,100,000 (2013: RMB1,669,880,000), which are repayable on similar credit terms to those offered by other similar suppliers of the Group.

Certain of the Group's bills payable are secured by the pledge of the Group's bank deposits amounting to RMB101,459,000 (2013: RMB220,350,000) and the Group's bills receivable amounting to RMB77,271,000 (2013: RMB76,842,000).

12. EVENTS AFTER THE REPORTING PERIOD

(a) Subsequent to the end of the reporting period, a total of 6,610,700 shares were issued to the non-controlling shareholders of certain subsidiaries which achieved the prescribed financial and operational performance targets.

(b) In January 2015, a non-wholly owned subsidiary of the Group, Qingdao Goodaymart Logistics Company Limited ("Qingdao Logistics"), entered into an acquisition agreement (the "Acquisition Agreement") with Fujian Shengfeng Logistics Group Company Limited ("Shengfeng Logistics") and its shareholders, pursuant to which Qingdao Logistics agreed to acquire 47.6% equity interest in Shengfeng Logistics at a cash consideration of RMB355 million plus a contingent consideration payable ranging from RMB87 million to RMB131 million which is computed with reference to the revenue and net profit of Shengfeng Logistics during the 24-month period subsequent to the completion of the acquisition transaction. In addition, according to the Acquisition Agreement, Qingdao Logistics agreed to inject additional capital of RMB250 million to Shengfeng Logistics, representing 25% of the entire share capital of Shengfeng Logistics before the capital contribution. The acquisition transaction was completed on 27 January 2015 and Qingdao Logistics held 58.08% equity interest in Shengfeng Logistics in total.

CHAIRMAN'S LETTER

During 2014, the overall home appliance market was weak in China amid slowing macro economy growth and the downturn in the property market. Yet with the impact of popularization of internet, manufacturing and marketing of home appliances and the channel business have evolved accordingly. Haier Electronics has achieved performance which was above the industry under the environment full of challenges and changes. Facing the internet + era, the Group has proactively invested in new business with high growth potential, laying the foundation for our future growth.

1. Solid Performance

The Group achieved a new record high revenue of RMB67.134 billion in 2014, representing an increase of 7.8% as compared to last year. Net profit increased by 20.1% to RMB2.447 billion. Diluted earnings per share reached 89.76 cents, up by 14.9% year-on-year. Net operating cash flow was RMB2.903 billion, up 31.4% year-on-year. The Group made great progress in white goods business and integrated channel services business. Gross profit margin and operating profit of each business segment have also been enhanced significantly.

2. Highlights in operation and the direction of reform

1. White goods business

The positioning of our white good business will take a dual track: for the family, we will pursue a "smart home" total solution; for the manufacturing base, we will "network our factories", moving from large scale production to customized production.

(1) **Incorporate electronic appliance to internet appliance, creating the best life experience for the users.** We are committed to incorporating the "home appliance" to "internet of appliance", so that home appliance and the internet can be connected, delivering and distributing a number of services within and outside home, and to attract more and more fans to connect with our devices. At present, the proportionate sales of washing machine and water heater with customer interaction features has been rising rapidly. These two types of products have been developing an open and self-optimizing ecosystem leveraging on the U+ smart home platform (Developed by Haier Group, U+ platform is the world's leading open smart-home platform that enables seamless connection between different smart devices and home appliances from different brands. At present, over one hundred partners, such as Microsoft, Samsung and Huawei have established connection with U+ platform.).

(2) **Build smart factory to address personalized demand of users.** Early on, the Group has paid close attention to the industrial 4.0 concept. For example, we have built our Qingdao electric water heater factory and Foshan front-loading washing machine factory into smart lights-out factories, where manual labors are replaced by automated equipment and robots, and users' feedback is incorporated during the entire production process. Our production efficiency has significantly enhanced and labor costs has been reduced, we can also provide users with "visualized" experience during the entire process, satisfying users' personalized demand.

(3) **With the overall industry growth moderating, the group will put more emphasis on mid/high end products.** The Group has upgraded its product structure and kept a fast growth, thanks to the Group's leading products developed on its global R&D network, such as our exclusive "clean-free" washing machine launched in 2014. The "clean-free" washing machine was ranked at top in the high-end top-loading washing machine segment soon after it was launched. The European style Casarte Ella washing machine quickly became top selling product in high-end front loading washing machine segment after its entering into the market.

2. *Integrated Channel Services Business*

The Integrated Channel Services Business of Haier Electronic is positioned as "Household-centric Ecosystem that links Users and Services", which mainly includes logistics, e-commerce and distribution business segments.

(1) **Capture the digital innovation trend, transform vast franchisee network to O2O service platform.** With the accelerating digital adoption, the Group motivates its franchisees to change its strategic focus from goods-selling to user-experience generation, in order to enhance competitiveness of the retail stores in the internet era. Our goal here is to help more and more franchisee stores going online and reduce store inventory, convert our franchisee stores into O2O service platform, as well as a user attraction and retention platform that integrates physical distribution network with internet technologies. As at the end of 2014, the number of online and offline active users on Group's O2O platform amounted to 15.7 million approximately.

(2) **Take advantage of competitive edge of offline franchisee network to rapidly develop the rural e-commerce.** The e-commerce platforms and transportation companies have not been widely penetrated in rural areas in China due to the remote geographical locations and the underdeveloped customer segment. Facing up with the huge potential of rural e-commerce, the Group will leverages on its network advantage to rapidly expand rural e-commerce as the new growth driver in 2015. We will establish e-commerce services platform in counties and e-commerce services stations in villages, which deal with sales, investment attraction, logistics, life service and finance, aiming to sell online stores' products to rural markets, and sell rural market products to cities.

(3) **Develop smart logistics, and expand third-party platform business rapidly.** Capturing the opportunities in the e-commerce, Goodaymart logistics innovates the logistics services and establishes the logistics platform that delivers best user experience. Total logistics revenue increased by over 45% year-on-year in 2014 while revenue from third-party business grew over 150% as compared to prior year, amongst which, e-commerce logistics business grew rapidly. Goodaymart became the primary logistics service provider for merchants selling large home appliances on Tmall.com, provided competitive one-stop logistic solutions and "bundling of delivery and installation" services on a nationwide basis.

    Through opening our transportation capacity, Goodaymart logistics platform has attracted tens of thousands of track drivers joining our capacity platform, and developed to be the only domestic logistic service network for large-format products which achieves "delivery to villages and rural families" and "bundling of delivery and installation". On our unique logistic platform, drivers receive orders via mobile APP while the users can rate the driver's delivery services on-site. The platform will automatically optimize the allocation of the vehicle resources/jobs pursuant to the user's feedback, and in return, the user appraisal system continuously enhances customer experience.

(4) **Continuously broaden services category, from home appliance, furniture to cold chain.** By leaping on our significant development on home appliance and e-commerce logistics business in 2014, the Group will further promote the e-commerce logistics business of other large-format products including furniture and bathroom fixture in the future, aiming to become No. 1 home appliance and home furnishing logistics service provider in terms of domestic market share and word of mouth reputation among the customers. With the aim to expand into cold chain logistics industry, the Group strategically invested 34% stakes of Shanghai Grand Logistics, a leading cold chain logistics services provider, in January 2015.

(5) **Migrate from wholesale mode to service mode.** Local Goodaymart joint ventures that engage in third-party home appliance distribution have optimized its revenue mix and improved their profitability through entering into direct distribution in rural town areas in 2014. Local joint venture companies and the franchise stores have joined the Group's newly developed B2B trading platform, conducting the online trading and settlement.

3. Innovations embracing the new era

1. *Organizational innovation*

The R&D and innovation management of large organizations was highly centralized in the past, while a new innovational model is emerging in the internet era. The Group is transforming from a traditional centralized organization to a platform that cultivates innovation and entrepreneurship, enabling our employees to act like entrepreneurs, namely "makers", a change from focusing on execution efficiency to proactively creating value for customers. Outsiders who intend to participate in our internal start up can become "makers" on our platform as sponsors in the common site of markers.

Then core of Haier's digital transformation is to establish an open entrepreneurial ecosystem for innovation, providing platform for the "makers" all over the world, and more strategically focus on cultivating "makers" rather than manufacturing products. At present, the innovations in Haier's "maker ecosystem" mainly focus in the following three aspects: (1) adopt the micro business unit model for new business; (2) provides resources for makers on the open platform; and (3) to increase the chance of success through introducing new incentive mechanism.

2. *Innovation adapting to trends:*

"Internet +" represents the new normal industrial development. "Internet +" will be a new generation of innovation on information technology, modern manufacturing and logistics services, with the symbolic application of cloud computing, internet of things and big data. In 2015, the Group will establish an open internet ecosystem through "Internet +", promoting the innovation in branding, factory, channel, logistics and other aspects, so as to achieve faster development.

(1) **Internet + brand: to establish a well-recognized internet brand image.** In 2014, Goodaymart was named one of the most valuable brands in China with a brand value of RMB14.286 billion. In 2015, the Group will add new elements of the new era into the brand name, through the introduction of internet thinking, exploration of the internet mode and pooling of resource, to form an internet brand name of the era and gain brand recognition from the public.

(2) **Internet + factory: smart factory allows users to make interaction during entire process.** The nature of Industrial 4.0 is connecting factory. The Group currently has built several connecting factories with the remaining factories are in the process of upgrading. Through its modular production, automated and smart features, Haier connecting factories incorporate users' feedback in product design, supply chain management and marketing. The goal of Haier "connecting factories" is to lead China's intelligent manufacturing, and then promote this to the world.

(3) **Internet + channel: to be the leader of e-commerce market in rural areas.** The increasing purchasing power from rural consumers and their increasing proportion of online shopping presents an enormous opportunity to develop e-commerce in rural areas. In 2015, the Group plans to integrate "delivery capacity" to establish a mobile e-commerce services network in rural areas. Such network not only delivers the products to the county town, but also assists in selling their special local products. Leveraging on the advantages of the existing networks, Goodaymart may very well become the market leader in respect of its integration of virtual and physical e-commerce networks in rural areas.

(4) **Internet + logistics: to become the platform for internet of vehicles in the freight transportation sector.** In 2015, the Group will further develop the "Last Mile Open Platform" project under Goodaymart logistics. We plan to attract more parties to co-develop this business. Goodaymart logistics has the goal of becoming the platform for internet of vehicles in the freight transportation sector, establishing an open platform which integrates delivery capacity, service orders and users. Product owners can release orders, drivers can grip the orders while users can comment on services they receive. It is expected that the proportion of third-party logistics business will continue to grow rapidly in 2015.

4. Conclusion

It is estimated that in 2015 the growth of overall home appliance industry will slow down. However, as more Chinese consumers are pursuing decent quality of life, we estimate the demand for lifestyle home appliance will continue to increase. With the further popularization of internet in China, e-commerce will continue to record higher growth than offline retail sales. It is essential to strengthen the "last mile" logistics delivery services and onsite user experience in the 3rd and 4th-tier markets. Anticipating prosperous growth potential, we remain fully confident and willing to embrace the challenges. We will present new breakthroughs, become the industry leading company and continuously drive value for shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2014, the Group continued to achieve record results, with a high-quality growth in revenue and robust earnings growth, meanwhile, created significant increase in shareholder value. Profit attributable to the owners of the Company grew 20.1% year-on-year to a new record high of RMB2,447 million. Diluted earnings per share increased 14.9% year-on-year to RMB89.76 cents. During the year:

- The Group's revenue grew substantially to RMB67,134 million from RMB62,263 million in 2013, up 7.8% year-on-year. This was mainly attributable to a 8.1% growth in integrated channel business service revenues to RMB62,233 million;

- Operating profit margin of the integrated channel business service increased by 0.2 percentage points to 2.0% and operating profit went by 19.5% year-on-year to RMB1,255 million;

- The Group's cash flow continued to improve. Net cash flow from operations was RMB2,903 million, up 31.4% year-on-year and represented 118.7% of net profit attributable to owners of the Company.

INDUSTRY OVERVIEW

In 2014, growth of overall home appliances sales in China slowed amid challenges of weak property market and slowdown in macro economic growth. Thanks to continuous upgrade in home appliances consumption, increasing penetration in the 3rd and 4th-tier markets and vigorous sales of emerging product categories, industry growth has gained momentum. Exports by Chinese home appliance enterprises continued to grow, thanks to recovery in overseas economies and slight depreciation of Renminbi.

Consumption upgrade trend continued over the past year, high-end, energy-efficient and environmental-friendly home appliance products accounted for increasing proportions of industries sales. Consumers' increasing demand for high-quality life boosted sales of lifestyle home appliances, which significantly outgrew the overall industry. For instance, sales of front-loading washing machines have been growing with higher growth rate as compared to top-loading washing machines, driving the market share of front-loading washer by sales volume to 32% from 30% in 2013. As for water heater industry, higher-end products such as instant-heat electronic water heaters, gas water heaters and high-volume water heaters recorded faster sales growth.

In early January 2015, seven ministries including the National Development and Reform Commission, the Ministry of Finance and the Ministry of Industry and Information Technology ("MIIT"), jointly announced to implement the Scheme of Energy-Efficiency Leader System. The scheme set out mandatory standards for energy consuming products, high-energy-consuming industries and public organizations. The scheme aims to provide policy support to energy efficiency "leaders". Inverter air conditioners, refrigerators, front-loading washing machines, flat panel TVs have been included in the program. It is expected that the "Leader Scheme" may help to promote technology upgrade in the home appliance industry.

In 2014, emerging home appliance segment grew rapidly. Sales of purifying products, including air purifier, water purifying products and solutions, as well as emerging lifestyle appliances, such as home cleaning robots have been surging, capturing the increasingly personalized and exquisite consumer requirement. According to research by CMM, sales growth of air purifiers and water purifiers in 2014 was over 30% and 59% respectively, far above the overall industry growth rate.

Overall online sales in China went up 48.7% in 2014, accounting for more than 10% of total retail sales of consumer goods for the first time, amongst which, online sales of 3C and home appliance products went up quickly with a year-on-year increase of 70%, according to iResearch estimates. Though online sales were mostly generated from 1st and 2rd-tier markets, 3rd and 4th-tier markets are becoming the major growth driver for online shopping, as the fast growing penetration of mobile internet has stimulated adoption of online payment and the online shopping experience has been enhancing. According to a report issued by China Internet Network Information Centre, rural netizens accounted for approximately one-third of netizens in China, amounting to a population of almost 200 million people by the end of 2014.

Given the enormous potential in the 3rd and 4th-tier markets, many e-commerce platforms attempted to tap into the rural markets through internally developed logistic capability or strategic partnerships over the past year. The No.1 Central Document for 2015 issued by the government reiterated government's support to develop e-commerce in rural areas for the third consecutive year, and proposed to support companies from e-commerce, logistics, trading and finance industries to engage in construction of e-commerce platforms in rural area.

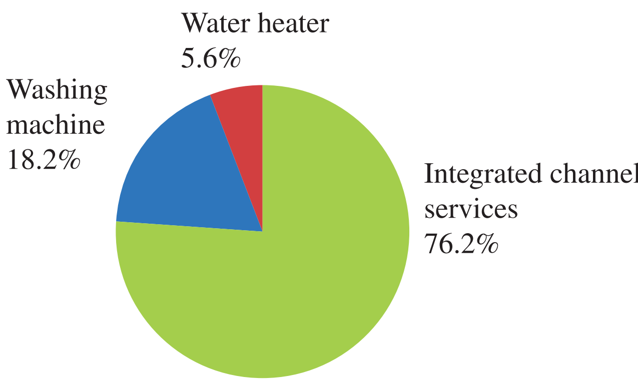
During the year, the continuing strong growth in e-commerce drove the robust demand for nationwide logistics delivery services. In response to the challenges from e-commerce and the slowing economic growth, more companies restructured their supply chain by outsourcing logistic services and supply chain services to third-party logistics service providers, and switched their focus to brand building and product development, which boosted the growth of third-party logistics services. Because of the companies' increasing demand for professional services, as well as deeper and broader services coverage from third-party logistics companies, third-party logistics service providers with scale and nationwide service network will further expand their market shares, resulting in consolidation in the logistics industry.

In 2014, the Government issued "2014-2020 Mid to Long Term Development Plan for Logistics Industry" ("Plan") and positioned logistics industry as a strategic industry that helps to accelerate economic development and consumption growth. Plans for twelve major projects were outlined in the plan, including logistics for agricultural products and manufacturing industry, as well as supply chain management. The Plan states that China will establish modern logistics service system by 2020. The Government will endeavor to improve logistics infrastructure and lower social logistics costs, while encouraging scale-up of logistics enterprises and supporting merger and acquisition. In March 2015, Premier Li Keqiang proposed in the Report of Central Government at the National People's Congress and People's Political Consultative Conference to support the development of emerging industries, such as mobile internet, logistics and courier services, and to promote internet-related consumption which involves integration of online and offline channels. Besides, Premier Li also mentioned that the government would continue to encourage reform in channel and distribution system in China, and to speed up the construction of modern logistics facilities for the agricultural product wholesaling, storage and warehouses, as well as cold chain logistic.

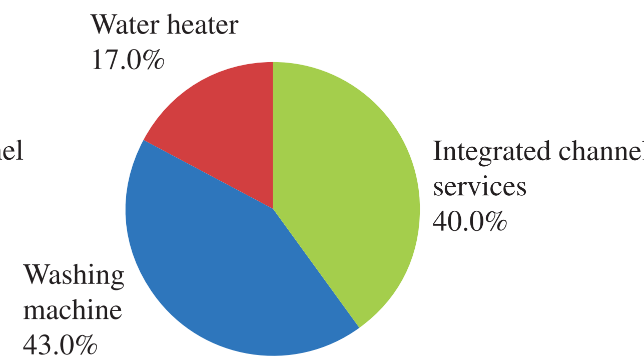
BUSINESS SEGMENT REVIEW

The breakdown of revenue and results by segment for 2014 is set out below:

Segment revenue



Segment results



Note: The proportions of the above pie charts are presented in accordance with the aggregate amounts of segment revenue and results, without taking into account inter-segment eliminations of revenue and results.

Washing Machine Business

In 2014, the Group's washing machine business recorded revenue of RMB14,868 million, grew 4.5% year-on-year (2013: RMB14,222 million), underpinned by higher average selling prices for products sold in domestic market and strong growth in export sales. Export sales grew significantly, attributed to the recovery of US market and the Group's stronger presence in Asia. Sales of washing machine in domestic market were impacted by slow recovery of the property market and slower economic growth. During the Year, the Group further enhanced its profitability on washing machine business. Gross profit margin expanded by 0.3 percentage points to 27.6%, mainly attributable to the Group's efforts on product mix optimization, which resulted in increased proportion of premium products with better profit margins, such as front-loading washing machines and "Casarte" products. As to top-loading washing machines, the Group's high-end "clean-free" washing machines dominated the domestic market of top-loading washing machine rapidly. Besides, the declining raw materials price also had a positive effect on gross profit margin.

According to a global home appliance market research published by Euromonitor, Haier's washing machine ranked first in the world in 2014 in terms of retail sales volume for the sixth consecutive year in 2014, accounting for 14.4% of global market share. According to research by CMM, the Group's washing machines continued to rank first in the PRC with 26.7% market share in terms of sales volume, down by 1.3 percentage points year-on-year. The sample data gathered by CMM monitored market information from appliances retailers in 846 cities and counties, which may not match the Group's geographical market distribution. On the other hand, the decline in market share might be attributed to competitors' market share gain in top-loading washing machine segment. During the Year, sales of washing machine through the Group's integrated channel services amounted to RMB9,778 million, representing 65.8% of its total segmental sales.

The Group maintained its growth momentum despite the challenging industry environment, as we have built a powerful product development platform that enables the Group to continuously innovate through generating new demand and implementing new technology. We have attracted the world's leading suppliers to join our product platform through our open supply chain, amongst which, our platform was also designed to facilitate frequent interaction with consumers through online and offline channels. Together with our smart factory and intelligent manufacturing system, the Group has been able to closely follow market trend and satisfy consumers' diversified demands.

In 2014, the Group launched Ella Series washing machine, the world's first washer with water quality detection device and auto detergent feature, which provides customized cleansing and fabric care. Ella washers were well received and became the best-selling products in higher-end front-loading washer segment. To solve the "secondary pollution" during cleansing, the Group launched world's leading "clean free" washing machine after six years' research and development with experts from various industries. Both interior and exterior drums are being cleaned with "smart- particles" during the cleansing and rinsing progress. "Clean free" washing machine topped the high-end top-loading washing machine market shortly after its launch.

In 2014, the Group constructed the world's first smart connecting factory for home appliances, which integrates internet technology and advanced manufacturing technology. By utilizing intelligent computing and flexible manufacturing, the Group's smart factory achieves real-time connection of between production facilities, enables the migration from mass production to customized mass production.

Persisting on its customer-centric culture and focus on innovation, the Group's washing machines were well awarded. In the China Household Appliance Industry Brand Assessment 2013-2014 organized by China Household Electrical Appliance Research Institute, Haier ranked first of the Top 10 Washing Machine Brands List.

Water Heater Business

The Group's water heater business recorded a steady growth and recorded revenue of RMB4,545 million, up 4.3% year-on-year (2013: RMB4,358 million). According to the market data from CMM, sales in the domestic water heater market were adversely affected by a sluggish real estate market and dropped by 2.0% year-on-year. During the Year, with ongoing enhance in product mix and the declining of raw material costs, gross profit margin of the water heater segment increased by 0.7 percentage points year-on-year to 36.2%.

In 2014, Haier's water heaters remained China's number one brand in terms of sales volume, with its market share declined by 1.1 percentage points to 17.2%, according to a market research report by CMM. The group emphasized on growing the more profitable electric water heater and gas water heater business, which has resulted in competitors' market share gain in solar water heater segment. The sample data gathered by CMM mainly represented the market information from appliances retailers in 846 domestic cities and counties, and may not match the Group's sales in third- and fourth- tier markets. During the period, the Group's water heater sales through its integrated channel services segment accounted for 80.7% of the total sales, increased from 79.2% in 2013.

During the Year, to address consumers' requirement on safety and stable water temperature of gas water heaters, the Group launched the Casarte Legend gas water heater series. By adopting the aerospace purification technology, the Casarte Legend series water heater can convert carbon monoxide into carbon dioxide instantly with its NOCO nanometer platinum oxidation safety system, preventing carbon monoxide leakage during showering. Casarte Legend also realizes multi-location simultaneous hot water supply with its dual water-server module, which enables stable water temperature despite significant fluctuation in water pressure conditions.

The Group was rewarded China's Leading Intelligent Water Heater Brand 2013-2014 and, China's Innovative Intelligent Water Heater Brand 2013-2014 for its distinctive design and product features in China's Intelligent Water Heater Summit held in April 2014. Haier E9 electric water heater and Heart of Fire T3 (12T) gas water heaters both received Top 10 Intelligent Water Heaters award.

Integrated Channel Services Business

During the Year, despite the moderate recovery in home appliance industry, the Group's integrated channel service business recorded a robust growth in revenue, which increased 8.1% year-on-year to RMB62,233 million (2013: RMB57,568 million). We saw strong progress in the following three areas: sales of third-party brands continued to grow quickly and accounted for large proportion of integrated channel services revenue. The Group successfully expanded its e-commerce and home furniture logistics business. Rapid development in logistics business has exceeded the Group's integration target. The Group's online business posted vigorous growth on the merits of effective interaction with users and excellent delivery and installation service.

Logistics Unit

In 2014, the Group's logistics business grew significantly on the back of robust growth in e-commerce logistics and home appliance and furniture logistics businesses. The segmental revenue increased 46.4% year-on-year to RMB4,912 million. Leveraging on our nationwide network and our innovative services that enhanced user experience, the Group's third party logistics business grew beyond the Group's expectation at the beginning of the Year. Third-party logistics revenue went up by more than 150%, accounting for over 40% of the overall logistics revenue. By offering more value added services on the backdrop of continuous innovation in our services, gross profit margin of the logistics business increased by 0.2 percentage point to 8.3% in 2014.

Since the completion of Alibaba Group's strategic investment and the establishment of joint-venture for large-format goods logistics in the first quarter of 2014, Goodaymart Logistics soon became the primary logistic service provider for large home appliances merchants on Tmall.com. The group provided one-stop solutions and "bundling of delivery and installation" services on a nationwide basis, enabled merchants to expand into 3rd and 4th-tier markets which have been difficult to penetrate previously. In February 2015, Goodaymart Logistics lined up with Cainiao Network to offer large home appliances delivery service to Tibet for Tmall merchants, terminating the age of "no-delivery to Tibet".

In early 2014, the Group acquired Shanghai Boyol New Brothers Supply Chain Management Company Limited ("Boyol"), a leading logistic service provider of furniture and bathroom fixtures in the PRC. The acquisition has created significant synergy and expanded our customer base, introducing new customers, e.g. Yihua timber, Red Star Macalline. Its network coverage and service capability have been expanded from major cities to the whole nation. In the first year of consolidation, Boyol recorded over 30% revenue growth. Leveraging on Boyol's capability in providing "last mile" furniture logistics service, the Group is committed to expand its nationwide market network for furniture services, and establish a leading professional third-party furniture logistic services platform.

With Goodaymart Logistics' 90 regional logistics centers by the end of 2014, its warehousing capacity reached approximately 2,000,000 square meters, covering most of the 3rd and 4th-tier markets nationwide.

Online and Offline Distribution Unit

Distribution and Service Unit

The Group's distribution business grew steadily in 2014 despite slowdown in economy and the impact imposed on brick-and-motor stores amid rapid growth of e-commerce. The Group worked closely with Haier's product development team to offer competitive products designed for 3rd and 4th-tier markets to Haier franchisee stores. Furthermore, the group's franchisee stores centered on the essence of retail management, provided innovative value-added services to customers and enhanced customer experience. The tailored services and the "convenient services at the next door" invented by our franchise stores quickly gained popularity. For instance, our franchisees design the total solution of home appliances based on consumers' floor plan. The group franchisee stores proactively apply internet technology, such as touch screen, selling products in both offline and online space simultaneously, so as to showcase a wide variety of products within limited store space. Franchisee stores joined the Group's newly developed B2B trading platform in the past year to conduct the online trading and settlement, which significantly enhance their operating efficiency.

In light of rapid growth of water purifiers sales, the Group strengthened its interaction with users, and established water purifier experience stores to provide vivid shopping environment where users can touch and feel the products. Consumer can also enjoy "Pay if you like it" service, which allows them to experience before they make actual payment. The Group also deployed its franchisee resources to conduct water quality sampling and inspection in different regions, in order to provide customized water purification solutions based on water quality in various regions. These services have facilitated the rapid growth of our water purifier business.

Looking forward, the Group will further optimize store management and national network to provide more diversified and convenient services to consumers and create more income streams for franchisees. As at the end of the Year, the Group had over 30,000 points of sales nationwide.

E-commerce Unit

During the Year, revenue of E-commerce unit soared 153.9% year-on-year to RMB4,463 million. The Group expanded sales channels such as JD.com and enhance its marketing strategy to attract young consumers. Catering for younger generation's taste for more entertaining and engaging marketing, the Group utilized social media on mobile-internet, such as Weibo and WeChat, to encourage sharing among social networks and to help promote Haier Brand and increase its popularity.

Goodaymart Logistics considerably enhanced user experience with its speedy delivery during the 2014 November 11th Shopping Festival. In the first hour of which, Goodaymart Logistics completed first orders for home appliance in 8 cities. Haier continued to rank No.1 in home appliance category for the third straight year in Tmall's November 11 Shopping Festival, with sales of RMB320 million. Both transaction amounts and volumes reached record high. In addition to continuous record-breaking sales, Haier also achieved outstanding performance in respect to mobile expansion. Sales from mobile platforms exceeded RMB100 million during the festival, showing good progress of the Group's development in interaction with users and mobile shopping channels.

PROSPECTS

In 2015, overall growth for traditional large home appliance market may slow down. Lifestyle home appliances may however continue its strong sales trend, underpinned by Chinese consumers' growing desire for exquisite and personalized lifestyle. As the domestic economy develops to the next chapter, overall domestic consumption shall pick up amid increasing individual disposable income. Consumers will prefer environmental-friendly and high-end home appliances, driving the ongoing consumption upgrade for home appliance industry. The continuing decline in commodity prices gives home appliance manufacturers more rooms to invest in R&D and innovation. The Chinese Government is also introducing incentive policies to encourage manufacturing enterprises to invest in upgrading production technology, promoting industry upgrade for home appliance industry.

The Internet will continue to impact the landscape of distribution and channel industry. E-commerce will continue to outgrow offline channels because of rising penetration of the Internet and post-80s and 90s generations' preference for shopping online. In the 1st and 2rd-tier markets, e-commerce is highly penetrated, thanks to earlier development of the Internet and better logistic services, while penetration in the 3rd and 4th-tier markets is relatively lower given underdeveloped delivery services. Retailers are expected invest to accelerate the e-commerce development in the 3rd and 4th-tier markets. In light of the lack of logistic services and consumers' lack of confidence in e-commerce, the top priority should be to strengthen "last mile" delivery services and onsite user experience. The Group will gradually open up its comprehensive sales network in the 3rd and 4th-tier markets, motivating its franchisees to switch their strategic focus from sales to user engagement and user experience generation.

Information technology and supply chain management are developing vigorously with increasing applications in logistic industry. Professional third party logistics are replacing corporates' internally-operated logistics units, promoting optimization of division of duties for corporates. The logistic industry is undergoing ongoing consolidation, leading to increased breadth and depth of service coverage, enhanced end-to-end service capability and scalability of the market consolidators. The Group will reinforce investments in the logistics business and enhance its management and merger integration capability, aiming to attract more third-party logistics teams to join the Group's platform.

FINANCIAL REVIEW

The Group achieved stable financial performance in 2014. The Group's revenue amounted to RMB67,133,962,000, representing an increase of 7.8% from RMB62,263,162,000 in 2013. The profit attributable to owners of the Company was RMB2,446,605,000, representing an increase of 20.1% from RMB2,036,882,000 in 2013. The basic earnings per share attributable to ordinary equity holders of the Company was RMB92.19 cents, representing an increase of 15.0% from RMB80.15 cents in 2013.

1. Analysis of Revenue and Profit

Items	**2014** *RMB'000*	2013 *RMB'000*	**Change %**
Revenue			
Washing machine business	**14,867,828**	14,221,925	+4.5%
Water heater business	**4,544,518**	4,357,657	+4.3%
Integrated channel services business	**62,232,729**	57,567,787	+8.1%
Inter-segment elimination	**(14,511,113)**	(13,884,207)	+4.5%
Consolidated revenue	**67,133,962**	62,263,162	+7.8%
EBITDA	**3,174,959**	2,755,703	+15.2%
Profit attributable to owners of the Company	**2,446,605**	2,036,882	+20.1%
Earnings per share attributable to ordinary equity holders of the Company			
Basic	**RMB92.19 cents**	RMB80.15 cents	+15.0%
Diluted	**RMB89.76 cents**	RMB78.14 cents	+14.9%

The revenue of the Group for 2014 continued to achieve steady growth, increasing by 7.8% to RMB67,133,962,000, as compared to RMB62,263,162,000 in 2013. During the year, the increase of revenue was mainly attributed to the rapid growth of the integrated channel services business, supplemented by the steady growth from the washing machine and water heater businesses.

Revenue from the washing machine business amounted to RMB14,867,828,000, representing an increase of 4.5% as compared to RMB14,221,925,000 in 2013. The growth was mainly attributed to launch of high-end innovative products during the year and rapid expansion of online channels.

Revenue from water heater business amounted to RMB4,544,518,000, representing an increase of 4.3% as compared to RMB4,357,657,000 in 2013. The growth was mainly driven by the rapid growth of the new energy saving, more environmental friendly and safer water heater products.

Revenue from the integrated channel services business amounted to RMB62,232,729,000, representing an increase of 8.1% as compared to RMB57,567,787,000 in 2013.

The revenue increase in the integrated channel services business was mainly attributed to relatively faster growth of the logistics business and e-commerce channel business. Specifically, the Group's e-commerce business contributed to the integrated channel services business with revenue of RMB4,463,137,000, representing an increase of 153.9% as compared to RMB1,757,922,000 in 2013.

Profit attributable to owners of the Company

In 2014, the profit attributable to owners of the Company was RMB2,446,605,000, representing an increase of 20.1% from RMB2,036,882,000 in 2013. The basic earnings per share attributable to ordinary equity holders of the Company was RMB92.19 cents in 2014, representing an increase of 15.0% from RMB80.15 cents in 2013. In 2014, the Group's EBITDA (earnings before interest, tax, depreciation and amortisation) was RMB3,174,959,000, representing an increase of 15.2% from RMB2,755,703,000 in 2013.

Gross Profit Margins

In 2014, the gross profit margin of the washing machine business was 27.6%, increased by 0.3 percentage points compared with 27.3% in 2013. The gross profit margin of the water heater business was 36.2%, increased by 0.7 percentage points as compared with 35.5% in 2013. The increase in the gross profit margin of the washing machine business and the water heater business were mainly due to the higher proportion of high-end products, improved product mix and decreased costs of certain raw materials.

In 2014, the Group's overall gross profit margin of the integrated channel services business was 8.2%, which is in line with that of 2013.

In 2014, the Group's overall gross profit margin was 14.7%, which is in line with that of 2013. Specifically, the improvement of the gross profit margins in the washing machine and water heater businesses were offset by the increased proportion of integrated channel business with a relatively lower gross profit margin.

Selling and Distribution Expenses

The ratio of selling and distribution expenses of the washing machine and water heater businesses to its segment revenue increased by 0.5 percentage points from 14.3% in 2013 to 14.8% in 2014, which was mainly due to higher input via interactive sales with potential customers, and enhanced marketing expenses for the promotion of new products during the year.

The ratio of selling and distribution expenses of the integrated channel services business to its segment revenue decreased by 0.2 percentage points from 4.7% in 2013 to 4.5% in 2014, which was mainly due to the rapider growth in the logistic business with a lower ratio of selling and distribution expenses.

Administrative Expenses

In 2014, the ratio of administrative expenses of the Group's washing machine and water heater businesses to its segment revenue was 5.4%, representing a decrease of 0.8 percentage points from 6.2% in 2013, which was mainly due to enhanced cost effectiveness as a result of the improved organisational and operational efficiency.

In 2014, the ratio of administrative expenses of the integrated channel services business to its segment revenue was 1.8%, which is in line with that of 2013.

2. Financial Position

	2014	2013
	RMB'000	*RMB'000*
Items		
Non-current assets	**3,710,293**	2,851,266
Current assets	**23,804,981**	19,029,897
Current liabilities	**13,120,619**	12,431,096
Non-current liabilities	**2,292,615**	1,392,403
Net assets	**12,102,040**	8,057,664

Cash and Cash Equivalents

In 2014, the Group maintained a healthy financial position. The cash and cash equivalents balance increased by 60.2% from RMB6,824,322,000 as at 31 December 2013 to RMB10,929,888,000. The increase was mainly attributable to the growth in net cash flows from financing and operating activities during the year.

Net assets

In 2014, the Group's net assets increased by 50.2% from RMB8,057,664,000 as at 31 December 2013 to RMB12,102,040,000 as at 31 December 2014. The increase in net assets was mainly attributable to profit contribution of RMB2,515,102,000 for the year and an increment in net assets of RMB1,326,229,000 arising from the issue of new shares during the year.

Working Capital

Trade and Bills Receivables Turnover Days

The bills receivable turnover days of the Group's washing machine and water heater businesses was 43 days at the end of 2014, representing a considerable decrease of 17 days as compared with the end of 2013, which was mainly due to the increase in the cash settlement proportion for the washing machine and water heater businesses by the integrated channel services business as a result of the centralized cash management of the Group. The trade receivables turnover days of the Group's washing machine and water heater businesses was 15 days, representing decrease of 1 day from the end of 2013. The proportion of the bills receivable to the total trade and bills receivables was 74.5% (31 December 2013: 78.4%), most of which were bank's acceptance bills with minimal risk of default.

In the integrated channel services business, the majority of customers in the 3rd and 4th-tier markets are relatively small customers, and the sales are generally under a payment term of cash on delivery. Our business model aims at reducing the customers' working capital requirements and facilitating the cash-settled payment method. In 2014, the bills receivable turnover days decreased from 13 days at the end of 2013 to 11 days. The trade receivables turnover days at the end of 2014 was 11 days, which was consistent with that of the end of 2013.

Inventory Turnover Days

Under the Group's Just-In-Time policy, the Group has implemented a series of measurements including rolling order forecasts, made-to-order and procured-to-order productions, which helped maintain a relatively low inventory level. At the end of 2014, the inventory turnover days of the washing machine and water heater businesses was 25 days, increased by 3 days as compared to the end of 2013, which was mainly attributed to the increase in production capacity of front-loading washing machines for the current year, assuring the goods supply for the peak sales before Spring Festival.

As at the end of 2014, inventory turnover days of the Group's integrated channel services business was 19 days, representing an increase of 3 days as compared to the end of 2013. That was mainly attributed to the increased inventory level of the distribution network for sales in the Spring Festival, which was three weeks later than prior year.

Trade Payables Turnover Days

The trade payables turnover days of the Group's washing machine and water heater businesses was 31 days at the end of 2014. The trade payables turnover days of the integrated channel services business was 11 days, maintaining a relatively low level.

3. Cash flow analysis

Items	**2014** **RMB'000**	2013 RMB'000
Cash and cash equivalents as stated in the statement of financial position at beginning of year	**6,824,322**	5,368,308
Net cash flows from operating activities	**2,902,971**	2,210,030
Net cash flows used in investing activities (excluding the changes in time deposits over three months)	**(954,709)**	(807,029)
Net cash flows from financing activities	**2,149,105**	73,200
Effect of foreign exchange rate changes, net	**8,199**	(20,187)
Cash and cash equivalents as stated in the statement of financial position at end of year	**10,929,888**	6,824,322

The Group's net cash inflow from operating activities increased by 31.4% in 2014 as compared with 2013, which was mainly due to the growth in net cash flows from the profit of the operating activities during the year, as well as the improved working capital efficiency as a result of intensified cash management.

Net cash outflow from investing activities (excluding the changes in time deposits over three months) for the year was RMB954,709,000, increased by 18.3% compared with that of last year. Cash flow from investing activities mainly included decrease in pledged deposits of RMB115,254,000 and cash payments of RMB834,032,000 for capital expenditure items. The items of capital expenditure consist of the construction of additional logistics warehouse, the purchase of plant and equipment for capacity expansion and other investment projects.

Net cash inflow from financing activities was RMB2,149,105,000 during the year, which mainly included inflows upon exercise of warrants (RMB361,728,000), share options (RMB76,198,000), proceeds from new share subscriptions by Alibaba Group (RMB773,334,000), contribution from minority shareholders (RMB428,435,000) and issue of CEB (RMB1,055,023,000).

Cash outflow from financing activities mainly included repayment of net borrowings for the year (RMB194,632,000), payment of dividends (RMB232,825,000), interest payment of convertible bonds and borrowing (RMB29,558,000) and payment for shares purchased for Restricted Share Award Scheme (RMB88,598,000).

LIQUIDITY AND FINANCIAL RESOURCES

The Group focuses on cash flow management and has been able to maintain a healthy financial and liquidity position. The Group recorded a current ratio of 181.4% as at 31 December 2014, representing an increase of 28.3 percentage points compared with 153.1% in 2013. As at 31 December 2014, the Group's cash and cash equivalents balance amounted to RMB10,929,888,000 (31 December 2013: RMB6,824,322,000). Bank and other borrowings amounted to RMB nil (31 December 2013: RMB174,633,000). Shareholder's borrowings amounted to RMB24,916,000 (31 December 2013: RMB24,301,000). The liabilities portion of the convertible bonds was RMB776,319,000 (31 December 2013: RMB716,835,000) and the liabilities portion of the CEB was RMB1,024,382,000 (31 December 2013: nil), respectively. As a result, the Group's net cash balance (cash and cash equivalents balance, net of bank and other borrowings, shareholder's borrowings, the liabilities portion of the convertible bonds and the liabilities portion of the CEB) as at 31 December 2014 amounted to RMB9,104,271,000 (31 December 2013: RMB5,908,553,000), representing an increase of 54.1% over 2013.

The Group will maintain strong operating cash flows and sources of liquidity in 2015 that are adequate to meet its working capital requirements for the next year, construction of intelligent logistics network and the e-commerce platform, as well as to maintain financial flexibility for future strategic investment opportunities.

CAPITAL EXPENDITURE

The Company assesses its capital expenditure and investments in the businesses of the washing machine, water heater and integrated channel services from time to time. The capital expenditure during the year was RMB834,032,000, which was mainly used for the investments of the Company in developing the integrated channel services, including the construction of logistics warehouse as well as factory equipment modifications for washing machines and water heaters.

GEARING RATIO

As at 31 December 2014, the Group's gearing ratio (defined as total borrowings (including the liabilities portion of convertible bonds and the liabilities portion of CEB) over net assets) was 15.1% (31 December 2013: 11.4%).

TREASURY POLICIES

The Group adopts a prudent approach in its cash management and risk control. Most of the Group's revenues and expenses are denominated in Renminbi. Cash is generally placed in short term deposits denominated either in Renminbi or Hong Kong dollars. Foreign currency risk is largely, though not fully, mitigated, as liabilities in Renminbi will be substantially offset by the Group's revenue, most of which are derived from domestic sales in China and denominated in Renminbi. Only approximately 8.7% of the Group's revenue is derived from export sales and is denominated in other currencies. The Group does not have any significant interest rate risk as it has an overall net cash balance. The Group does not have any financial instrument for hedging purposes.

CAPITAL COMMITMENT

The Group's capital commitments contracted but not yet provided for amounted to RMB1,558,935,000 as at 31 December 2014 (31 December 2013: RMB258,342,000), which were mainly related to the purchase of machinery for the Group's businesses capacity expansion as well as construction of warehouse for the logistics business and the capital introduction of Sinopec Marketing. Capital commitments authorised but not yet contracted amounted to RMB486,906,000 (31 December 2013: RMB20,766,000) which mainly related to the warehouse construction for the logistics business in 2015.

CHARGE OF ASSETS

As at 31 December 2014, the Group did not have short-term bank loans secured by floating charges over inventories (31 December 2013: RMB61,540,000).

Further, as at 31 December 2014, certain of the Group's bills payable were secured by the pledge of the Group's bank deposits of RMB101,459,000 (31 December 2013: RMB220,350,000) and the Group's bills receivable of RMB77,271,000 (31 December 2013: RMB76,842,000).

CONTINGENT LIABILITIES

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

EMPLOYEES AND REMUNERATION POLICY

The total number of employees of the Group decreased by approximately 5.3% to 15,637 as at 31 December 2014 from 16,506 as at 31 December 2013. The Group ensures that the remuneration packages for its employees remain competitive, and its employees are generally remunerated with fixed monthly salaries, which are reviewed annually, along with discretionary performance bonuses.

DIVIDENDS

The Board has proposed a final dividend of HK11 cents per share in cash to shareholders whose names appear on the register of members of the Company on Thursday, 9 July 2015 for the year ended 31 December 2014. All the dividends will be paid upon approval by shareholders at the Company's forthcoming annual general meeting. The final dividend will be paid on around Friday, 14 August 2015.

This dividend represented approximately 10% of the profit attributable to the owners of the Company for the year, and will be distributed out of the contributed surplus account of the Company. The Group shall retain sufficient cash for maintaining a strong financial position for capturing strategic investments when opportunities arise, and in particular, achieving the financial flexibility in relation to investments in the integrated channel services business. The Company will review the payout ratio in the coming period and will increase that ratio as and when appropriate.

CLOSURE OF REGISTER OF MEMBERS

In order to ascertain the entitlements of the shareholders to attend the forthcoming annual general meeting to be held on Tuesday, 30 June 2015, the register of members of the Company will be closed from Monday, 29 June 2015 to Tuesday, 30 June 2015 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending and voting at the annual general meeting, all transfer documents accompanied by the relevant share certificates must be lodged at the Company's branch registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Friday, 26 June 2015.

In order to ascertain the entitlements of the shareholders to receive the proposed final dividend, the register of members of the Company will be closed from Tuesday, 7 July 2015 to Thursday, 9 July 2015 (both days inclusive), during which period no transfer of shares will be registered. All transfer documents accompanied by the relevant share certificates must be lodged at the Company's branch registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Monday, 6 July 2015.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Save for the purchase of 5,873,000 shares of the Company on the open market for an aggregate consideration of HK$110,362,000 pursuant to the Company's Restricted Share Award Scheme as announced by the Company on 15 April 2014, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2014.

COMPLIANCE WITH CORPORATE GOVERNANCE PRACTICES OF THE LISTING RULES

The Company has complied with the code provisions of the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), except for the following deviations:

Under Code Provision A.2.1, the roles of chairman and chief executive officer ("CEO") should be separated and should not be performed by the same individual. During the year, Mr. Zhou Yun Jie ("Mr. Zhou"), an executive Director, had served as the chairman of the Company and also the CEO of the Company. After evaluation of the current situation of the Company and taking into account the experience and past performance of Mr. Zhou, the Board is of the opinion that it is appropriate and in the best interests of the Group at the present stage for Mr. Zhou to hold both positions as the chairman and CEO of the Company as it helps to maintain the continuity of the policies and the stability of the operations of the Group. It also helps to promote the efficient formulation and implementation of the Company's strategies which will enable the Group to seize business opportunities efficiently and promptly. The Board comprising a vast majority of non-executive Directors also meets regularly on a quarterly basis to review the operations of the Group and to consider other major matters affecting the business of the Group. Accordingly, the Board believes that this arrangement will not have negative influence on the balance of power and authorizations between the Board and the management of the Company. In addition, through the continuing supervision of the Board and its independent non-executive Directors, checks and balances continue to exist so that the interests of the shareholders are continued to be adequately and fairly represented.

Under Code Provision A.4.1, non-executive Directors should be appointed for specific terms, subject to re-election. Currently, all the non-executive Directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Bye-laws and their appointment will be reviewed when they are due for re-election.

Further information on the Company's corporate governance practices and its applications of the Code will be set out in the Corporate Governance Report contained in the Company's 2014 Annual Report which will be dispatched to the Company's shareholders in due course.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a Model Code for Securities Transactions by Directors (the "Haier Electronics Model Code") on no less exacting terms than the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules. Upon enquiry by the Company, all directors of the Company have confirmed that they have complied with the required standard as set out in the Haier Electronics Model Code throughout the year ended 31 December 2014.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The Company has established an audit committee comprising two independent non-executive Directors and one non-executive Director of the Company. The audit committee had reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the consolidated annual financial statements of the Group for the year ended 31 December 2014.

The financial information in this announcement has been agreed by the Group's external auditor, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2014. The work performed by the Company's external auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, and consequently no assurance has been expressed by the Company's external auditor on this announcement.

PUBLICATION ON THE COMPANY'S AND THE STOCK EXCHANGE'S WEBSITES

This results announcement will be published on the Company's website (http://www.haier-elec.com.hk) and the Stock Exchange's website HKEx news (http://www.hkexnews.hk). The 2014 Annual Report will be despatched to the shareholders of the Company and will be made available on the website of the Company and the HKEx news website of the Stock Exchange in due course.

By Order of the Board of
Haier Electronics Group Co., Ltd.
Zhou Yun Jie
Chairman

Hong Kong, 26 March 2015

As at the date of this announcement, the executive Director is Mr. Zhou Yunjie (Chairman); the non-executive Directors are Mr. Liang Haishan, Ms. Tan Lixia, Ms. Janine Junyuan Feng, Dr. Wang Hanhua and Mr. Zhang Yong; the independent non-executive Directors are Mr. Yu Hon To, David, Mrs. Eva Cheng Li Kam Fun and Ms. Tsou Kai-Lien, Rose; the alternate Director are Mr. Gui Zhaoyu (alternate to Ms. Janine Junyuan Feng) and Mr. Li Huagang (alternate to Mr. Liang Haishan).