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HAIER ELECTRONICS GROUP CO., LTD.

海爾電器集團有限公司*

(incorporated in the Bermuda with limited liability)

(Stock Code: 1169)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016 AND CLOSURE OF REGISTER OF MEMBERS

FINANCIAL HIGHLIGHTS

	2016 *RMB'000*	2015 *RMB'000*	Changes in %
Revenue	**63,854,877**	62,826,119	+1.6%
Gross profit	**11,071,967**	9,992,692	+10.8%
Adjusted operating profit (as defined below)	**3,019,339**	2,717,032	+11.1%
Profit for the year	**2,810,635**	2,734,497	+2.8%
Attributable to:			
Owners of the Company	**2,786,219**	2,702,996	+3.1%
Non-controlling interests	**24,416**	31,501	
	2,810,635	2,734,497	
Earnings per share attributable to ordinary equity holders of the Company			
Basic	**RMB100.20 cents**	RMB98.12 cents	+2.1%
Diluted	**RMB98.92 cents**	RMB96.82 cents	+2.2%
Proposed final dividend per share	**HK17 cents**	HK12 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 2016 together with comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2016

	Notes	**2016**	2015
		RMB'000	*RMB'000*
REVENUE	4	**63,854,877**	62,826,119
Cost of sales		**(52,782,910)**	(52,833,427)
Gross profit		**11,071,967**	9,992,692
Other income and gains	4	**678,739**	802,727
Selling and distribution expenses		**(6,091,216)**	(5,348,277)
Administrative expenses		**(2,032,317)**	(1,972,653)
Other expenses and losses		**(62,618)**	(71,692)
Finance costs	6	**(43,022)**	(70,525)
Share of profits and losses of associates		**(27,323)**	11,714
PROFIT BEFORE TAX	5	**3,494,210**	3,343,986
Income tax expense	7	**(683,575)**	(609,489)
PROFIT FOR THE YEAR		**2,810,635**	2,734,497
Attributable to:			
Owners of the Company		**2,786,219**	2,702,996
Non-controlling interests		**24,416**	31,501
		2,810,635	2,734,497
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
Basic		**RMB100.20 cents**	RMB98.12 cents
Diluted		**RMB98.92 cents**	RMB96.82 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2016

	2016	2015
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**2,810,635**	2,734,497
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	**39,721**	29,671
Reclassification adjustments for a foreign operation liquidated during the year	**5,267**	–
	44,988	29,671
OTHER COMPREHENSIVE INCOME FOR THE YEAR	**44,988**	29,671
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**2,855,623**	2,764,168
Attributable to:		
Owners of the Company	**2,831,207**	2,732,667
Non-controlling interests	**24,416**	31,501
	2,855,623	2,764,168

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	Notes	**2016**	2015
		RMB'000	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**3,275,577**	3,107,653
Investment properties		**33,142**	11,147
Prepaid land lease payments		**1,030,566**	834,982
Goodwill		**392,485**	392,485
Other intangible assets		**131,156**	138,872
Investments in associates		**299,309**	320,148
Available-for-sale investments		**1,401,396**	1,290,889
Long-term prepayments		**338,189**	214,704
Deferred tax assets		**712,295**	621,480
Other non-current assets		**37,515**	77,345
Total non-current assets		**7,651,630**	7,009,705
CURRENT ASSETS			
Inventories		**5,183,399**	4,399,479
Trade and bills receivables	10	**5,699,335**	4,971,124
Prepayments, deposits and other receivables		**4,486,618**	3,363,463
Due from a fellow subsidiary		**–**	27,000
Other financial assets		**460,449**	250,078
Pledged deposits		**71,272**	31,989
Cash and cash equivalents		**12,596,271**	10,244,492
Total current assets		**28,497,344**	23,287,625
CURRENT LIABILITIES			
Trade and bills payables	11	**4,583,217**	4,089,689
Other payables and accruals		**10,224,829**	7,644,594
Interest-bearing borrowings		**73,000**	86,400
Finance lease payables		**9,338**	10,877
Due to a non-controlling shareholder		**27,883**	26,083
Tax payable		**613,045**	561,730
Provisions		**545,717**	520,309
Put option liabilities		**15,700**	51,621
Share-based payment liabilities		**–**	10,400
Convertible and exchangeable bonds		**1,223,220**	–
Total current liabilities		**17,315,949**	13,001,703
NET CURRENT ASSETS		**11,181,395**	10,285,922
TOTAL ASSETS LESS CURRENT LIABILITIES		**18,833,025**	17,295,627

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
31 December 2016

	2016	2015
	RMB'000	*RMB'000*
TOTAL ASSETS LESS CURRENT LIABILITIES	**18,833,025**	17,295,627
NON-CURRENT LIABILITIES		
Convertible and exchangeable bonds	**–**	1,107,735
Finance lease payables	**7,534**	16,917
Deferred income	**88,883**	71,695
Deferred tax liabilities	**53,708**	21,039
Provisions	**312,505**	312,482
Other non-current liabilities	**–**	43,500
Total non-current liabilities	**462,630**	1,573,368
Net assets	**18,370,395**	15,722,259
EQUITY		
Equity attributable to owners of the Company		
Issued equity	**2,876,892**	2,891,084
Shares held for Restricted Share Award Scheme	**(152,984)**	(165,628)
Equity component of convertible and exchangeable bonds	**54,838**	54,838
Reserves	**14,760,151**	12,062,714
	17,538,897	14,843,008
Non-controlling interests	**831,498**	879,251
Total equity	**18,370,395**	15,722,259

NOTES TO FINANCIAL STATEMENTS

31 December 2016

1. CORPORATE AND GROUP 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.

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

- manufacture and sale of washing machines
- manufacture and sale of water heaters
- sale and distribution of home appliances and other products as well as provision of after-sale and other value-added consumer services
- provision of logistics services

In the opinion of the directors, as at 31 December 2016, 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 ultimate holding company of the Company is Haier Group Corporation ("Haier Corp"), which is established in the PRC.

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"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments and certain equity investments 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 2016. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

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 above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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 new and revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
IFRS 14	*Regulatory Deferral Accounts*
Amendments to IAS 1	*Disclosure Initiative*
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*
Amendments to IAS 27	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	Amendments to a number of IFRSs

Other than as explained below regarding the impact of amendments to IFRS 11, amendments to IAS 1, amendments to IAS 16 and IAS 38 and certain amendments included in the *Annual Improvements 2012-2014 Cycle*, the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) 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 applied prospectively. The amendments have had no impact on the Group as there has been no interest acquired in a joint operation during the year.

(b) Amendments to IAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in IAS 1;

(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The amendments have had no significant impact on the Group's financial statements.

(c) 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 a 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 applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

(d) *Annual Improvements to IFRSs 2012-2014 Cycle* issued in September 2014 sets out amendments to a number of IFRSs. Details of the amendments are as follows:

- IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*: Clarifies that changes to a plan of sale or a plan of distribution to owners should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. Accordingly, there is no change in the application of the requirements in IFRS 5. The amendments also clarify that changing the disposal method does not change the date of classification of the non-current assets or disposal group held for sale. The amendments are applied prospectively. The amendments have had no impact on the Group as the Group did not have any change in the plan of sale or disposal method in respect of the disposal group held for sale during the year.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*[2]
IFRS 9	*Financial Instruments*[2]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*[2]
IFRS 16	*Leases*[3]
Amendments to IAS 7	*Disclosure Initiative*[1]
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*[2]
Amendments to IAS 40	*Transfers of Investment Property*[2]
Annual Improvements 2014-2016 Cycle	Amendments to a number of IFRSs[1/2]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 No mandatory effective date yet determined but available for adoption

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

The IASB issued amendments to IFRS 2 in June 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet the employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The Group expects to adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

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.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 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 previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for application now.

IFRS 15 establishes a new five-step model to account for 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. In April 2016, the IASB issued amendments to IFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt IFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt IFRS 15 on 1 January 2018.

IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease,* SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt IFRS 16 on 1 January 2019.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Amendments to IAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements. The Group expects to adopt the amendments from 1 January 2017.

Amendments to IAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, although they also have a broader application for other situations. The amendments clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Group expects to adopt the amendments from 1 January 2017.

The IASB issued IFRIC 22 *Foreign Currency Transactions and Advance Consideration* in 8 December 2016, in order to address how to determine "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset for non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency. The Group expects to adopt the amendments from 1 January 2018.

Amendments to IAS 40 clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The Group expects to adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements 2014–2016 Cycle has amendments to three of standards: the amendments to IFRS 12 *Disclosure of Interests in Other Entities* have clarified the scope of the disclosure requirements in IFRS 12; the amendments to IFRS 1 *First-time Adoption of International Financial Reporting of Standards* have deleted short-term exemptions for first-time adopters, and the amendments to IAS 28 *Investments in Associates and Joint Ventures* have clarified that measuring investees at fair value through profit or loss is an investment-by investment choice. These amendments are not expected to have any significant impact on the Group's financial statements.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four 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;

(c) the channel services business segment sells and distributes home appliances and other products as well as provides after-sale and other value-added consumer services; and

(d) the logistics business segment provides logistics services (note).

Note: The logistics business segment is identified as an additional reportable segment from the channel services business segment in current year, and accordingly, segment data in the previous year has been restated for comparative purposes.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource 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 other financial assets, corporate and other unallocated income and gains, corporate and other unallocated expenses and losses as well as finance costs are excluded from such measurement. As a result of the change in management responsibilities and performance assessment, certain other income and gains were excluded from the channel services business segment and have been reported as corporate and other unallocated income and gains, and the corresponding assets have been included in corporate and other unallocated assets.

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

Segment liabilities exclude deferred tax liabilities, tax payable, interest-bearing borrowings, convertible and exchangeable bonds and corporate and other unallocated liabilities as these liabilities are managed on a group basis.

Intersegment sales of washing machine and water heater businesses represent the sales of washing machines and water heaters through the Group's channel services business; intersegment sales of logistics business represent the logistics services provided to washing machine, water heater as well as channel services businesses, while intersegment sales of the channel services business represent the after-sale services provided to the washing machine and water heater businesses. Such 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		Channel services business		Logistics business		Consolidated	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000* (Restated)	***RMB'000***	*RMB'000* (Restated)	***RMB'000***	*RMB'000* (Restated)
Segment revenue:										
Sales to external customers	**5,230,282**	5,121,552	**983,028**	932,837	**51,209,399**	51,350,696	**6,432,168**	5,421,034	**63,854,877**	62,826,119
Intersegment sales	**10,690,169**	9,830,751	**4,375,132**	3,674,565	**275,599**	267,383	**1,129,907**	1,158,313	**16,470,807**	14,931,012
Total	**15,920,451**	14,952,303	**5,358,160**	4,607,402	**51,484,998**	51,618,079	**7,562,075**	6,579,347	**80,325,684**	77,757,131
Reconciliation:										
Elimination of intersegment sales									**(16,470,807)**	(14,931,012)
Segment revenue									**63,854,877**	62,826,119
Segment other income and gains	**195,868**	112,559	**52,661**	27,832	**72,504**	59,746	**48,122**	35,626	**369,155**	235,763
Total segment revenue and other income and gains									**64,224,032**	63,061,882
Segment results	**1,522,306**	1,363,259	**677,994**	563,602	**859,149**	715,044	**323,075**	227,985	**3,382,524**	2,869,890
Reconciliation:										
Elimination of intersegment results									**(28,656)**	7,800
Bank interest income									**175,932**	252,366
Interest income from other financial assets									**10,293**	10,906
Corporate and other unallocated income and gains									**140,121**	299,190
Corporate and other unallocated expenses and losses									**(142,982)**	(25,641)
Finance costs									**(43,022)**	(70,525)
Profit before tax									**3,494,210**	3,343,986

3. OPERATING SEGMENT INFORMATION (continued)

	Washing machine business		Water heater business		Channel services business		Logistics business		Consolidated	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
						(Restated)		(Restated)		(Restated)
Segment assets	**5,335,053**	4,262,011	**1,716,104**	1,577,323	**8,834,850**	7,887,988	**5,275,453**	4,336,263	**21,161,460**	18,063,585
Reconciliation:										
Elimination of intersegment receivables									**(4,164,175)**	(3,399,411)
Deferred tax assets									**712,295**	621,480
Other financial assets									**460,449**	250,078
Pledged deposits									**71,272**	31,989
Cash and cash equivalents									**12,596,271**	10,244,492
Corporate and other unallocated assets									**5,311,402**	4,485,117
Total assets									**36,148,974**	30,297,330
Segment liabilities	**2,490,830**	2,316,148	**1,364,051**	1,000,830	**11,714,437**	8,983,451	**2,963,105**	2,121,489	**18,532,423**	14,421,918
Reconciliation:										
Elimination of intersegment payables									**(4,164,175)**	(3,399,411)
Deferred tax liabilities									**53,708**	21,039
Tax payable									**613,045**	561,730
Interest-bearing borrowings									**73,000**	86,400
Convertible and exchangeable bonds									**1,223,220**	1,107,735
Corporate and other unallocated liabilities									**1,447,358**	1,775,660
Total liabilities									**17,778,579**	14,575,071

4. REVENUE, OTHER INCOME AND GAINS

Revenue, 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:

	2016 *RMB'000*	2015 *RMB'000*
Revenue		
Sale of goods	**57,094,548**	56,978,822
Rendering of services	**6,760,329**	5,847,297
	63,854,877	62,826,119
Other income		
Bank interest income	**175,932**	252,366
Interest income from other financial assets	**10,293**	10,906
Government grants *	**237,982**	119,753
Compensation received from suppliers	**85,328**	91,826
Gross rental income	**2,734**	2,016
Dividend income from an available-for-sale investment	**26,353**	25,000
Others	**30,694**	23,120
	569,316	524,987
Gains		
Gain on disposal of subsidiaries	**–**	239,553
Gain on disposal of associates	**98,080**	–
Gain on bargain purchase of associates	**7,544**	–
Gain on disposal of an available-for-sale investment	**–**	24,500
Gain on fair value re-measurement of an investment in an associate	**–**	14,542
Gain on disposal of intangible assets	**2,400**	–
Changes in fair value of derivative financial instruments	**1,399**	(855)
	109,423	277,740
	678,739	802,727

* Various government grants have been received for investments in certain regions in Mainland China in which the Company's subsidiaries operate as well as for the Group's technology advancements. 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):

	2016 *RMB'000*	2015 *RMB'000*
Cost of inventories sold	**46,564,744**	47,528,503
Cost of services provided	**5,880,716**	4,967,655
Depreciation of property, plant and equipment	**286,819**	234,152
Depreciation of investment properties	**2,121**	1,192
Recognition of prepaid land lease payments	**21,606**	12,722
Amortisation of intangible assets *	**9,889**	11,196
Amortisation of long-term prepayments	**4,595**	25,763
Research and development costs **	**580,894**	592,861
Auditor's remuneration	**7,575**	7,575
Employee benefit expense: (including directors' and chief executive officer's remuneration):		
Wages and salaries	**3,303,937**	3,039,058
Welfare	**58,470**	46,426
Pension scheme contributions	**348,431**	348,876
Share-based payment credit	**(5,580)**	(30,743)
Equity-settled share option expense, net	**29,794**	7,468
Equity-settled Restricted Share Award Scheme expense/(credit), net	**52,489**	(4,565)
	3,787,541	3,406,520
Minimum lease payments under operating leases in respect of land and buildings	**167,672**	152,460
Provision for obsolete and slow-moving inventories, net***	**89,063**	60,733
Product warranty and installation provisions	**861,184**	776,059
Loss on disposal/write-off of items of property, plant and equipment, net#	**16,990**	5,875
Provision/(reversal of provision) of impairment of trade receivables, net#	**(4,540)**	53,314
Provision of impairment of prepayments and other receivables, net#	**37,801**	12,478
Provision of impairment of an available-for-sale investment	**–**	25
Loss/(gain) on disposal of subsidiaries, net#	**6,302**	(239,553)
Loss on liquidation of subsidiaries#	**5,765**	–
Loss/(gain) on disposal of an available-for-sale investment#	**300**	(24,500)
Foreign exchange differences, net	**(38,463)**	(22,399)

* 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 RMB248,387,000 (2015: RMB276,536,000) which are included in "Cost of sales" in the consolidated statement of profit or loss.

*** The net 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 provision/(reversal of provision) of impairment of trade receivables, prepayments and other receivables, net loss on disposal/write-off of items of property, plant and equipment, loss on disposal and liquidation of subsidiaries and loss on disposal of an available-for-sale investment are included in "Other expenses and losses" in the consolidated statement of profit or loss.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2016	2015
	RMB'000	*RMB'000*
Interest on borrowings	**4,679**	14,395
Interest on finance leases	**1,042**	1,078
Interest on convertible bonds	**–**	20,850
Interest on convertible and exchangeable bonds	**37,301**	34,202
	43,022	70,525

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 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 a preferential tax treatment of reduction in the CIT rate to 15%.

	2016	2015
	RMB'000	*RMB'000*
Current – Hong Kong		
Charge for the year	**33,141**	27,670
Current – Mainland China		
Charge for the year	**719,340**	624,178
Overprovision in prior years	**(9,988)**	(7,065)
Income tax refund during the year	**–**	(45,908)
Deferred	**(58,918)**	10,614
Total tax charge for the year	**683,575**	609,489

8. DIVIDENDS

	2016	2015
	RMB'000	*RMB'000*
Proposed final – HK17 cents (2015: HK12 cents) per ordinary share	**425,248**	280,907

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 2,780,520,334 (2015: 2,754,846,230) in issue during the year, as adjusted to exclude the shares issued or repurchased under the Restrict Share Award Scheme 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/or convertible and exchangeable bonds, where applicable (see below). 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.

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

	2016	2015
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the Company used in the basic earnings per share calculation	**2,786,219**	2,702,996
Interest on convertible bonds*	**–**	20,850
Interest on convertible and exchangeable bonds	**37,301**	34,202
	2,823,520	2,758,048

	Number of shares	
	2016	2015
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**2,780,520,334**	2,754,846,230
Effect of dilution – weighted average number of ordinary shares:		
Share options	**45,782**	308,190
Awarded shares under Restricted Share Award Scheme	**3,835,523**	768,580
Convertible bonds*	**–**	13,815,861
Convertible and exchangeable bonds	**69,855,280**	71,131,564
	73,736,585	86,024,195
Total	**2,854,256,919**	2,840,870,425

* As the diluted earnings per share amount was increased when taking convertible bonds into account, the convertible bonds had an anti-dilutive effect on the basic earnings per share and were ignored in the calculation of diluted earnings per share. Therefore, the diluted earnings per share amount in 2015 was based on the profit of RMB2,737,198,000 and the weighted average number of ordinary shares of 2,827,054,564 in issue.

10. TRADE AND BILLS RECEIVABLES

	2016 *RMB'000*	2015 *RMB'000*
Trade and bills receivables	**5,759,444**	5,049,699
Impairment	**(60,109)**	(78,575)
	5,699,335	4,971,124

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 ranging from 30 to 90 days. 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 ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	2016 *RMB'000*	2015 *RMB'000*
Trade receivables:		
Within 1 month	**2,076,686**	1,691,287
1 to 2 months	**420,688**	402,632
2 to 3 months	**133,624**	274,375
Over 3 months	**154,210**	321,884
	2,785,208	2,690,178
Bills receivable	**2,914,127**	2,280,946
	5,699,335	4,971,124

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

	2016 *RMB'000*	2015 *RMB'000*
At 1 January	**78,575**	18,006
Acquisition of subsidiaries	**–**	8,218
Impairment losses recognised	**15,402**	61,660
Amount written off as uncollectible	**(13,926)**	(963)
Impairment losses reversed	**(19,942)**	(8,346)
As at 31 December	**60,109**	78,575

Included in the above provision for impairment of trade receivables is a provision for impaired trade receivables of RMB60,109,000 (2015: RMB78,575,000) with a carrying amount before provision of RMB160,676,000 (2015: RMB176,274,000).

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.

10. TRADE AND BILLS RECEIVABLES (continued)

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

2016	**Not impaired**	**Impaired**		**Total**
		Carrying amount of trade receivables before provision	**Provision**	
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Not past due	**5,500,623**	**412**	**(412)**	**5,500,623**
Less than 1 year past due	**71,974**	**111,660**	**(18,459)**	**165,175**
1 to 2 years past due	**26,171**	**48,604**	**(41,238)**	**33,537**
	5,598,768	**160,676**	**(60,109)**	**5,699,335**

2015	Not impaired	Impaired		Total
		Carrying amount of trade receivables before provision	Provision	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Not past due	4,809,610	12	(12)	4,809,610
Less than 1 year past due	27,628	95,780	(11,416)	111,992
1 to 2 years past due	36,187	80,482	(67,147)	49,522
	4,873,425	176,274	(78,575)	4,971,124

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 no provision for impairment is necessary 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 of RMB1,295,980,000 (2015: RMB829,216,000) and due from associates of RMB16,695,000 (2015: 31,262,000), respectively, which are repayable on credit terms similar to those offered to the major customers of the Group.

At 31 December 2016, certain of the Group's bills receivable of approximately RMB60,421,000 (2015: RMB29,263,000) were pledged to secure certain of the Group's bills payable.

11. TRADE AND BILLS PAYABLES

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

	2016	2015
	RMB'000	*RMB'000*
Trade payables:		
Within 1 month	**3,930,123**	3,640,107
1 to 2 months	**175,503**	176,997
2 to 3 months	**150,387**	76,815
Over 3 months	**213,124**	141,923
	4,469,137	4,035,842
Bills payable	**114,080**	53,847
	4,583,217	4,089,689

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 of RMB2,154,999,000 (2015: RMB2,556,062,000) and due to associates of RMB3,486,000 (2015: RMB18,442,000), respectively, which are repayable on credit terms similar to those offered by other similar suppliers of the Group.

At 31 December 2016, certain of the Group's bills payable are secured by the pledge of the Group's bank deposits amounting to RMB71,272,000 (2015: RMB30,369,000) and the Group's bills receivable amounting to RMB60,421,000 (2015: RMB29,263,000).

CHAIRMAN'S LETTER

In 2016, China's economy stepped into a new normal and experienced industrial upgrading. Under the innovation-driven growth strategy formulated at the beginning of 2016, we recorded a revenue of RMB63.85 billion and a record-high net profit attributable to owners of the company of RMB2.79 billion.

With our efforts in 2016, we witnessed an accelerating growth momentum and strengthened competitiveness across all business segments. Our innovation and endeavor are recognised by customers. I will now present to all shareholders the performance of our business segments:

HOME APPLIANCES

Positioning of the Group's home appliances unit, which comprises washing machine and water heater business – Driven by users' customised demands, we are now leading the industry standards and developing IoTs-based mass customization.

For the washing machine business, we successfully set a high standard of silence and gentle washing experience based on our product innovation and reputation building.

Over the past two years, the most common painpoint from washing machine users was the noise from washing and spinning. To minimise that, Haier's washing machines have undergone several upgrades of the motors by replacing the belt drive motor with the direct drive motor so as to reduce vibration and reach utmost silence during its course of operation. Furthermore, our new 6-point balanced vibration absorbing system, which was inspired by the suspension system of sport cars, offers users extremely quiet washing experience. After identifying and addressing the "pain points" of users with technological solutions, we have also demonstrated the silence of Haier's washing machines through marketing functions such as "towering coins on spinning machines" and "silence competition" since September 2016, thereby defining an unprecedented standard for silence in consumers' mind.

With the concept of healthy living, more and more Chinese families realised that sharing washing machine to wash underwear, coat and clothes might not be the ideal washing solution. In view of this, Haier launched Haier Twins model, the world's first washing machine with innovative dual-drum design that allows clothes to be washed in two separate drums simultaneously. The launch of this model realised customers' dream of combining two washing machines into one and has become the priority for high-end consumers.

All of the examples above are a testament to our ability to constantly obtain, and will continue to obtain more market share in Chinese washing machine market.

While maintaining our No.1 position in terms of sales volume in the Chinese electronic water heater market, we strove to develop our gas and new-energy water heater businesses to cater to users' demand on energy-saving and environmental protection. Electronic water heaters are the Group's traditional core products. Our patented "Safe Care" technology has been commonly used in the Chinese water heater industry. Our water heaters have been continuously innovated and upgraded to be equipped with new features such as rapid heating-up, energy-saving and water purification.

In 2016, revenue from gas water heaters increased by more than 40%. The increase was mainly attributable to the Group's deep insight in consumers' pain points and the trust from users with industry leading science and technology practitioners. The Group cooperated with Honeywell and Tsinghua University and jointly developed a CO gas monitoring and warning system. By collaborating University of Science and Technology of China, the Group developed a technology for CO emission reduction, which was granted the Scientific and Technological Progress Award by the China National Light Industry Council. This technology addressed consumers' concerns about emission safety of gas water heaters. The Group has gone further to work together with China Academy of Space Technology (the "CAST"), and apply the advanced technology of aerospace power to develop a highly efficient and energy-saving combustion system.

During the period of National 13th Five-Year Plan, the plan for solar-thermal industry was changed with its development focus shifting from non-connected home appliances to the utilisation of large-scale systems integrating multiple forms of energy. To cater to the solar industry trend, the Group's solar water heater business is positioned as a solar energy service provider with the capabilities of system design, manufacturing and installation to undertake large-scale solar thermal project.

CHANNEL SERVICES BUSINESS

Positioning of the channel services business – firstly, through technology enabled channel management, we supported franchisees in realising the "fast in fast out" business model. Secondly, we eliminated the partitions among the channels and realigned different channels to created end-to-end experience to increase user loyalty and interaction amongst them.

A vast majority of the Group's distribution business is operated under the "Haier" brand name. This business segment conducts online distribution business, which includes the sales of Haier products through B to C e-commerce platforms such as Tmall and JD.com and online sales of Haier products through Haier's official website. Apart from online sales, it also conducts offline B to B business such as electrical appliance flagship stores and franchise stores.

Since the first half of 2016, we have formulated a plan to unify Haier's distribution business channels, re-structured the channel management team by coordinating product managers and channel managers, and addressed the issues arising from product assortment and pricing in different channels, which contributed to the increase in efficiency of supply chain management and profitability of channel partners. Having streamlined the channel, both of Haier's online and offline distribution businesses recorded a rapid growth. In 2016, sales from Haier's online distribution business for the third and fourth quarters increased by more than 50% and 60% period-on-period, respectively, while the sales from offline distribution business for the third and fourth quarters increased by double digits period-on-period, respectively. This sales performance was achieved along with the optimisation of inventory of our distributors. During 2016, inventory turnover speed of Haier's franchisees doubled.

Leveraging our logistics system and distribution system across the third and fourth tier cities and rural areas in China, we provided our distributors with "fast in fast out" channel management services, including product planning, order management, marketing and promotion, sales and support, membership management, rebate management and transaction settlement. In 2016, capitalising on the Jushanghui (巨商匯) management platform developed by Haier Group, the entire ordering process of our franchisees can now be 100% managed online. Franchisees can place orders and obtain product and marketing resources through the Jushanghui platform. All of their needs can be submitted and fulfilled through the management platform. With its transparent and real-time interactive operational model, management efficiency and satisfactory level of our franchisees have been substantially enhanced. In 2016, the average number of franchisees trading through the Jushanghui platform reached 17,000 per day, and the number of users visiting the platform reached 7.41 million per month.

In the mobile internet era, sales from physical stores of the franchisees experiences certain challenges. As more and more customers opt for searching, comparing price and trading online, there has been a reduced number of customers visiting physical stores. Along with the capital expenditure incurred for opening up a store, our franchisees' businesses are now under unignorable challenge. I believe the solution to this issue is to accelerate the transformation of the operational model of the franchise stores, increase investment in mobile technology, give full support to the distributors for obtaining user resources across all channels, and create, on an ongoing basis, a highly efficient channel for exchange of user experiences and values.

Our self-developed mobile App "Shunguang" (順逛) for channel management system was widely applied in 2016. Shunguang connects the online and offline product databases and enables every single store to sell products that are not kept in the store but within the whole network of distribution warehouses. Shunguang encourages individuals to run their own online shops round-the-clock and turn all of their friends to be sales partners. Shunguang is also a transparent management platform connecting consumers, micro-enterprise owners and partners, and enables consumers to participate in product customisation and interaction. Shunguang amassed 350,000 micro-enterprise owners to date and achieved a trading amount of RMB1.12 billion in 2016.

LOGISTICS BUSINESS

Positioning of Gooday Logistics – we aimed to develop it into a full scale logistics services provider for large-format item, covering full range of products (such as home appliances, sanitary equipment, fitness equipment and riding tools), all kinds of services (such as "front-end first-mile" pick-up, truck-loading, transportation, warehousing, installation, repair and "last mile" interaction), and multi-channels (such as online and offline).

The domestic large-format item logistics market has enormous potential but is highly fragmented and pending to be further consolidated. The end-to-end logistics solutions for large-format items provided by Gooday Logistics is dedicated to advance users' experience. It represents a feasible integration model for the industry in the future. Since the commencement of cooperation with the e-commerce platform, the fulfillment network covered by Gooday Logistics has been further penetrated, which has also led to a decrease in costs. Along with the continuous enhancement of consumer experience and an increasing proportion of round-the-clock orders, Gooday Logistics has become a national-leading brand in terms of logistics of home appliances and other large-format items.

Gooday Logistics has established a 3-tier cloud-based warehouse network based on our 6,000 service spots, we now cover 2,915 districts and counties (from villages to households). It is the only fulfillment network capable of realising extensive coverage in the large-format item logistics industry. Through the cooperation with Tmall platform under Alibaba, Gooday Logistics' "last mile" delivery capacity has been further enhanced. Comparing with year 2014, the first year we started collaboration with Alibaba, Gooday Logistics's dispatched 910,000 orders in the 11.11 Shopping Carnival of 2016, which is 2.5 times as compared to 2014. The number of orders delivered on the same day reached 220,000, which is 3.6 times as compared to 2014.

Benefiting from its extensive network, Gooday Logistics is able to design flexible and customised end-to-end supply chain solutions for merchants of large-format items. For example, we designed an end-to-end solution for a domestic leading fitness equipment enterprise to provide pick-up, warehousing, regional delivery and "last mile" delivery services. Due to our centralised inventory management, optimised delivery routes, assisted manufacturers in inventory improvement, lowered delivery costs and improved consumer experience, Gooday Logistics generated a healthy gross profit.

In 2017, our strategies on marketing, customer development, investment, and human resources will hinge on the following:

1. Focus on young consumers, and develop customer-centric product strategy. We will incorporate all relevant available and talents into the Group's innovative product development system, so as to lead and define the industry standards for home appliances and experience and continue to outpace industry's growth.

2. Through integrated channel management, our products will be delivered in the most efficient manner to customers in need. We will establish an interconnected online and offline operations and accomplish channel optimization through unified and synergistic channel management. The goal of this is to further facilitate user interaction and strengthen brand loyalty.

   We will constantly improve the Shunguang platform by utilising information technology, in order to integrate our merchandising and inventory management, and support the back-end management of franchise stores. We will support our franchise stores by making use of the Jushanghui platform to enhance their operation and management efficiency of the distribution business.

3. To build upon the increasing demand from both online and offline for large-format item logistics, we will build the largest nation-wide end-to-end large-format item logistics network with the most extensive coverage and deepest penetration, and make every endeavour to increase our capability in providing supply chain logistics solution so as to improve the efficiency of merchants' supply chain and provide the best consumer experience.

OUTLOOK

Looking into 2017, I remain optimistic about the prospects of the white goods, distribution and logistics businesses.

The domestic consumption market will continue to grow and upgrade. According to the national statistics, nominal and real wage per capita in China grew by 8.4% and 6.3%, respectively, over the past year. Meanwhile, real estate prices in many first and second tier cities in China increased by more than 5 times in the past 10 years. While the consumption amount on home appliances per capita did not record any significant increase. This tendency is expected to be changed because on the demand-side, Chinese consumers' increasing consumption power and willingness to spend on high-quality and smart home appliances, and on the supply side, there has been an increasing supply of high quality product and well-designed home appliances products sold in China that match or even exceed developed countries' standards. Further, the acceleration of urban-rural integration narrowed the gap between rural and urban area in terms of consumption preferences, with a growing number of rational consumers who prefer higher-quality and branded products.

The positioning of Haier's products is to take advantages of international-leading technology and produce home appliances that exceed customers' expectation. In 2017, our growth would outpace that of the industry's based on high aspiration and down to earth execution attitude.

Though the Chinese economic growth is transitioning into a normal rate, the quality growth will bring the industry new opportunities for transformational upgrade. Rules in China have become more transparent and fair, which has created a better business environment for enterprises that pursue industrial upgrading. With the strict implementation of environmental regulations since 2016, enterprises that failed to meet the standards would drop out. Under the new Advertisement Law, false or exaggerated promotion would be strictly prohibited. The implementation of road traffic management by the Ministry of Transportation would strictly prohibit overloading or over-height vehicles from using highway, and so it would facilitate logistics enterprises to compete on a fair field. As a brand enterprise that has been strictly adhered to regulations, Haier will be a key beneficiary from the industry upgrading.

Haier is a reputed enterprise with three decades of history. In spite of fluctuations of the economic cycle, the Company has grown to be the world's top white goods company. We have stuck to a few business principles over the years. Firstly, as a consumer goods manufacturer, our fate is tied with consumers closely. As quality of our products is defined by users, we therefore designed washing machines that are noise-free and cloth-friendly. The reputation of our logistics and distribution services are also based on users' comments, which we have adopted as the major performance indicators towards the logistics department.

Secondly, we continue to innovate. Due to the intense competition in China's household appliance industry, we must differentiate ourselves and must not be trapped into any price wars that are commonly seen. Further, we must not follow our competitors' footsteps or engage in competition on homogenous products. Our persistence in innovation is attributable to two spirits. One is self-doubting, meaning that we dare to falsify our business practice that proved to be successful in the past. The second is having an open-mind to collaboration. Our product innovation platform, hope.haier.com, is open to the world, which established a resource network comprising more than 2 million parties, of which more than 100,000 have already registered on the platform. Through this platform, more than 500 innovative ideas have been generated through communication and interaction every month, and more than 200 innovative items are incubated every year.

Thirdly, we uphold the culture that aligns the interests of the Company and its employees mode and maintain the vitality of the organization. First of all, Haier abandoned the traditional hierarchy whereby employees are promoted based on their seniority and salaries are tied to positions held. In our mind, if someone fails to create user value, he deserves low-level compensation from the Company regardless of his seniority. In Haier, the value of employees who establish entrepreneurship internally can be fully recognised. In our organisation, employees who operate a micro-enterprise are no longer passive employees who receive orders, instead, they are entrepreneurs and partners who can mobilise internal resources of the Company for their own use, such as financial resources supports and administrative services. Lastly, we made a breakthrough with regard to the conventional remuneration framework. In Haier, incentives for employees are not limited to basic salary but are completely linked to the value they created. There is no limitation for middle-level management to receive equity interests of the Company. With the above initiatives, the culture that aligns the interests of the Company and its employees will be continually reinforced.

Our upholding of the above-mentioned principles will be crucial for us to balance between long-term development goal and short-term operations, to meet high-level operating standards and to establish a fair assessment system. In 2017 we will continue to stick to the principles, and only by doing so can we continue to succeed and create value for our shareholders.

BUSINESS REVIEW

1. INDUSTRY OVERVIEW

Home appliances

According to the offline retail data from China Market Monitor Co., Ltd. (CMM), the overall retail market size of white goods in 2016 amounted to RMB298 billion, with a year-on-year increase of 1.9%. Performance in the second half of the year was better than that of the first half of the year. Sales of washing machines, refrigerators and air-conditioners fell by 2.9%, 7.8% and 5.8% respectively in the first half of the year, but grew by 2.5%, 5.1% and 28.9% respectively in the second half of the year. The overall recovery of home appliance market is contributed by two factors. One is the growth in China's real estate market. According to National Bureau of Statistics, contracted sales gross floor area (GFA) recorded growth of -7.6%, 6.5% and 22.5% respectively in the last three years. The other factor is the improvement of the inventory building-up of air-conditioners.

During the year, brand concentration in China's home appliance industry continued to rise. In 2016, the overall market share of the top five brands in terms of sales amount, for washing machines, refrigerators and air-conditioners recorded a year-on-year increase of 2.84%, 3.54% and 1.52% respectively. On the other hand, online sales have maintained a rapid growth. According to a report published by Ministry of Industry and Information Technology, the online market size of China's B2C home appliance (inclusive of mobile devices) reached RMB384.6 billion in 2016, with a year-on-year increase of 27.9%.

In recent years, consumption upgrade has become the main theme motivating the growth of home appliance industry from both supply and demand perspectives. From the supply side, technological innovation, in particular in the field of Internet of Things, artificial intelligence and new materials facilitated the popularisation of smart home appliances, which accelerated the replacement of conventional products. According to CMM's forecast, sales of smart white goods in 2017 is expected to rise by 60.1% year-on-year. Meanwhile, Chinese government imposed higher energy-efficiency requirements on home appliances by introducing stricter industry policies, which facilitated the development of environmental-friendly and high efficient products. From the demand side, wealth increase of residents is the foundation of consumption upgrade. Disposable income per capita in 2016 amounted to RMB23,821, with a nominal year-on-year growth of 8.4%. In addition, with post-80s and post-90s consumers gradually becoming the main consumers of home appliance, mainstream consumption mindsets have changed from sensitivity to price to demand on product quality, such as functions, appearance and environmental friendliness.

Logistics

From the launching of "Planning on Restructuring and Revitalization of Logistics Industry" in 2009 to the joint issue of the "13th Five-Year Plan of Commercial Logistics Development" by Ministry of Commerce and other government departments in February this year, in which the government put forward the urban and rural logistics network infrastructure project and the commercial logistics standardisation project. The logistics industry is highly regarded by the government. With the introduction of a series of policies, logistics industry's outlook is stable and positive, and has become fundamentally and strategically important to the national economy. According to Armstrong & Associate, China's logistics market size accounted for one fifth of the world's total and ranked the first in the globe. Currently, China's logistics market is in the phase of transition from a growth period to a consolidation period. Market demand for professional third party logistics services continues to rise, leading to a further increase in market concentration.

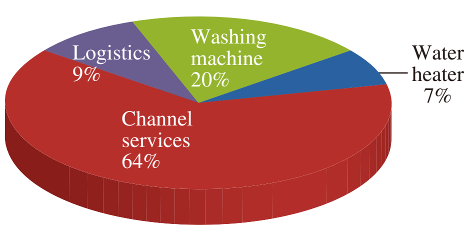
According to China Federation of Logistics & Purchasing, the large-format item logistics market of China has been quickly developing since 2011, and has become a new strategic focus in the logistics market after express delivery. Growth of the online large-format item logistics market has been rapid. Household products such as home appliances, sanitary equipment and furniture that weight between 30 kg and 100 kg accounted for 85% of the market share of B2C e-commerce large-format item industry. Number of large-format products purchased (e.g. bathtub and running machine) per family increased every year. Also, size of these products has tended to increase, for examples, television set larger than 50 inches and washing machines with washing capacity of above 10kg. Growth in the sales of large-format products drives demand for professional large-format item logistics. With the increasing popularity of online shopping and aging population, both the youth and elderly prefer more convenient, swifter and more considerate services.

To brand owners, although a self-built logistics system is an important way of enhancing services and brand image, it also creates numerous challenges. Firstly, the construction of logistics network requires huge capital, and higher logistics cost will certainly push up the unit price of products and lower the competitiveness in case of insufficient orders or uneven order distribution. In addition, brand owners often lack experience and expertise in building logistics network, therefore it could be more costly and time-consuming for them to develop such. One of the ideal solutions is to cooperate with a professional third party logistics company, in particular a logistics supplier with national warehousing and distribution network and capable of providing standardized services effectively.

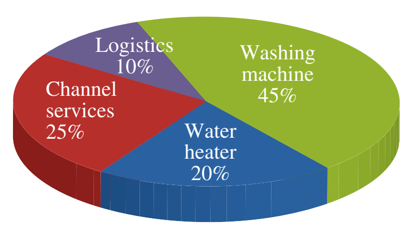
2. BUSINESS SEGMENT REVIEW

The breakdown of revenue and segment results for 2016 are set out below:

Segment Revenue



Segment Results



For better understanding of our ICS (Integrated Channel Services) segment and reflecting the way the Company evaluates operational performance and allocates resources, our reporting segments have been amended since 2016. ICS segment is divided into two reportable segments: The (i) Channel services and (ii) Logistics. Channel services mainly comprise online sales of Haier's products, offline retail distribution, and distribution business of other brands. Logistics represents Gooday Logistics developed by the Group and Alibaba, which is a service provider specializing in large-format item logistics, delivery and installation.

The above pie charts are prepared based on the amounts of segment revenue and results, without taking into account any inter-segment eliminations. Inter-segment eliminations represent the revenue generated from sales of washing machines and water heaters to the Group's internal distribution channel, services income generated from after-sales, installation and repair services for washing machines and water heaters provided by the distribution segment, and revenue from the logistics and warehousing services rendered to the washing machine, water heater and distribution businesses. In 2016, the inter-segment elimination of washing machine, water heater, channel and logistics businesses amounted to RMB10.69 billion, 4.38 billion, 280 million and 1.13 billion, respectively. The following table illustrates the segment elimination of year 2016.

	Product/service receivers				
	Segments	Washing machine	Water heater	Channel services	Logistics
Product/service providers	Washing machine	Nil		RMB10.69 bn	Nil
	Water heater	Nil		RMB4.38 bn	Nil
	Channel services	RMB280 mn*		Nil	Nil
	Logistics	RMB970 mn		RMB160 mn**	Nil

* Revenue generated from the after-sales platform management services supplied to home appliance segments by Channel services segment

** Revenue generated from the logistics services supplied to eHaier B2C business by Logistics Segment

WASHING MACHINE BUSINESS

In 2016, the Group's washing machine business achieved a sound and stable growth with total revenue of RMB15.92 billion, representing a year-on-year increase of 6.5% from the last year. According to the market research published by CMM, in 2016 the industry growth of China's washing machine industry was 2.4% in terms of sales value. The market share of the Group's washing machine business ranked first in terms of both sales value and sales volume. In terms of sales value and volume, Haier's market share was 27.6% and 26.8%, up by 1.1 and 0.8 percentage points year-on-year, respectively.

During the year, the Group boosted its efforts in the mid-to-high-end products and led the trend towards consumption upgrade. The percentage of sales of front-loading washing machines to the total washing machine revenue increased to 47% compared with 40% in 2015, and the percentage of online sales to the total washing machine revenue continued to increase and reached 15% in 2016, representing a year-on-year increase of 6%.

The export sales of the Group's washing machines recorded a steady year-on-year growth rate of 12%, accounting for 8.6% of the total revenue from sales of washing machine. In the global export market, sales to Australian and Asian Markets achieved tremendous growths. The sales to Australian market grew by almost 30% year-on-year, primarily contributed by the expansion of local channel after the acquisition of Fisher & Paykel by our parent company. The Asian Market sales achieved a double-digit growth, attributable to the launches of customized models for sales in the local market.

The Group applies multi-brand strategy: (i) Casarte-branded products enable users to enjoy a lifestyle of high-end laundry; (ii) Haier-branded products dominated the mainstream market; and (iii) Leader-branded products target at consumers who pursue a simple life. In this year, sales volume of the high-end "Casarte"-branded washing machines increased by 37% to 162,000 sets. According to CMM offline sales statistics, in the sub-market of washing machines with a selling price of above RMB6,000, the Group's market share has reached 35%, exceeding those of internationally renowned brands.

Noise and vibration of traditional washing machines have been a matter of concern to consumers. With the top-notch global supply chain system and wide application of direct-drive variable-frequency motors of Fisher & Paykel, vibration level of major models of Haier's washing machines was largely reduced. The high-end "Casarte" series washing machine can even stand an egg upright during washing and spinning, which visualises its degree of stability and successfully defines high quality washing machine in consumers' mind.

In order to resolve secondary pollution caused by stains between inner and outer drums of top-loading washing machines, the Group was the first in the industry to launch water-free technology, and applied it to our dual-drum and clean-free series. Noise and vibration were reduced, along with a 30% reduction of water consumption. To resolve cross-contamination issues among clothes, we launched the dual-drum technology. The sales volume of our Casarte Twin Ella series that was launched to the market in 2015 with a retail price of above RMB10,000, doubled in 2016 as compared to the last year.

For the development of smart home appliances, the Group endeavours to develop smart laundry technology by applying Internet-of-things technology to washing machines so as to enhance laundry quality of washing machines and user experience. The smart laundry function of our smart washing machines is able to automatically compute and recommend the best laundry program for different types and materials of clothes and types of stains on them, and facilitate users on the choice of program.

During the period, a lot of consumption scenes were set up in Haier's retail stores for users to experience Haier's washing machines, with an aim to spread to community the high quality of Haier's washing machines. Since October 2016, we have carried out "coin standing" experiment nationwide to demonstrate the quiet and stable characteristics of Haier's front-loading washing machines. Since then, there has been a trend of coin standing experiment across the nation. In March 2017, Haier's fans set a new Guinness World Record by erecting a 1.882-metre coin tower with 22,500 coins on a high-spinning Haier's washing machine. This campaign did not only switch consumers from a passive role to an active role in getting to know the product and brand, but also generate word-of-mouth marketing.

In 2016, our parent company completed the acquisition of General Electric's (GE) home appliances business and started to integrate. With economies of scale in the procurement of raw materials, the production of certain GE's OEM orders, including the 24" front-loading washing machines, 24" condensation dryers and 24" top-loading washing machines, will be transferred to China and taken up by the Group for mass production in 2017.

WATER HEATER BUSINESS

In 2016, the Group's water heater business continued to grow quickly, realising an annual revenue of RMB5.36 billion, with a year-on-year increase of 16.3%, which is higher than the industry average growth of 11.9% according to the data statistics of CMM. The Group provides different variety types of water heaters including electric, gas, solar energy and heat pump water heaters, among which electric water heaters contributed most of the revenue generated from water heater business. The growth of revenue from water heaters for the year was primarily due to unit price increase brought by product upgrade and the higher revenue contribution from gas and heat pump water heaters which had comparatively higher average unit prices.

According to the Monthly Retail Monitoring Report released by CMM, the Group's market share of water heater by sales volume still ranked first in China, reaching 18.41%, with a year-on-year increase of 0.77%. In terms of market share represented by sales volume, the Group's electric water heaters, gas water heaters and solar energy waters accounted for 26.7%, 7.35% and 21.46% of the market share in China respectively.

To satisfy demand of users for healthy bathing, our electric water heaters were upgraded for water purification function. Water quality varies largely with location in China, so for the purpose of consumers' healthier bathing, we introduced the third generation water purifying electric water heaters. We added dirt suppression factors into our original electric water heaters which had already been equipped with water purification function, in order to realise all-rounded waterway dirt suppression from water tank to water pipe. We and China Association for Standardization jointly released a report named "Bath Water Quality Health Standards of China's Water Heater Industry", the first bath water quality safety standard that aimed to rectify the current unclear standards on quality of bathing water.

Gas water heater recorded a year-on-year growth of more than 40%, mainly due to our continuous product innovation. For technological innovation of gas water heaters, the Group enhanced its research and development and promoted civilian use of space technology. Based on the remote control of wave technology used in space exploration, more than 100 telecommunications engineers spent 1,052 days to develop a power carrier wave intelligent control system with the help of power line carrier. The system allows users to adjust water temperature through remote control without leaving the bathroom.

To solve the safety issues relating to gas emissions from carbon monoxide, we cooperated with Honeywell, and Tsinghua University to apply the carbon monoxide conversion technology used in space life monitoring system to gas water heaters, limiting carbon monoxide emissions to merely 1.7% of that of the national emission standards, which is equivalent to emissions from burning one candle. To fully utilise burning power of gas water heaters, we worked together with China Academy of Space Technology to facilitate civilian use of the aerospace propulsion technology and developed oxygen-enriched combustion system, reducing energy consumption by 12.5%.

Revenue of water heaters sold online increased by more than 70% as compared with same period last year, mainly due to effective product assortment, and close cooperation with various e-commerce platforms. We develop consumption scenarios for consumers in different regions, categorised different regions by consumption habit and offered different types of water heaters based on the categorisation. Our successful segmentation of consumers enhanced Haier's market share in both online and offline channels. In 2016, 600 Haier water heater specialty stores were opened across China. For example, water heater franchise stores were set up in construction materials markets, household product stores, hotels and hospitals to promote the commercial use of our water heaters.

CHANNEL SERVICES BUSINESS

The Group's channel services business was mainly comprised of Haier's online distribution business, Haier's offline franchise store distribution business, third-party brand distribution and maintenance services business. In 2016, channel distribution business recorded a revenue of RMB51.48 billion, the revenue of the second half achieved a growth of approximately 10%, and making up the decline in the first half of the year. Revenue for 2016 was basically at the same level as compared to 2015.

Haier's online distribution business was mainly comprised of the B2C business of Haier products via its official Tmall flagship store and eHaier official website and the B2B business on JD.com platform. The operation on JD.com is B2B model, however, the Group is responsible for product assortment and digital content on JD.com platform, while the pricing and marketing strategies are collectively formulated by JD.com and the Group. The Group is fully responsible for the operation of the B2C business via Tmall official flagship shop and eHaier official website.

In 2016, revenue from Haier's online distribution business increased by 47% year-on-year, while the increase in the second half of the year recorded approximately 60% growth. On the 11.11 Shopping Carnival, the Group ranked first in terms of sales value for white goods category on Tmall for the fifth time, and the Haier's official flagship shop was awarded champion in terms of sales among Tmall white goods stores. Since August 2016, we have been adopting a full-category layout for online channels. Instead of mainly focusing on low-end products as like before, we gradually increased the proportion of mid-to-high-end products and drove an increase in the average selling price of online products.

Offline distribution business provides the "fast in fast out" channel management services to Haier's franchisees and other brick-and-mortar retail stores. Offline distribution revenue recorded a double-digit growth in the second half of 2016, far outpacing the performance in the first half of the year. The growth in offline channels was mainly attributable to: (1) the promotion of channel integration plan under which channels of physical stores, micro-enterprises and e-commerce channels are under Omni-channel management; (2) re-structuring of channel management team, which enhanced the synergy between product managers and channel managers and strengthened capability in channel management; (3)adjustments in product policies by developing customised products for multi-channels and avoiding conflicts among channels.

Amid the mobile internet era, offline distributors need to change their business models. The Group applied mobile internet technology to channels and developed the mobile App "Shunguang" (順逛) for its stores and store employees. On the "Shunguang" platform, databases of online and offline inventory were interconnected, and products available for sale in stores are no longer limited to those displayed in them but extended to those stored within our channels of distribution warehouses. "Shunguang" makes it possible for anyone to become a micro-enterprise owner and a store manager could turn all of his/her friends to be a direct-sale promoter. To date, "Shunguang" has amassed 360,000 micro-enterprise owners. Trading amount on "Shunguang" platform achieved RMB1.12 billion in 2016, which has successfully turned franchise stores into a core channel for user interaction.

Capitalising on Jushanghui (巨商匯), a B2B management platform developed by our parent company, 100% of the ordering management in the distribution channel could now be done online. Distributors can purchase, sell and settle online by way of self-service, which reduced management cost by removing unnecessary distribution layers. Through the data analysis and automated reporting function, distributors' management system was enhanced and the response time within the channel distribution system was shortened, thereby effectively shortening the inventory turnover days by 49 days for the period. In 2016, the average number of franchisees trading through the Jushanghui platform reached 17,000 per day, and the number of users visiting the platform reached 7.41 million/month.

Since 2014, we gradually shifted our business focus in distribution channels by reducing and liquidating regional joint-ventures failed to meet our expectation. This restructuring process had mainly completed by the end of 2016.

LOGISTICS BUSINESS

In 2016, the Group's logistics business grew significantly, and generated a revenue of RMB7.56 billion, representing a year-on-year increase of 14.9%. The revenue from logistics business mainly generated from the logistics services for Haier's business, e-commerce business, household furniture business and contract logistics services for other third parties.

Haier business logistics serves provides a full-range of supply chain services for the Haier Group, including logistics services for parts and components to production lines, warehousing of finished products, logistics services to distribution channels. Revenue generated from Haier business logistics accounted for about 36% of the total logistics revenue in 2016, representing a year-on-year growth of 1.6%. This segment was relatively sensitive to factory output of the Group's home appliances, which grew at a moderate rate for the year.

E-commerce logistics business consisted of logistics services for Tmall, JD.com and eHaier. It was the major driving force for the growth in logistics business. By virtue of its high-standard and efficient services and well-earned reputation, Gooday e-commerce logistics grew by more than 65% year-on-year, accounting for approximately one-fourth of the annual revenue of logistics business. On the Tmall platform, Gooday Logistics was mainly engaged in the delivery of large-format home appliances under multiple brands. In 2016, the number of order delivered increased by more than 80% as compared to the last year, and on-time delivery rate reached 98%.

Building upon the rapid growth of the logistics services for e-commerce home appliances, Gooday Logistics is actively seeking to expand its e-commerce customer base for logistics of goods besides home appliances. Currently, Gooday is serving various sectors on the Alibaba platform, including fitness equipment, bikes and furniture. Products fullfilled by it include treadmills, massage chairs, dynamic bicycles, electric bicycles, and bath tub. Gooday assisted customers to construct canvassing warehouses, provided full-process system support, premium delivery and installation services. It explored another driving force for e-commerce growth besides home appliances.

While diversifying the categories covered by e-commerce logistics business, Gooday also developed and launched end-to-end logistics services for third party customers such as Tmall. These new logistics services included management of warehouses, inspection of defective products in the research and development warehouses, full-channel logistics services to Tmall merchants such as one-stop delivery and installation services and replacement services.

In line with the rapid growth in the number of orders from e-commerce such as Tmall, Gooday Logistics intensified its effort to enhance its capabilities of truck-loading, warehousing, distribution, delivery, installation and information platform. As of now, its warehouse network covers 100 cities and districts across China with a storage area of approximately 3 million square metres and with approximately 90,000 motor vehicles available for use. Gooday Logistics is capable of providing one-stop solution for supply chain management for large-format items with its nationwide coverage.

Gooday Logistics strives to promote information technology upgrade and realises real-time synchronisation of order information along the full-process logistics hubs by constructing a centralised database for data sharing. System upgrade improved the response time for placing an order, enhanced the vehicle scheduling and efficiency of manual operation, digitized dispatch plan of warehouses and increased the speed and accuracy of data analysis and management’s decision making. During the peak season on and around the 11.11 Shopping Carnival, speed of order placement and capability for order processing were enhanced, with speed of order placement reaching zero-second level and time for order analysis improving from 1 minute to 10 seconds, which largely improved order throughput during the 11.11 Shopping Carnival.

Furniture industry is an enormous market with numerous brands, but the market of logistics for furniture is in absence of a market leader. Leveraging on its industry knowledge of the furniture industry and sophisticated supply chain management, Gooday established the Gooday furnishing service platform for sales of furniture online and entered into investment agreements with strategic partners such as CAINIAO and Yihua Group with an aim to expand rapidly in the large furniture sectors. As at the end of 2016, Gooday's furniture delivery and installation services covered more than 2,800 districts and counties. It currently provides nationwide warehousing, delivery and "last mile" installation services to more than 100 customers.

THE PRINCIPAL RISKS AND UNCERTAINTIES FACING THE COMPANY

Being the largest market and production base for white goods in the world, China is one of the most fiercely contested markets by both international and domestic renowned brands. With respect to mid-to-low end products, certain competitors are engaging in price wars, presenting challenges for the expansion of the Group's market share in the mid-to-low market. As a market leader, Haier is dedicated to innovating new products and developing multi-brands strategy, so as to reduce potential risks to our operation due to such price wars caused by this singular structured selling price.

White goods industry is facing the risks from the increases in raw materials and labour costs. According to the data from www.cailiao.com, the average price of cold rolled coil and hot-dip galvanized sheet, being the basic materials for washing machines, increased significantly in 2016. In addition, wage level in China has been rising over the past few years, and labour costs in China's manufacturing industry may also increase gradually.

The Company will adopt effective means to mitigate any adverse effect created by the potential rise in costs, for example, through change of product structure and increase of products' inherent value to transform the pressure from the rise of costs of raw materials, and through automation and industrial 4.0 to reduce pressure from the rise of labour costs.

The real estate market is subject to a series of restrictions on transaction and mortgage. Its growth will possibly be curbed. Home appliances demand driven by the increase in new residential housing may be adversely affected. The Company will seize the favourable opportunities brought by consumption upgrade and birth rewards for having a second child and spend effort on internet to grow online sales of home appliances.

As a component of our revenue source, export business is facing the change in the international trading policy. Haier will actively respond to the policy instability in certain countries and markets or trade protectionism by capitalising on its extensive experience.

In terms of logistics business, warehousing cost may increase gradually as land cost increases. Apart from this, due to more stringent regulations on overloading and over-height vehicles as the transparency in costs increases, transportation cost may begin to rise. The Company will actively respond to this industry risk by capitalising on its self-built and self-owned warehouses to reduce rental cost pressure and through intermodal logistics to reduce the costs caused by the reliance on the single transport mode.

FINANCIAL REVIEW

In 2016, the Group's revenue amounted to RMB63,854,877,000, representing an increase of 1.6% from RMB62,826,119,000 in 2015. The profit attributable to owners of the Company was RMB2,786,219,000, representing an increase of 3.1% from RMB2,702,996,000 in 2015. The basic earnings per share attributable to ordinary equity holders of the Company was RMB100.20 cents, representing an increase of 2.1% from RMB98.12 cents in 2015.

1. Analysis of Revenue and Profit

Items	**2016** *RMB'000*	2015 *RMB'000*	Change %
Revenue			
Washing machine business	**15,920,451**	14,952,303	+6.5%
Water heater business	**5,358,160**	4,607,402	+16.3%
Channel services business	**51,484,998**	51,618,079	–0.3%
Logistics business	**7,562,075**	6,579,347	+14.9%
Inter-segment elimination	**(16,470,807)**	(14,931,012)	+10.3%
Consolidated revenue	**63,854,877**	62,826,119	+1.6%
Adjusted operating profit*	**3,019,339**	2,717,032	+11.1%
Profit attributable to owners of the Company	**2,786,219**	2,702,996	+3.1%
Earnings per share attributable to ordinary equity holders of the Company			
Basic	**RMB100.20 cents**	RMB98.12 cents	+2.1%
Diluted	**RMB98.92 cents**	RMB96.82 cents	+2.2%

* Adjusted operating profit was defined as profit before tax, net of interest incomes and expenses, investment gains and losses (including share of profits and losses of associates), changes of fair value of derivative financial instruments, government grants and impairment of non-financial assets including goodwill.

The revenue of the Group for 2016 was RMB63,854,877,000, increased by 1.6%, as compared to RMB62,826,119,000 in 2015. The increase of revenue was mainly attributed to the growth of revenue from washing machine, water heater and logistics businesses. Revenue for the first half of 2016 declined by 8.1%, but the revenue for the second half of 2016 increased as compared to the same period in 2015, in particular, single-quarter revenue for the third and fourth quarter of 2016 increased by 5.4% and 17.6%, respectively, as compared to the respective corresponding quarter of 2015, which was mainly attributable to the leading quality and technology of Haier's products and outstanding achievement in transformation of channel retailing.

Revenue from the washing machine business amounted to RMB15,920,451,000, representing an increase of 6.5% as compared to RMB14,952,303,000 in 2015. This was mainly attributable to the product innovation of Haier's washing machines which were well accepted by users and effective implementation of omni-channel sales strategy. With approximately 20% growth in revenue from front-loading washing machines, which accounted for an increased proportion in the revenue from washing machines business, the product mix continues to improve.

Revenue from the water heater business amounted to RMB5,358,160,000, representing an increase of 16.3% as compared to RMB4,607,402,000 in 2015. This was mainly attributable to the ongoing products innovation and enhanced brand image of end-products. In particular, revenue from gas and new-energy water heaters even recorded a rapid growth of more than 40%.

Revenue from the channel services business amounted to RMB51,484,998,000, representing a slight decrease of 0.3% as compared to RMB51,618,079,000 in 2015. The decrease was mainly due to the Group's voluntary exit from certain of the third-party channel services business with low profitability during the year. The retained portion of third-party channel services business, primarily including lifestyle and fitness home appliances with higher profitability, was expected to sustain a stable growth. In addition, revenue from channel services business under Haier brand increased by approximately 7%, in particular, the growth in online sales increased by approximately 47%, which was mainly due to the optimization of the Group's product layout as well as the enhancement of user's experience.

Revenue from the logistics business amounted to RMB7,562,075,000, representing an increase of 14.9% as compared to RMB6,579,347,000 in 2015. The growth was mainly driven by the growth arising from the further deepening in the cooperation with Alibaba in the e-commerce logistics business. In addition, the expansion of logistics services for bulky products such as home appliances and fitness equipment has become a new key growth driver.

Profit attributable to owners of the Company

In 2016, the profit attributable to owners of the Company was RMB2,786,219,000, representing an increase of 3.1% from RMB2,702,996,000 in 2015. The basic earnings per share attributable to ordinary equity holders of the Company was RMB100.20 cents in 2016, representing an increase of 2.1% from RMB98.12 cents in 2015.

Adjusted Operating Profit

Adjusted operating profit was defined as profit before tax, net of interest incomes and expenses, investment gains and losses (including share of profits and losses of associates), changes of fair value of derivative financial instruments, government grants and impairment of non-financial assets including goodwill. By excluding these items, it is easier for management and investors to compare the Group's financial results over multiple periods and analyze trends in its operations.

Adjusted operating profit is used as a non-IFRS measure to evaluate the Group's results of operations. This measure provides investors with a valuable information of the Group's ongoing operation performance because it reveals trends in its business that may be obscured by the net effect of realized capital gains and losses, fair value changes on derivative financial instruments, gains and losses on disposition of operations and adjustments for other significant non-recurring or unusual items.

In 2016, the adjusted operating profit of the Group was RMB3,019,339,000, representing a growth of 11.1% as compared to RMB2,717,032,000 in 2015. The growth in the adjusted operating profit was mainly contributed by the channel transformation of channel services business, increase in operational efficiency and a higher growth in the washing machine and water heater businesses with higher profitability.

Gross Profit Margins

In 2016, the overall gross profit margin of the Group was 17.3%, representing an increase of 1.4 percentage points from 15.9% in 2015. The increase in the overall gross profit margin was mainly due to the increase in gross profit margin of the channel services business and an increased proportion of revenue from the washing machine and water heater businesses which have higher gross profit margins.

The gross profit margin of the washing machine business was 27.5%, representing an increase of 0.2 percentage point from 27.3% in 2015. This was mainly due to higher proportion of high-end products and lower purchasing costs of raw materials by strengthening the supply chain management.

The gross profit margin of the water heater business was 36.9%, representing an increase of 0.3 percentage point from 36.6% in 2015. This was mainly due to optimization of the product mix and lower purchasing costs of raw materials by strengthening the supply chain management.

The gross profit margin of the channel services business was 10.3%, representing an increase of 1.0 percentage point from 9.3% in 2015. This was mainly due to the integration and optimisation of online and offline channels, turning a price war into a value war as well as the increase in gross profit margin capacity.

The gross profit margin of the logistics business was 10.6%, representing an increase of 0.4 percentage point from 10.2% in 2015. This was mainly due to enhanced efficiency in truck-loading, regional distribution and warehousing as well as cost optimization.

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 point from 15.3% in 2015 to 15.8% in 2016, which was mainly due to a stronger marketing focus on the interactive sales with potential customers, marketing efforts to promote new products and increased transportation costs during the year.

The ratio of selling and distribution expenses of the channel services business to its segment revenue increased by 0.9 percentage point from 6.8% in 2015 to 7.7% in 2016, which was mainly due to more expenses incurred for the enhancement of brand image and marketing efforts in order to integrate the multi-channel of online, offline and mobile terminals to enhance user experience.

The ratio of selling and distribution expenses of the logistics business to its segment revenue increased slightly by 0.2 percentage point from 1.3% in 2015 to 1.5% in 2016, which was mainly due to an increase in labour costs resulted from the establishment of sales team.

Administrative Expenses

In 2016, the ratio of administrative expenses of the washing machine and water heater businesses to its segment revenue was 4.8%, representing a decrease of 0.2 percentage point from 5.0% in 2015. The ratio of administrative expenses of the channel services business to its segment revenue was 1.0%, representing a decrease of 0.2 percentage point from 1.2% in 2015. It was mainly due to enhanced cost effectiveness as a result of the improved organizational and operational efficiency.

The ratio of administrative expenses of the logistics business to its segment revenue was 5.5%, representing an increase of 0.2 percentage point from 5.3% in 2015. This was mainly due to the strengthened construction of smart logistics operation system and increase in investment of information technology.

2. Financial Position

Items	**2016** *RMB'000*	2015 *RMB'000*
Non-current assets	**7,651,630**	7,009,705
Current assets	**28,497,344**	23,287,625
Current liabilities	**17,315,949**	13,001,703
Non-current liabilities	**462,630**	1,573,368
Net assets	**18,370,395**	15,722,259

Cash and Cash Equivalents

In 2016, the Group's cash and cash equivalents balance increased by 23.0% from RMB10,244,492,000 as at 31 December 2015 to RMB12,596,271,000 as at 31 December 2016. The increase was mainly attributable to the significant increase in cash flows from operating activities during the year.

Net assets

In 2016, the Group's net assets increased by 16.8% from RMB15,722,259,000 as at 31 December 2015 to RMB18,370,395,000 as at 31 December 2016. The increase in net assets was mainly attributable to profit contribution of RMB2,810,635,000 for 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 48 days at the end of 2016, representing an increase of 7 days as compared to the end of 2015, which was mainly due to an increase in the proportion of settlement by bills as well as the increased sales of the washing machine and water heater businesses during the last quarter of the year.

As at the end of 2016, the trade receivables turnover days of the Group's washing machine and water heater businesses was 17 days, representing a decrease of 2 days as compared to 2015, which was mainly due to the tightened monitoring and control over clients' credit period. The proportion of the bills receivable to the total trade and bills receivables was 73.6% (31 December 2015: 68.9%), most of which were bank's acceptance bills with minimal risk of default.

In the Group's channel services business, the majority of customers of Haier brand in the 3rd and 4th-tier markets are relatively small scale customers, and the sales are generally settled with cash on delivery. Our business model aims at reducing customers' working capital requirements and facilitating cash-settled payment method. The trade receivables turnover days at the end of 2016 was 3 days, representing a decrease of 2 days from the end of 2015. This was mainly due to the Group's voluntary exit from the third-party home appliance distribution business with long credit terms.

As at the end of 2016, the trade receivables turnover days of the Group's logistics business was 69 days, representing an increase of 14 days from the end of 2015, which was mainly due to a significant growth in the logistics volume towards the end of the year and drastic increase in trade receivables as at the end of the year.

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 2016, the inventory turnover days of the washing machine and water heater businesses was 21 days, increased by 3 days as compared to the end of 2015, which was mainly attributed to the increase in inventory of washing machines and water heaters at the end of the year in order to ensure supply capacity for the peak sales before the Chinese Lunar New Year.

At the end of 2016, the inventory turnover days of the channel services business was 37 days, representing an increase of 5 days as compared to the end of 2015. This was mainly due to the reason that the Chinese Lunar New Year in 2017 was 10 days earlier than the previous year and so was the stock preparation by customers, resulting in an increase in the inventory balance.

Trade Payables Turnover Days

The trade payables turnover days of the Group's washing machine and water heater businesses was 38 days at the end of 2016, representing an increase of 4 days as compared to the end of 2015. This was mainly due to an increase in purchase of the raw materials for stock preparation, resulting in an increase in trade payables as at the year-end.

The trade payables turnover days of the channel services business was 8 days at the end of 2016, representing a decrease of 4 days as compared to the end of 2015, which was mainly due to stocking up of retail channel and accelerated settlement with suppliers.

The trade payables turnover days of the logistics business was 103 days at the end of 2016, representing an increase of 30 days as compared to the end of 2015, which was mainly due to strengthened management over credit terms with suppliers.

3. Cash flow analysis

Items	**2016** *RMB'000*	2015 *RMB'000*
Cash and cash equivalents as stated in the statement of financial position at beginning of year	**10,244,492**	10,929,888
Net cash flows from operating activities	**3,594,344**	2,529,744
Net cash flows used in investing activities (excluding the changes in time deposits over three months)	**(926,360)**	(2,839,126)
Net cash flows used in financing activities	**(394,012)**	(401,791)
Effect of foreign exchange rate changes, net	**77,807**	25,777
Cash and cash equivalents as stated in the statement of financial position at the end of year	**12,596,271**	10,244,492

The Group's net cash inflow from operating activities increased by 42.1% to RMB3,594,344,000 in 2016 as compared with 2015, which was mainly due to the growth in net cash flows from the profit of the operating activities as well as the improved working capital efficiency as a result of intensified cash management during the year.

Net cash outflow used in investing activities for the year (excluding the changes in time deposits over three months) was RMB926,360,000, representing a decrease of 67.4% as compared with 2015. Cash inflow from investing activities mainly included the cash received for disposal or partial disposal of equity interest in subsidiaries and associates in the amount of RMB241,354,000 and cash dividend received from Sinopec Marketing Co., Ltd in the amount of RMB46,377,000. Cash outflow from investing activities mainly included contingent consideration for acquisition of subsidiaries in previous years in the amount of RMB89,479,000, cash payments of RMB210,371,000 for purchase of wealth management products, cash payments of RMB865,417,000 for capital expenditure items. The capital expenditure was primarily incurred for the construction of logistics warehouses as well as technological upgrade of washing machine and water heater factories for capacity expansion.

Net cash outflow from financing activities was RMB394,012,000 during the year, which mainly included dividends payment of RMB288,685,000, payment of minority shareholders' dividends of RMB45,055,000 and repayment of bank borrowings of RMB116,400,000. Cash inflow from financing activities was mainly newly raised bank borrowings of RMB103,000,000.

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 164.6% as at 31 December 2016, representing a decrease of 14.5 percentage points as compared with 179.1% in 2015. As at 31 December 2016, the Group's cash and cash equivalents balance amounted to RMB12,596,271,000 (31 December 2015: RMB10,244,492,000). Bank and other borrowings amounted to RMB73,000,000 (31 December 2015: RMB86,400,000). Shareholder's borrowings amounted to RMB27,883,000 (31 December 2015: RMB26,083,000). The liabilities portion of the convertible and exchangeable bonds was RMB1,223,220,000 (31 December 2015: RMB1,107,735,000). As a result, the Group's net cash balance (cash and cash equivalents balance, net of bank and other borrowings, shareholder's borrowings and the liabilities portion of the convertible and exchangeable bonds) as at 31 December 2016 amounted to RMB11,272,168,000 (31 December 2015: RMB9,024,274,000), representing an increase of 24.9% from 2015.

The Group maintains stable operating cash flows and sources of liquidity in 2016 that are adequate to meet its working capital requirements for the next year, construction of connected factories, 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 logistics business from time to time. The capital expenditure during the year was RMB865,417,000 (31 December 2015: RMB1,306,055,000), which was mainly used in developing the logistics business, including the construction of warehouse as well as factory equipment modifications for washing machines and water heaters.

GEARING RATIO

As at 31 December 2016, the Group's gearing ratio (defined as total borrowings, including the liabilities portion of convertible and exchangeable bonds, over net assets) was 7.2% (31 December 2015: 7.8%).

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 4.7% 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 RMB223,919,000 as at 31 December 2016 (31 December 2015: RMB217,600,000), which were mainly related to the construction of connected factories as well as warehouses for the logistics business.

CHARGE OF ASSETS

As at 31 December 2016, certain of the Group's buildings and leasehold land with an aggregate net carrying value of RMB30,171,000 (31 December 2015: RMB37,579,000) were pledged to secure certain of the Group's bank loans.

Further, as at 31 December 2016, certain of the Group’s bills payable were secured by the pledge of the Group’s bank deposits amounting to RMB71,272,000 (31 December 2015: RMB30,369,000) and the Group’s bills receivable amounting to RMB60,421,000 (31 December 2015: RMB29,263,000).

At 31 December 2015, the Group’s other loans borrowed from Haier Finance Co., Ltd. were secured by floating charges over inventories amounting to RMB30,760,000 and certain of the Group’s motor vehicles with a net carrying value of RMB28,992,000 were pledged to secure certain bank loans to the Group.

CONTINGENT LIABILITIES

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

ENVIRONMENTAL POLICIES AND PERFORMANCE, AND COMPLIANCE WITH LAWS AND REGULATIONS

The Group recognizes the importance of environmental sustainability against modern ecological challenges. Thus, the Group has introduced the environmental protection concept and elements into the various aspects of operations. Strategy of “Green Development” has been adhered to production process, product designs, daily operations and material usages etc.

The Group has regularly reviewed its environmental objectives, environmental achievements, material flow analysis and initiatives to reduce emissions and conserve energy thereby establishing a corporate image of green development and eagerness to fulfil its social responsibility.

During the year, the Group has complied with the relevant laws and regulations that have a significant impact on the operations of the Group, such as those on the manufacturing process and product specification and designs.

Further discussion of these activities can be found in the Environmental, Social and Governance Report.

RELATIONSHIP WITH EMPLOYEES AND REMUNERATION POLICY

The Group understands that employees are valuable assets and ensures that the remuneration packages for its employees remain competitive. Its employees are generally remunerated with fixed monthly salaries, which are reviewed annually, along with discretionary performance bonuses, share options and share award schemes. In addition, the Group has a thorough employee training and promotion mechanism to let the employees upgrading themselves continuously.

The total number of employees of the Group decreased by approximately 0.1% to 15,476 as at 31 December 2016 from 15,491 as at 31 December 2015.

RELATIONSHIP WITH CUSTOMERS AND SUPPLIERS

The Group values our customers and suppliers as our major partners and stakeholders, as a healthy and competitive partnership network is fundamental to the Group's success.

The Group's trading terms with its customers of washing machines, water heater and logistics businesses are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally ranging from 30 to 90 days. Each customer has a maximum credit limit. Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

In the Group's channel services business, the majority of customers of Haier brand in the 3rd and 4th-tier markets are relatively small scale customers, and the sales are generally settled with cash on delivery. Our business model aims at reducing the customers' working capital requirements and facilitating the cash-settled payment method.

The Group is dedicated to establish a mechanism to achieve and share with our supplier partners and to realize fair competition among themselves. Our supplier partners can interact directly through various channels including a cloud manufacturing platform (COSMO). Our suppliers can participate in front-end design through online platform of module resources. The Group's platform of research and development resources can introduce the top-notch resources from around the world for research and development, design and supply chain, with the aim of securing the availability of resources for the best user experience.

The Group has also adopted and implemented online tendering, online bidding, online bid-invitation, online bid-evaluation and global online-tendering mechanisms etc., which can ensure the compliance and efficiency of the tendering mechanism and assure fair competition.

DIVIDENDS

The Board has proposed a final dividend of HK17 cents per share in cash to shareholders whose names appear on the register of members of the Company on Thursday, 29 June 2017 for the year ended 31 December 2016. 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, 11 August 2017.

This dividend represented approximately 15% 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 logistics 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 Wednesday, 21 June 2017, the register of members of the Company will be closed from Thursday, 15 June 2017 to Wednesday, 21 June 2017 (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 Wednesday, 14 June 2017.

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, 27 June 2017 to Thursday, 29 June 2017 (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, 26 June 2017.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year, the Company purchased certain of its ordinary shares (the "Shares") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and these Shares were subsequently cancelled by the Company. The summary details of those transactions are as follows:

Month	Number of shares repurchased	Price per share Highest	Lowest	Total price paid
		HK$	*HK$*	*HK$'000*
February 2016	1,148,000	11.30	10.86	12,775
September 2016	394,000	12.98	12.70	5,108
October 2016	650,000	13.18	12.62	8,370
	2,192,000			26,253

The purchased shares were cancelled during the year. The purchase of the Company's shares during the year was effected by the directors, pursuant to the mandate from shareholders received at the last annual general meeting.

Saved as disclosed above, 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 2016.

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.

According to the code provision A.6.7 of the Code, non-executive Directors (including independent non-executive Directors) should attend general meetings. Two of these non-executive Directors were unable to attend the general meeting of the Company during the year due to various work commitments.

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 2016 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 2016.

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 no disagreement, with the management the accounting principles and practices adopted by the Group and discussed financial reporting matters including the review of the consolidated annual financial statements of the Group for the year ended 31 December 2016, and discussed with internal audit department on internal controls.

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 2016. 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.

As at the date of this announcement, to the best knowledge of the board of Director of the Company, information contained in this announcement is consistent with the information that will be contained in the 2016 annual report of the Company.

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 2016 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, 22 March 2017

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, 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 is Mr. Li Huagang (alternate to Mr. Liang Haishan).