

GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI

Annual Report 2016

April 2017

Section I Important Notice, Table of Contents and Paraphrase

The Board of Directors, Board of Supervisors, all directors, supervisors and Senior Management Personnel of the Company hereby guarantee that the contents are authentic, accurate and complete, and there are no false records, misleading representations or material omissions in the Annual Report, and shall take all the joint and several legal responsibilities.

Dong Mingzhu, the Company's responsible person, Wang Jingdong, responsible person in charge of accounting work and Liao Jianxiong, in-charge person of accounting institution (accounting superintendent) hereby declare and warrant that the financial report in the Report is authentic, accurate and complete.

All the directors attended the meeting of the Board of Directors in respect of deliberation of the Report.

The Company's profit distribution proposal passed upon deliberation at the meeting of the Board of Directors is set out as below: Based on the total stock capital of 6,015,730,878 of the Company, all directors were distributed a cash dividend of RMB 18 (tax included) per 10 stocks and given 0 bonus share (tax included). Public reserve funds were not used for capitalization.

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Paraphrase

Items	Means	Contents
Company, the Company, the enterprise, GREE ELECTRIC APPLIANCES or GREE	Means	GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI
GREE GROUP	Means	Zhuhai Gree Group Co., Ltd.
Finance Company	Means	Zhuhai Gree Group Finance Company Limited
Jinghai Guaranteed	Means	Hebei Jinghai Guaranteed Investment Co., Ltd.
CSRC	Means	China Securities Regulatory Commission
Guangdong Securities Regulatory Bureau	Means	Guangdong Regulatory Bureau of CSRC
Report Period	Means	the period from 1 January 2016 to 31 December 2016

Section II Company Profile and Main Financial Indices

I. Company information

Stock Abbreviation	GREE ELECTRIC APPLIANCES	Stock Code	000651
Stock Exchange	Shenzhen Stock Exchange		
Name in Chinese	珠海格力电器股份有限公司		
Name Abbreviation in Chinese	格力电器		
Name in Foreign Language (if any)	GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI		
Name Abbreviation in foreign language (if any)	GREE		
Legal Representative	Dong Mingzhu		
Registered Address	Jinji West Road, Qianshan, Zhuhai City, Guangdong Province		
Post Code of Registered Address	519070		
Office Address	Jinji West Road, Qianshan, Zhuhai City, Guangdong Province		
Post Code of Office Address	519070		
Website	http://www.gree.com.cn		
Email	gree@gree.com.cn		

II. Contacts and contact information

	Board Secretary	Securities Affairs Representative
Name	Wang Jingdong	
Address	Jinji West Road, Qianshan, Zhuhai City, Guangdong Province	
Tel	0756-8669232	
Fax	0756-8622581	
Email	gree0651@cn.gree.com	

III. Information disclosure and place of the report

Media designated by the Company for information disclosure	China Securities Journal, Securities Times, Shanghai Securities News and Securities Daily
Website specified by CSRC for release of the Annual Report	http://www.cninfo.com.cn
Place where the Annual Report is available for inspection	Securities Legal Affairs Department of the Company

IV. Alteration of registration

Organization code	91440400192548256N
Changes (if any) in the main business since listing of the Company	No change
Changes (if any) in the controlling shareholders	No change

V. Other related information

Accounting firm engaged by the Company

Name of the Accounting Firm	Union Power Certified Public Accountants (Special General Partnership)
Office Address	No. 169 Donghu Road, Wuchang District, Wuhan City
Names of Accountants as Signatories	Wang Bing, He Li

Sponsor engaged by the Company to perform continuous supervision during the Report Period

Applicable Not applicable

Financial adviser engaged by the Company to perform continuous supervision during the Report Period

Applicable Not applicable

VI. Main accounting data and financial indices

Whether the Company will retroactively adjust and restate the accounting data of previous years because of changes on the accounting policy and correction of accounting errors, etc.

Yes No

	2016	2015	Increase/ Decrease over the previous year	2014
Operating Revenue (Yuan)	108,302,565,293.70	97,745,137,194.16	10.80%	137,750,358,395.70
Net profit attributable to shareholders of listed Company (Yuan)	15,420,964,990.94	12,532,442,817.66	23.05%	14,155,167,229.36
Net profit attributable to shareholders of listed Company less non-recurring gains and	15,600,520,445.21	12,313,582,570.49	26.69%	14,144,950,462.04

losses (Yuan)				
Net cash flow generated from operating activities (Yuan)	14,859,952,106.92	44,378,381,827.68	-66.52%	18,939,165,507.73
Basic earnings per share (Yuan per Share)	2.56	2.08	23.08%	2.35
Diluted earnings per share (Yuan per Share)	2.56	2.08	23.08%	2.35
Weighted average return on net assets	30.41%	27.31%	3.10%	35.23%
	At the end of 2016	At the end of 2015	Increase/ Decrease over the previous year	At the end of 2014
Total asset (Yuan)	182,369,705,049.35	161,698,016,315.06	12.78%	156,230,948,479.88
Net asset attributable to shareholders of listed Company (Yuan)	53,863,951,278.13	47,521,376,091.77	13.35%	44,152,654,824.68

VII. Accounting Data Differences under Domestic and Foreign Accounting Standards

1. Differences in net profit and net assets in the financial report disclosed under international accounting standards and that disclosed under domestic accounting standards

Applicable Not applicable

There was no difference in net profit and net assets in the financial report disclosed under international accounting standards and that disclosed under domestic accounting standards during the Report Period.

2. Differences in net profit and net assets in the financial report disclosed under overseas accounting standards and that disclosed under domestic accounting standards

Applicable Not applicable

There was no difference in net profit and net assets in the financial report disclosed under overseas accounting standards and that disclosed under domestic accounting standards during the Report Period.

VIII. Quarter-based Main Financial Indicators

Unit: Yuan

	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Operating incomes	24,640,675,696.66	24,542,144,380.03	33,245,891,313.38	25,873,853,903.63
Net profit attributable to shareholders of listed company	3,159,816,132.99	3,242,653,852.65	4,826,589,275.21	4,191,905,730.09

Net profit attributable to shareholders of listed companies after deduction of non-recurring profit and loss	3,133,470,823.80	3,920,819,811.65	4,700,144,150.16	3,846,085,659.60
Net cash flows from operating activities	6,117,619,903.98	5,337,251,013.81	2,707,392,718.78	697,688,470.35

Whether major differences exist between the above financial indicators or their sum and those in the disclosed quarterly report and semi-annual report

Yes No

IX. Non-recurring Profit and Loss Items and Amounts

Applicable Not applicable

Unit: Yuan

Item	Amount in 2016	Amount in 2015	Amount in 2014	Description
Gains and losses from disposal of non-current assets (including the provision for asset impairment write-off part)	-12,245,120.40	-8,078,976.10	-13,604,321.23	Profit and loss from disposal of fixed/intangible assets
Governmental subsidies recorded into the current gains and losses (excluding the governmental subsidies closely relating to the business of the enterprise and enjoyed by a fixed quota or a fixed amount in accordance with the state policies)	960,287,886.56	1,160,736,574.04	681,875,856.67	Financial rewards, technological innovation subsidies and development project grants, etc.
Gains and losses of the fair value change of the trading financial asset and liability held by the Company, investment income from the disposal of the trading financial asset and liability and available-for-sale financial asset, except for the effective hedging business in relation to the normal operation of Company	-1,136,058,635.86	-916,913,668.52	-653,382,850.98	Investment income, gains and losses from changes in fair value
Reversal of impairment provision for the accounts receivable for which an independent impairment test is conducted	5,556,302.40			
Non-operating incomes and expenditures other than the above items	28,307,584.72	37,595,046.55	-5,068,130.68	
Less: Influence amount of income tax	17,078,192.05	44,984,019.01	-4,880,796.83	

Item	Amount in 2016	Amount in 2015	Amount in 2014	Description
Influence amount of minority equity (after tax)	8,325,279.64	9,494,709.79	4,484,583.29	
Total	-179,555,454.27	218,860,247.17	10,216,767.32	--

Explanation should be given for non-recurring profit and loss items defined by the Company according to Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public -- Non-recurring Profit and Loss and for non-recurring profit and loss items which are listed in Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public -- Non-recurring Profit and Loss and defined as recurring profit and loss items.

Applicable Not applicable

No non-recurring profit and loss items which are defined or listed in Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public -- Non-recurring Profit and Loss were defined by the Company as recurring profit and loss items during the Report Period.

Section III Corporate Business Overview

I. Major Businesses Engaged in during the Report Period

1. Major businesses and position in industry

Currently, Gree runs two major brands of GREE and TOSOT, covering a wide range of products such as residential air conditioners, central air conditioners, air source water heaters, home appliances, industrial products and mobile phones. Gree has a number of subsidiaries including Landa Compressor, Gree Electrical, Kaibang Motor, Xinyuan Electronics, Intelligent Equipment, Precision Mould, and Renewable Resources, covering the whole industry chain from upstream production of components to downstream recycling of waste products.

Gree has developed products covering 20 major categories, 400 series and over 12,700 varieties, which have been sold to over 300 million users in over 160 countries and regions. Here, the production and sales volume of Gree residential air conditioners has been No.1 in the air conditioner industry of China for 22 consecutive years since 1995, and taken the lead in the world for 12 years since 2005.

According to the statistics of ChinalOL.com, the domestic market share of Gree residential air conditioners reached 42.73% in 2016. According to the statistics of news.ehvacr.com, the domestic market share of Gree commercial air conditioners reached 16.2% and maintained the first place for five consecutive years.

2. Industry Overview

According to the statistics of ChinalOL.com, due to the downward pressure on the overall economy in China, the cumulative domestic sales volume of residential air conditioners was 60,485,600 sets in 2016, indicating a year-on-year drop of 3.64%. Thanks to the improved economic conditions abroad, the export volume increased by 9.74% as compared to 2015, and 47,927,400 sets of air conditioners have been exported in total. Among residential air conditioners, in addition to the intelligent characteristic of residential air conditioners that becomes more and more significant, product energy efficiency, energy saving and environmental protection also turn to be important conditions for a brand to

have a foothold in the market.

According to the statistics of aircon.com.cn, the overall capacity of China's central air conditioner market in 2016 was about RMB70 billion, indicating an increase of 10% over 2015, and a trend of recovery on the market. The VRF units and unitary units were still the products that drove the market growth in 2016. "Coal-to-electricity" became one of the most noteworthy events in the HVAC industry in 2016. The significance of the air-source heat pump water heater, the major product of "coal-to-electricity", is self-evident to the whole HVAC industry. Especially under the situation that the central air conditioning project market is relatively sluggish, it seems that "coal-to-electricity" brings another possibility for the development of central air conditioner manufacturing enterprises.

In terms of brand concentration, as the industry brand concentration was further enhanced, the brands of domestic home appliance series and those of domestic chillers were combined into national brands to compete with American and European brands and Japanese and Korean brands, creating a situation of tripartite confrontation. The overall market share of nine major national brands including Gree has reached about 40%, far higher than that of the other two camps, wherein Gree ranked first with the market share of 16.2%.

II. Significant Changes in Major Assets

1. Significant changes in major assets

Major assets	Significant changes
Equity assets	None
Fixed assets	None
Intangible assets	None
Construction in progress	Year-on-year decrease of 71%, caused by conversion to fixed assets from the construction in progress that has reached the intended usable condition

2. Major overseas assets

Applicable Not applicable

III. Core Competence Analysis

1. Brand advantage of worldwide reputation and firm channel discourse power

Gree is the largest state-controlled listed company integrating R&D, production, sales and service in the world. The production and sales volume of Gree's residential air conditioners has ranked No.1 in the air conditioner industry of China for 22 consecutive years since 1995, and taken the lead in the world for 12 consecutive years since 2005, securing its leading position in the industry.

In 2016, Gree shouldered the responsibility of the state, regarded re-energizing "Made in China" as its responsibility and implemented brand promotion and marketing by centering on "The Pillars of a Great Power". Both the brand promotion effect and activity ranked in the forefront of the industry: Gree won the "China Brand Innovation Award" granted by People's Daily, "Industry No.1 of Chinese Brand Integrity Enterprises" conferred by the MS Weekly periodical office of People's Daily and the editorial board of chinappzw.com, and the title of "Ten Major Influential Events of 2016 China Business Leader Festival - Gree Direct Marketing Storm on November 11" awarded by the Southern Metropolis Daily.

According to the "2016 China Brand Value Evaluation Information Session" held by the China Council for Brand Development and other organizations jointly, Gree got the first place in the light industry group with the brand strength of 967 and the brand value of RMB54.9 billion. The "GREE" brand has been deeply rooted in the hearts of people and enjoys a worldwide reputation. It has established a good reputation among distributors and consumers. Gree's air conditioners have ranked No.1 in terms of customer satisfaction for five consecutive years. In the 2015 air conditioning product satisfaction evaluation results issued by the China Association for Quality and National Consumer Committee, Gree's air conditioners got the highest score of 84.4 points in customer satisfaction of air conditioning brands, and ranked first in the industry in the sub-dimensions such as customer satisfaction, loyalty, overall brand image and perceived quality of industry.

Gree owns 27 regional sales companies and 25,000 exclusive stores in China. Its channel building ideas are unique in the home appliance industry and its channel mode is called "a novel marketing mode in the economic sphere of the 21st century" in the academic circle. While, the marketing mode of its "self-built channel" enables "integrity" of the enterprise to

be manifested throughout all phases from production to sales, thus ensuring that Gree stands firm in the fierce competition of channels and firmly grasps the discourse power and initiative of channels. At the same time, the company shows the advantage of solid online and offline business layout. It maintains a good strategic partnership offline with Gome, Suning and other large home appliance chain stores, and closely cooperates with Jingdong, Tmall and other online shopping platforms.

2. World's largest production scale and a full range of product lines

Gree boasts 10 major production bases in the world, including Zhuhai, Chongqing, Hefei, Zhengzhou, Wuhan, Shijiazhuang, Wuhu, Changsha, Brazil, and Pakistan, with the annual capacity of residential air conditioners exceeding 60 million sets and that of commercial air conditioners exceeding 5.5 million sets, and the production scale ranks first in the world. Meanwhile, it has the perfect supporting capacity and the most complete industry chain in the field, effectively ensuring independent production and supply of key components for air conditioners.

Gree provides consumers with a wide range of products such as water purifiers, water heaters, air conditioners, boilers, and household appliances, and has developed products in 20 major categories, 400 series and over 12,700 specifications including residential air conditioners and commercial air conditioners, and the perfect and complete product lines can meet the general and personalized needs of customers at different levels. Gree's products (including independent brands and OEM products) have been exported to more than 210 regions and countries worldwide. Air conditioners of self-owned brand "GREE" have been exported to more than 160 regions and countries around the world.

3. Opening up the upstream and downstream industry supply chains and boasting powerful supply chain control

In addition to the world's maximum production scale and full range of production lines, the company further opened up the upstream and downstream industry supply chains including compressors, motors, capacitors, and enameled wire products, which greatly enhanced the capability of the company in controlling the upstream and downstream supply chains, and guarantees the production efficiency. Export of industrial products is promoted vigorously as the internal demands are satisfied.

In the aspect of compressor industry, the "three-cylinder two-stage compressor of variable volume ratio" independently developed by Gree was identified as the world leading level; Gree's scroll compressors with class leading performance have pioneered the industry, dismantling the monopolistic domination of foreign scroll compressor technologies; Gree overcame the control technology of hybrid magnetic bearing and the control technology of high power and high speed motor, and realized independent R&D of high power and high speed motors.

In terms of motor industry, Gree developed 52 models of motors in 5 series of servo motors, and successfully used them for injection molding and sheet metal manipulators and 608 robots; it also developed a type of washing machine motor and put it into production. In terms of capacitor industry, trial assembly of samples was completed for the new energy automobile capacitor; and the 20A smart power module sample has been put into the reliability test.

In the aspect of enameled wire products, Gree focused on development of new products for new energy automobile such as corona resistant enameled wires and aluminum enameled wires, and grasped the key production technology and process requirements to meet the market demands in more fields.

4. Perfect independent innovation system and strong technology R&D strength

Adhering to the philosophy of "Science and technology change life; science and technology create life" and insisting on "Independent research and development of core technologies", Gree is dedicated to construction of the independent innovation system, and promotes the enterprise to realize strategic transformation from "scale driven performance growth" to "innovation driven sustainable development" by focusing on "creating an innovative culture of self transcendence, building a highly integrated R&D system, possessing original core technologies, and constructing a full range of product series".

As the largest air conditioner R&D center in the world, Gree currently has more than 8,000 scientific researchers, 2 state-level technology research centers, 1 state-level industrial design center, and 1 provincial-level key laboratory of enterprise; it has established 7 academies, 52 institutes and 632 laboratories; Gree has applied for over 27,000 technology patents in total, including more than 10,000 invention patents.

Gree is the only enterprise in the home appliance industry of China that does not set the upper limit for scientific research input, and the input depends on the need. In recent years, its investment in scientific research exceeded RMB4 billion. Gree regards the national standards and international standards as thresholds and consumer demands as the highest standards, pursues perfection in R&D, and accumulates experience steadily. Now, it boasts 15 world leading core technologies. Particularly, the pioneering PV air conditioner has made a great contribution to the human life and the nice environment. Gree undertook 29 major national science and technology projects, and won 2 second prizes of national science and technology progress, 1 second prize of national technical invention, 2 gold awards of China appearance design and 10 China patent excellence awards.

5. Powerful cost control capability and financial strength

Gree sets quality technical standards for internal control that are far above national standards to ensure high reliability of products, and never delivers immature or unqualified products to consumers. Gree establishes unique screening plants in the industry for implementing comprehensive check on all purchased parts; issues bans of the president and promotes the "Eight Prohibitions" policy; and implements strict quality control in all phases including trial preparation of new products, incoming inspection of components and parts, product manufacturing, transportation and installation so as to feasibly guarantee product quality. It also established and implemented "Gree's Comprehensive Quality Control Mode – T9 Management System" oriented by customer demands and social responsibilities to implement overall control on product quality. This also made Gree famous for its excellent product quality.

Gree procures raw materials in a centralized manner to give full play to the scale advantages of the group, improve the bargaining power of procurement, and effectively control the procurement cost; it carries out regular or irregular special analysis on important raw material consumption differences to promote cost control of key materials and improve the material utilization efficiency of branch plants; it adopts positive measures such as the domestic first settlement mode of "quota-based material requisition and settlement", increasing the equipment utilization (including storage equipment), and reducing office costs to lower the manufacturing and routine office costs continuously.

Nowadays, when corporate loans prevail in China and many household electric appliance enterprises are trapped in hardship, Gree still maintains an abundant cash flow, and its powerful financial advantage is obvious.

6. Management innovation, talent innovation and cultural innovation

Gree follows the management policy of "Be Fair, Be Open, Be Dedicated". The company strengthens management by relying on institutional building, cultural construction and staff training, with a view to enhancing the internal core competitiveness. At the same time, it attaches importance to system establishment and keeps strictly the rules for reward and punishment to guarantee benefits and quality through system construction. Management of Gree also focuses on details such as a piece of paper and a drop of water, and strict and standardized management has enabled Gree to gain a momentum for rapid development.

Gree has a complete talent training system of "selection, cultivation, appointment and retention" to promote competent employees and degrade incapable ones, providing a career path for all kinds of talents. It has established an effective incentive system to inspire employees' sense of honor and enthusiasm. For example, the cadre performance management system has operated for years, and the performance oriented evaluation mechanism has become a self-exercise and growth platform for middle-level cadres of the company. The increasingly perfect talent management mechanism has laid a solid foundation for sustainable development of the company.

The corporate culture of Gree regards "truth, faith, honesty, novelty and courtesy" as the core sense of worth, "loyalty, friendship, hardworking and aggressiveness" as the enterprise spirit and "less empty talk and more real work" as the working attitude. Meanwhile, Gree is committed to people-centered principles to persist in innovation and strive for excellence, and make contributions to quality improvement of the human life and social progress.

Due to implementation of corporate management and personnel and cultural innovation initiatives, Gree increased its overall production efficiency by 10.5% in 2016. The number of workers needed was reduced by 4,294, which is equivalent to 2,244 persons when working hours are taken into account.

Section IV Discussion and Analysis of Business Operation

I. Overview

(I) General description

The year of 2016 is the first year of China's Thirteenth Five-year Plan, as well as the first year of supply-side reform and a crucial year for the home appliance industry.

This year is also the first year for Gree to start transformation. By virtue of its courage and wisdom of reform, Gree regarded "transformation, breakthrough and innovation" as its guiding ideology of annual operations, objectively analyzed the economic situation at home and abroad, actively adapted itself to changes of the times, and sped up industrial transformation in the fields such as intelligent equipment, smart home and mould on the precondition of consolidating the existing air conditioner market share. The company's net profit attributable to shareholders of the listed company in the year increased by 23.05% over last year when the overall income was kept basically stable.

This year Gree also became one of the first enterprises in the responsibility extension pilot list of electric appliance and electronic product manufacturers released by the Ministry of Industry and Information Technology. This greatly affirmed the performance of Gree in the sustainable development and recycling field of waste electronic products and electric appliances, and played an important role in development of the renewable resource industry in the entire home appliance industry and green transformation of the electric appliance and electronic product industry.

Gree did hard work in the year, and adopted environment-friendly practices to design and produce healthy, energy-saving and green products. Its three independently developed technologies or products, namely, efficient permanent magnet synchronous inverter centrifugal ice cool storage unit of dual operating conditions, cooling technology at the ambient temperature of -40°C and the three-cylinder two-stage compressor of variable volume ratio, were identified and deemed to reach the world leading level. Gree seized the opportunity of "coal-to-electricity" policy, and developed innovative heat pump heating

products for all types of buildings. Moreover, it won the bid for "coal-to-electricity" projects in Beijing, Shanxi and Tianjin many times, giving full play to the scale effect of industry giants and winning the market opportunities and a good reputation among users. The accumulative quantity of authorized patents of the company reached 15,862 as of December 31, 2016, and the total quantity of authorized invention patents reached 911 in the whole year of 2016. Gree ranked No.7 in the national invention patent list and No.1 in the home appliance industry in 2016.

This year Gree increased the installation fee by RMB100 for installation workers and increased the wage of each employee by RMB1,000. From shareholders to installation workers and to employees, Gree's benefits were distributed to all the stakeholders so that they shared the development achievements and the social responsibility was further highlighted.

Gree stood out from numerous Asian famous brands, and was appraised as "the most trusted brand in Asia" by the international brand consulting group of America in 2016. In addition, in the "2016 China Brand Value Evaluation Information Session" held by the China Council for Brand Development and other organizations jointly, Gree got the first place in the light industry group by relying on its brand strength of 967 and brand value of RMB54.9 billion. Gree's air conditioners were also stationed in all kinds of Olympic venues in Rio of Brazil, and created "three uniquenesses" of Chinese air conditioner brand in the Rio Olympic Games project. "Direct Marketing Storm on November 11" conducted by Gree was awarded the title of "Ten Major Influential Events of 2016 China Business Leader Festival" by the Southern Metropolis Daily.

In 2016, the company regarded "transformation, breakthrough and innovation" as its guiding ideology of annual operations, objectively analyzed the economic situation at home and abroad, and actively adapted itself to changes of the times. In the macroenvironment of industrial destocking and upgrading of air conditioning products, Gree made great efforts continuously to make innovation and strive for excellence, achieved a breakthrough in perspectives of informatization, intelligence, diversity and multiple channels by carrying out the innovation driven strategy, promoting the diversified

industry development and strengthening the strategic decisions such as deep integration of informatization with the manufacturing process, and made a lot of innovation achievements in the four aspects of platform, standard, management and talent.

The year of 2016 was also the critical year during which the company started adjustment and transformation. On the premise of consolidating the existing air conditioner market share, the company accelerated industry transformation in the intelligent equipment, mould and other fields. The company achieved the gross revenue of RMB110.1 billion for the year, indicating an increase of 9.5% over last year; it achieved the net profit of RMB15.4 billion attributable to shareholders of the listed company, indicating an increase of 23.05% over last year.

In 2016, the high-efficiency permanent-magnet synchronous inverter centrifugal ice-storage chiller developed independently by Gree was identified and deemed to reach the world leading level by the Department of Science and Technology of Guangdong Province; the cooling technology at the ambient temperature of -40°C was identified and deemed to reach the world leading level; and the research and application of the three-cylinder two-stage compressor of variable volume ratio was recognized as international initiative and deemed to reach the world leading level. The Underwriters Laboratories (UL) issued the first UL certificate of heat pump water heater to Gree, and Gree's PV centrifugal chiller and low-temperature heating VRF were awarded the AHRI certificate of the United States.

Besides, the company won the "China Brand Innovation Award" granted by People's Daily for the brand building field; the "Industry No.1 of Chinese Brand Integrity Enterprises" conferred by the MS Weekly periodical office of People's Daily and the editorial board of chinappzw.com; the title of "Ten Major Influential Events of 2016 China Business Leader Festival-Gree Direct Marketing Storm on November 11" awarded by the Southern Metropolis Daily.

Due to its courage of representing "Made in China" and initiative of fulfilling corporate responsibilities, the company won the "Annual Enterprise Award of the Eleventh People's Corporate Social Responsibility Award" issued by people.cn. Gree has always maintained the leading position in the air conditioner industry at home and abroad, and won the title of

"2016 Meritorious Manufacturing Enterprise in Guangdong" awarded by Guangdong Manufacturers Association and Guangdong Association for the Promotion of Industrial Development; the title of "Top 50 Manufacturing Enterprises in Guangdong Province" awarded by Guangdong Manufacturers Association, Guangdong Research Institute for Industry Development and the Enterprise Competitiveness Research Center of Guangdong Academy of Social Sciences; and the honors such as "2016 Ten Major Air Conditioner Export Enterprises in China" and "2016 Ten Smart Home Appliance Export Enterprises in China" issued by China Chamber of Commerce for Machinery and Electronic Products Import and Export.

(II) Transformation, Innovation and Breakthrough in 2016

1. Four major transformations: informatization, intelligence, diversity and multiple channels

(1) Informatization transformation: Promoting in-depth integration of informatization and industrialization for enhanced development

In 2016, the company laid out the informatization strategy by centering on the main direction of deeply integrating informatization with industrialization, and put an emphasis on construction of a fully integrated information platform for real-time sharing. Horizontally, the upstream and downstream were extended and got through using the procurement collaboration platform and sales collaboration platform to support efficient collaboration in the supply chain and maintain competitiveness of the company on the whole chain. Vertically, the MES was used to connect through the field operators and the management, support fine management and maintain high efficiency of field operation.

The company has completed the implementation of ERP, MES and WMS systems in Changsha and other new bases, providing a uniform core information platform for the new bases.

In 2016, Gree's intelligent manufacturing project obtained approval to become the national intelligent manufacturing special project and Guangdong intelligent manufacturing demonstration project of 2016. Seven internal management systems were built up in the

company's manufacturing system, including the HR system, synergistic system, cost system, equipment system, information system, production centralized control system, and operation performance system. Currently, all the departments have formed the operating model focusing on self-management and supplemented by functional supervision, further enhancing the management level of production system and the prevention and control capabilities.

Besides, the manufacturing system centering on "double benefit" was established to operate the management system, and the overall productivity of the company was increased by 10.5% in 2016. The number of workers needed was reduced by 4,294, which is equivalent to 2,244 persons when working hours are taken into account; the total cost amount of the year was reduced by about RMB387 million by implementing the projects such as new process development and utilization, quality inspection procedure optimization and production line arrangement optimization.

(2) Intelligent transformation: Implementing supply-side reform to take the lead in the air conditioner industry

The upgrading of consumption and development of Internet and Internet of things accelerated the process of product intelligence. Product intelligence not only changes the product functions of the enterprise, but also promotes industry changes, bringing great opportunities for enterprise transformation and upgrading. In 2016, Gree kept up with the times, implemented the supply-side reform, and seized the opportunity to transform and upgrade to product intelligence.

In terms of the inverter technology and product R&D, 10 major series and 15 main models (including 40 sub-models) of Gree's air conditioners were all selected as "Energy Efficiency Leader" air conditioning products of 2016 publicized by the Ministry of Industry and Information Technology. Gree completed design and development of multiple new and intelligent energy-saving inverter air conditioners such as Rose II, I-Cool, T-Fresh, Goldshell floor standing unit, inverter air conditioner Enjoy, BPJG, which were significantly improved in aspects of space saving and intelligence. Moreover, the company mastered

the three core technologies, including carrying the photosensitive sensor, the global original self-cleaning technology of evaporator, and the intelligent voice control technology. Gree independently developed the high-end inverter washing machine series products in the new field and the pure electric vehicle air conditioner with a highly efficient and reliable heat pump.

To gain market share, Gree adjusted the product sales structure in 2016, and successively launched a variety of first-class energy efficiency inverter air conditioners, among which the high-end residential air conditioners represented by the "Energy Efficiency Leader-Run Series" received a very positive response from the market; the company constantly strengthened promotion and publicity of intelligent air conditioning products, e.g., Enjoy and Junyue equipped with the Wi-Fi function, in an effort to provide consumers with the most considerate products.

In terms of R&D of intelligent products, Gree, on the basis of completing local and remote control of a single machine, integrated the residential air conditioner, commercial air conditioner, household appliance and intelligent routing to work out an integrated smart home solution for linkage induction control; it developed household Goldshell local voice and App voice control, subsequently developed the functions such as voice dialog and facial recognition at the same time, and successfully used them for Gree medium/high-end air conditioners; it added intelligent Wi-Fi functions to water purifier, kitchen three-piece suit, electric fan and some special air conditioners, and studied the functions such as intelligent mode, intelligent network distribution, and data reporting.

In the aspect of R&D of commercial air conditioning products, Gree developed products by focusing on the concept of energy saving, environmental protection and intelligent interconnection, and created Gree intelligent residential central air conditioning system integrating multiple functions such as air conditioning, floor heating, hot water, lighting, temperature control and intelligent control; it developed GMV Shurui multi-function residential VRF unit to meet the air conditioning requirements of kitchen, bathroom, living room and dining room at the same time; it won the bidding for the MS01 nuclear power centrifugal chiller project and MS02 nuclear power air-cooled screw unit project to enter

the nuclear power market; it developed the ultra-low temperature wall-mounted heat pump floor heating residential central air conditioner successfully and placed it on the northern part of the country.

(3) Diversified transformation: Maintaining the leading position in the air-conditioning sector and exploiting emerging areas

On July 23, 2016, Gree officially announced its entry into the era of diversification at the Second China Manufacturing Summit Forum. Gree extended from the air conditioner manufacturing technology by centering on the two sectors of smart home appliances and intelligent manufacturing, brought into play the synergistic effect from products to equipment, and achieved the development objective of advancing in line on a number of tracks, namely, heading for depth in the traditional fields such as home appliance manufacturing and constantly exploiting the boundary in the emerging fields such as intelligent equipment manufacturing.

① Developing household appliances towards fine quality, diversification and intelligence

In 2016, the company completed 346 household appliance development projects in total, among which IH rice cookers were promoted among media outlets nationwide through the National People's Congress, and thus covering the high-, and mid-to-low end markets comprehensively; the wastewater challenges was resolved for water purifiers, and the realized waste water/clean water ratio of 1:1 kept the water purification technology of Gree stable at the forefront of the industry; the 2nd-generation apple-shape rice cooker has gained popularity for its design aesthetics and unique creativeness.

② Strengthening R&D of communication technologies by taking smart home as the entry points

With the product diversification and smart home as the entry points, Gree explored the way forward for household consumer electronics, communication and industrial control chips, and developed the chips with independent intellectual property rights. In 2016, Gree

focused on R&D of intelligent interaction, intelligent connection and intelligent cloud platform, connected its products to the smart home system, and provided access for third party manufacturers through the wireless module, "Gree +" App and open interface of cloud platform, formulating a smart home ecosystem of Gree. Wireless connection has been achieved on all the key products of Gree such as Painting Era air conditioner, Goldshell air conditioner, Rose air conditioner, dehumidifier, rice cooker, air purifier, water purifier, intelligent range hood, disinfection cabinet plug-in, and washing machine, and remote control, fault alarm and maintenance services can be implemented through "Gree+" App for all the products.

Gree put the 2G mobile phones into mass production in 2016, and the 2G mobile phone with a 5.5-inch screen and 3G mobile phone with a 6-inch screen are in the R&D stage. Gree also established the complete and professional development processes and standards for mobile phone software, hardware, structure and test, and gathered a certain R&D strength in the mobile phone business.

③ Transforming and upgrading to the intelligent equipment industry and mould manufacturing industry to cultivate new profit growth points

In 2016, Gree gradually occupied the international and domestic high-end equipment market while completing transformation and upgrading of its own manufacturing system. This year, Gree mainly completed development of products such as the 750W servo driver based on the Ethernet bus type, three-axis and five-axis manipulator control systems, bus type motion controller, and compressor automatic on-line.

For the mould industry, Gree put an emphasis on research and application of new technologies and new materials such as spray-free injection molding of metal effect, in-mould hot cutting technology, PT-25 spool, integrated forward inclined centrifugal fan blade mould, and 3D printing technology to implement green manufacturing of moulds. Meanwhile, Gree improved the automation and information level of mould making to realize intelligent manufacturing of moulds.

④ **Achieving intermediate results in PV products, PV systems and industrial touch screens by relying on PV air conditioners**

The transition of PV air conditioners indicates the development of multiple models based on the existing PV centrifugal chiller and PV VRF unit, including the PV VRF for All Power Supply Application, single-phase side air outlet PV VRF unit, and airborne converter of 560KW PV centrifuge, so as to satisfy different occasions and needs. Gree PV systems have been sold in many regions at home and abroad.

The self-made 1G 12-inch industrial touch screen was been put into mass production and all the centrifugal units were switched uniformly in August, and all the machines operated properly; Gree made a breakthrough in technologies for the 7-inch industrial touch screen and high-end 23.8-inch industrial PC, and mastered the core technologies.

⑤ **Sticking to the strategic direction of "Saving, green, environmental protection and resource regeneration" for sustainable development to formulate a closed loop industrial chain of resource regeneration and adhering to green ecological manufacturing**

The self-built channel, cost reduction project and management system construction project were completed in the renewable resource sector, and the four bases (Changsha, Zhengzhou, Wuhu, and Shijiazhuang) passed the three-in-one system (18000, 14000 and 9000 systems) review conducted by the certification body SGS and received the corresponding certificate in June.

(4) Channel transformation: Building a platform to strengthen cooperation and making great efforts through online and offline linkage

Gree owns 27 regional sales companies in China and nearly 30,000 exclusive stores throughout the world. Gree observes the rule that the market emerges before factories, and its unique channel construction idea was distinguished in the home appliance industry. In 2016, Gree set up an innovative management model of sales company based on the original offline channel, and established Gree image stores and flagship stores in urban cities, highlighting the brand image of Gree exclusive stores and enhancing the experience

of consumers. In addition, Gree established 20 new TOSOT home appliance stores in all regions throughout the country. Gree also paid more attention to entry into offline stores in 2016. Based on the original situation that all the sales companies cooperated with Gome stores, Gree signed agreements with Suning and entered more than 740 Suning stores.

With the rapid scale expansion of China's online shopping industry, the necessity of accelerating interconnection between the traditional manufacturing industry with Internet has become a consensus of the industry. In this situation, Gree carried out the strategic planning for online sales of Gree brand, and made huge investment to build its own comprehensive e-commerce sales platform "GREE Mall". It focused on layout on the most influential third party e-commerce platforms in China such as Jingdong mall, Tmall, Gome and Suning.com, ensured customer resource sharing with domestic key accounts (KAs), and achieved brilliant sales performance in great promotion activities such as June 18, June 28, November 11 and December 12, wherein air conditioners topped the sales list of similar products in the home appliance industry on JDcom platform, and the two major brands KINGHOME and TOSOT were also outstanding in the e-commerce home appliance category.

In 2016, the online e-commerce sales volume of the company reached RMB4,580 million (excluding the sales volume on Taobao), increased by 91.14% over last year, wherein the year-on-year increase on JDcom was 93.15% and that on Tmall was 84.42%; the year-on-year increase of Gree air conditioners on JDcom reached 145.5% in the refrigeration year of 2017 (August to December 2016), the sales volume of Gree air conditioners on JDcom in the "June 18" Shopping Festival of 2016 exceeded RMB380 million, and the sales volume of Gree air conditioners exceeded RMB310 million in the "November 11" Shopping Festival, topping the list of the air conditioner industry. According to statistics, the cumulative online and offline sales volume of Gree exceeded RMB3.4 billion during the "November 11" period of 2016, nearly doubled over the same period last year.

2. Four major innovations and breakthroughs: Platform, standard, management and talent

(1) Platform innovation: Building an innovation foundation platform to achieve technical breakthroughs

In 2016, Gree further improved the science and technology innovation system of the enterprise by centering on construction of the six major innovation foundation platforms: national public scientific research platform, intellectual property strategy management platform, standard strategy management platform, integrated R&D design platform, infrastructure testing platform, and information technology support platform.

The establishment and operation of the national public scientific research platform has become the core power for Gree to make innovations. Based on the two national technical research centers, namely, the existing national engineering research center and national enterprise technology center, the company added the two national scientific research platforms (the key state laboratory and state-level industrial design center) to further build the innovation chain focusing on "basic research-industrial design-engineering-production-automation".

In construction of the intellectual property strategy management platform, the company established the special intellectual property office in 2016, and used intellectual property rights in the three aspects of innovation driving, free use, and legal monopoly to help the company to expand the market share, enhance the added value of product intellectual property rights and increase the brand value. The company applied for 5,976 patents in the whole year, including 3,662 invention patents and 871 authorized invention patents, increased by 100% as compared to the previous year.

In terms of construction of the standard strategy management platform, Gree completed platform planning for 38 categories of products such as residential air conditioners, commercial air conditioners, and household appliances, combined the product platform to complete use planning for 504 categories of key materials, and created material libraries for all kinds of product platforms. Gree worked out regulations on all kinds of product

platforms and material use, and sorted out development processes of the company to improve the document template and the review and signing process, making sure the product platform and material planning are strictly implemented in the product development process.

In the aspect of building the integrated R&D design platform, the company performed orderly development for the planning project of each product under the overall planning of project management in 2016. It completed 2,427 product projects, 401 technical research projects, 280 process research projects, and 165 management innovation projects in the whole year.

Regarding construction of the infrastructure testing platform, the company established a strategic cooperation partnership with an international authoritative certification and testing institution in 2016, and received the comprehensive strategic partner certificate of smart home product evaluation, testing and certification issued by SGS. Gree successively built the household appliance energy efficiency laboratory, automobile air conditioning laboratory, air purifier energy efficiency laboratory, and the inverter master process monitoring system, and constantly improved the testing function of the existing laboratory to provide users with more reliable, safe, comfortable and energy-saving products.

In terms of construction of the information technology support platform, the company vigorously promoted integrated application of multiple information systems, e.g., to use big data to establish a multidimensional analysis basis and implement flexible combination and query analysis based on analysis dimensions; to integrate the PLM system of the HQ with that of each subsidiary company to share the design and R&D business resources; and to realize the standardization of design and coordination between design and process to build an integrated closed loop change management system of digital design and manufacturing.

(2) Standard innovation: Customer-oriented, strict quality control

① Using the most strict standards and means to develop and manufacture products

By relying on the Comprehensive Quality Control Mode – T9 Management System that is responsive to the needs of customer demands and social responsibilities, Gree studied the quality standard of residential air conditioner products, and delivered the full set of corresponding scientific research achievements from parts to overall units; studied key points of air conditioners for nuclear power projects and other core quality projects, and used key management points in the nuclear power quality system as reference to promoted their application in other air conditioner products; comprehensively implemented the strict quality management mode to deliver the special control requirements of key materials, and to strengthen the inspection control requirements, experimental verification control requirements and the approval and release requirements of department head.

② Carrying out reliability research with a view to improving the quality

In 2016, the company organized the structure, system, electrical component, controller, and process working teams to start the ten-year life research, and carried out 113 projects in total in the year according to the detailed analysis on after-sales failures, covering the core after-sales issues related to key components such as compressor, four-way valve, motor, motion mechanism, and controller. The research findings of all the projects have been included in the design specifications, inspection specifications and process documents to start control and improve the quality of products and parts at

(3) Management innovation: Strengthening institutional building to promote sustainable development of enterprise

In 2016, the company promulgated the Supervision and Management Measures to constantly improve the supervision and reporting mechanism. More than 60 complaints of all types were accepted through channels such as president mailbox, e-mail, letter, and call. The supervision unit carried out careful investigation for all the complaints, and

punished the responsible person seriously once the fact was verified, creating an open and transparent atmosphere. The company carried audit projects from the aspects such as the company's procurement, material consumption, expenditure, subsidiary control and infrastructural project settlement by aiming to sound internal control, improved operating management and increased economic benefit.

In 2016, Gree fully implemented the safety subject management responsibility system of "one position with two responsibilities" for safe production, steadily promoted the investigation and rectification of hidden dangers, and carried out special supervision and inspection work. It improved the lighting environment of workshop operation, and completed the special rectification work of harmful positions, annual monitoring plan for occupational health, on-site harmful substance detection of position operation, and occupational disease protection pre-evaluation of new projects, ensuring the occupational health of employees. There were no major safety accidents, occupational disease accidents, and environmental pollution accidents in the company in 2016.

(4) Talent innovation: Reinforcing talent training to meet the diversified talent demands

① Recruitment and training of skilled workers

Gree adopted the strategy of going out and introducing talents, through school-enterprise cooperation for instance, to introduce more skilled workers. It carried out the skill grade evaluation for the second batch of skilled workers, performed position skill grade evaluation for 408 persons in 16 work types, and granted skill allowance to skilled workers according to the allowance standard for skills at different levels and the actual work days.

② Creating a talent pool and deepening personnel training

Gree organized to implement the 2016 college student cultivation work called "Dreaming Gree", special training camp of excellent supervisors, and the pilot school of team leaders, helped the front-line managers to reserve basic management knowledge and skills and improve the capability of finding and solving problems, worked out the annual learning plan

for all members by combining business innovation, performance breakthrough and capability improvement, and irregularly organized a series of lectures of experts at the technology frontier in numerous fields to broaden the horizon of technology R&D talents.

③ Perfecting the personnel assignment mechanism of the group to promote the utilization of human resources within the group

The company further improved the personnel assignment mechanism based on change adjustment of the sales and production plan, specified the assignment principle and division of labor, and smoothly fixed the staff shortage and surplus contradiction between different companies through personnel assignment in the group.

④ Strengthening the shift of thinking and enhancing the quality of cadres

The company strengthened the publicity and education work of conduct and clean government, organized all the party members of the company to carry out the learning and educational activity called "Two Studies, One Action", and completed activities of the discipline education and learning month of 2016.

All the cadres are required to be enterprising with the spirit of challenge, dare to emancipate the mind and break away from conventions, and acquire the regulating ability, decision making ability and coping ability. Gree organized the management cadre reading association, sorted out and recommended the reading list of one term every two months, and helped wide management cadres to construct a compound knowledge structure and widen the working field of view.

II. Analysis on principal businesses

1. Overview

See the description in "Overview" of "Discussion and Analysis of Business Operation".

2. Revenue and cost

(1) Composition of operating income

Unit: Yuan

	2016		2015		Increase/ Decrease over the previous year
	Amount	Proportion in Operating Income	Amount	Proportion in Operating Income	
Total operating income	108,302,565,293.70	100%	97,745,137,194.16	100%	10.80%
Categorized by industry					
Household appliances manufacturing	93,187,780,602.40	86.04%	87,930,981,568.34	89.96%	5.98%
Other businesses	15,114,784,691.30	13.96%	9,814,155,625.82	10.04%	54.01%
Categorized by product					
Air Conditioner	88,085,431,144.00	81.33%	83,717,936,071.67	85.65%	5.22%
Household Appliances	1,717,749,799.40	1.59%	1,522,676,680.86	1.56%	12.81%
Other main business	3,384,599,659.00	3.13%	2,690,368,815.81	2.75%	25.80%
Other businesses	15,114,784,691.30	13.96%	9,814,155,625.82	10.04%	54.01%
Categorized by region					
Domestic-main business	76,937,875,361.69	71.04%	74,596,089,512.78	76.32%	3.14%
Overseas-main business	16,249,905,240.71	15.00%	13,334,892,055.56	13.64%	21.86%
Other businesses	15,114,784,691.30	13.96%	9,814,155,625.82	10.04%	54.01%

(2) Industry, product, or region accounting for more than 10% of the Company's operating income or operating profit

Unit: Yuan

	Operating incomes	Operating Cost	Gross Profit Margin	Increase or Decrease of Operating Income over Last Year	Increase or Decrease of Operating Cost over Last Year	Increase or Decrease of Gross Profit Margin over Last Year
Categorized by industry						
Household appliances manufacturing	93,187,780,602.40	58,696,494,773.92	37.01%	5.98%	2.26%	2.29%
Categorized by product						
Air Conditioner	88,085,431,144.00	54,139,594,914.83	38.54%	5.22%	1.04%	2.54%
Categorized by region						
Domestic	76,937,875,361.69	45,233,448,281.99	41.21%	3.14%	-2.26%	3.25%
Overseas	16,249,905,240.71	13,463,046,491.93	17.15%	21.86%	21.09%	0.53%

In case of adjustment of statistical caliber for the Company's main business data during the Report Period, main business data after statistical caliber adjustment at the end of the Report Period in the recent year

 Applicable Not applicable

(3) Physical item income is higher than service income Yes No

(4) Fulfillment of major sales contracts signed by the Company by the end of the Report Period
 Applicable Not applicable

(5) Composition of operating cost

Unit: Yuan

Industry Category	Item	2016		2015		Increase/Decrease over the previous year
		Amount	Proportion to Operating Cost	Amount	Proportion to Operating Cost	
Household appliances manufacturing	Raw material	50,686,746,372.66	86.35%	49,475,367,352.33	86.20%	0.15%
	Labor wage	3,045,769,786.11	5.19%	2,857,770,151.94	4.98%	0.21%
	Depreciation	888,033,503.41	1.51%	718,107,626.91	1.25%	0.26%
	Energy	570,886,040.26	0.97%	530,054,999.43	0.92%	0.05%

(6) Changes in the consolidation scope occurred during the Report Period

Yes No

① Establishment of subsidiaries

Company Name	Equity acquisition mode	Time point of equity acquisition	Amount of subscribed capital contribution (ten thousand Yuan)	Amount of paid-in capital contribution (ten thousand Yuan)	Ratio of contribution (%)	Net assets of the end of the period (ten thousand Yuan)	Net profit of the period (ten thousand Yuan)
Gree Precision Mold (Wuhan) Co., Ltd.	Establishment	January 2016	8,000.00	8,000.00	100.00	9,250.70	1,250.70
Zhuhai Gree Precision Mold Co., Ltd.	Establishment	January 2016	10,000.00	10,000.00	100.00	10,729.95	729.95
Zhuhai Gree New Material Co., Ltd.	Establishment	March 2016	3,000.00	3,000.00	100.00	3,003.19	3.19
Zhuhai Gree Energy Environment Technology Co., Ltd.	Establishment	May 2016	20,000.00	20,000.00	100.00	19,693.35	-306.65
Gree Electric Appliances (Hangzhou) Co., Ltd.	Establishment	April 2016	30,000.00	30,000.00	100.00	29,983.76	-16.24

② Disposal of subsidiaries

The Company was not involved in disposal of subsidiaries in the current period.

③ Changes in the consolidation scope arising from other causes

The Company was not involved in changes in the consolidation scope arising from other causes in the current period.

(7) Major changes or adjustment of businesses, products or services during the Report Period

Applicable Not applicable

(8) Major sales customers and suppliers of the Company

Major sales customers

Total sales amount of 5 top customers (RMB)	23,226,504,349.02
Proportion of total sales amount of 5 top customers to the annual sales volume	21.09%

Information of 5 top customers

Serial Number	Customer Name	Sales Volume (Yuan)	Proportion to Annual Sales Volume
1	First	5,228,133,544.67	4.75%
2	Second	5,155,193,209.64	4.68%
3	Third	4,515,539,732.88	4.10%
4	Fourth	4,318,366,377.22	3.92%
5	Fifth	4,009,271,484.61	3.64%
Total	--	23,226,504,349.02	21.09%

Other description of major customers

Applicable Not applicable

Major suppliers of the Company

Total amount of purchase of top 5 suppliers (RMB)	11,099,378,125.82
Percentage to the total amount of annual purchase	20.34%

Information about top 5 suppliers of the Company

Serial Number	Name of supplier	Amount of purchase (yuan)	Percentage to the total amount of annual purchase
1	First	4,461,559,823.86	8.17%
2	Second	3,046,563,469.67	5.58%
3	Third	1,330,117,211.46	2.44%
4	Fourth	1,274,772,351.17	2.34%
5	Fifth	986,365,269.66	1.81%
Total	--	11,099,378,125.82	20.34%

Other information about the major suppliers

Applicable Not applicable

3. Expenses

Unit: Yuan

	2016	2015	Increase/ Decrease over the previous year	Description of the material change
Sales expense	16,477,265,963.04	15,506,341,694.21	6.26%	
Overhead Expense	5,488,955,551.20	5,048,746,635.48	8.72%	
Financial expense	-4,845,546,598.04	-1,928,797,250.18	151.22%	Mainly attributable to the increase of exchange gains

4. Investment in research and development

 Applicable Not applicable

5. Cash flows

Unit: Yuan

Item	2016	2015	Increase/ Decrease over the previous year	Description
Sub-total of cash inflows from operating activities	75,515,435,932.31	118,796,508,123.64	-36.43%	
Sub-total of cash outflows from operating activities	60,655,483,825.39	74,418,126,295.96	-18.49%	
Net cash flows from operating activities	14,859,952,106.92	44,378,381,827.68	-66.52%	Mainly attributable to the decrease of cash received from sales of commodities
Sub-total of cash inflows from investing activities	3,440,714,420.01	1,179,307,976.84	191.76%	
Sub-total of cash outflows from investing activities	22,687,267,114.11	5,892,462,841.32	285.02%	
Net Cash Flow from Investment Activities	-19,246,552,694.10	-4,713,154,864.48	308.36%	Mainly attributable to reclassification of the time deposits of more than one year to other cash payments relating to investing activities

Item	2016	2015	Increase/ Decrease over the previous year	Description
Sub-total of cash inflows from financing activities	14,492,936,150.59	11,354,411,980.55	27.64%	
Sub-total of cash outflows from financing activities	20,244,496,336.04	19,037,433,985.61	6.34%	
Net Cash Flow from Financing Activities	-5,751,560,185.45	-7,683,022,005.06	-25.14%	
Net increase in cash and cash equivalents	-6,043,656,822.39	33,858,545,732.13	-117.85%	

Major factors that result in major changes in relevant data

Applicable Not applicable

III. Non-core business analysis

Applicable Not applicable

IV. Assets and liabilities

1. Major changes in assets composition

Unit: Yuan

	At the end of 2016		At the end of 2015		Change of proportion
	Amount	Proportion to total assets	Amount	Proportion to total assets	
Monetary capital	95,613,130,731.47	52.43%	88,819,798,560.53	54.93%	-2.50%
Accounts receivable	2,960,534,651.37	1.62%	2,879,212,111.93	1.78%	-0.16%
Inventories	9,024,905,239.41	4.95%	9,473,942,712.51	5.86%	-0.91%
Investment real estate	597,736,633.95	0.33%	491,540,849.66	0.30%	0.03%
Long-term equity investment	103,913,171.51	0.06%	95,459,187.55	0.06%	0.00%
Fixed assets	17,681,655,478.06	9.70%	15,431,813,077.20	9.54%	0.16%
Construction in Progress	581,543,756.84	0.32%	2,044,837,830.02	1.26%	-0.94%
Short-term borrowing	10,701,081,645.32	5.87%	6,276,660,136.03	3.88%	1.99%

2. Assets and liabilities measured by fair value

Unit: Yuan

Item	Amount at the beginning of the period	Gains and losses from changes in fair value	Accumulated fair value changes recognized in equity	Depreciation reserves withdrawn during the period	Amount of buying in during the period	Amount of selling out during the period	Amount at the end of the period
Financial assets							
1. Financial assets measured by fair value and their changes recognized in the gains and losses during the current period (Excluding derivative financial assets)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2. Derivative financial assets	0.00	250,848,418.63					250,848,418.63
3. Financial assets available for sale	2,614,719,177.56	-117,730,422.98	-257,463,774.59			1,235,305,799.23	1,312,303,560.40
Subtotal	2,614,719,177.56	133,117,995.65	257,463,774.59	0.00	0.00	1,235,305,799.23	1,563,151,979.03
Total	2,614,719,177.56	133,117,995.65	257,463,774.59	0.00	0.00	1,235,305,799.23	1,563,151,979.03
Financial liabilities	1,189,028,366.37	794,264,876.04					394,763,490.33

Whether there are significant changes in the main asset measurement attribute of the Company during the Report Period.

 Yes No

V. Investments

1. Overall review

 Applicable Not applicable

2. Major equity investments obtained during the Report Period

Applicable Not applicable

3. Major non-equity investments during the Report Period

Applicable Not applicable

4. Financial asset investment

(1) Securities investment

Unit: Yuan

Type of securities	Security code	Abbreviation of security name	Initial investment cost	Accounting measurement method	Carrying amount at the beginning of the period	Gains and losses from changes in fair value	Accumulated fair value changes recognized in equity	Amount of buying in during the period	Amount of selling out during the period	Profit and loss during the Report Period	Carrying amount at the end of the period	Accounting calculation items	Capital Source of Investment
Stocks listed on domestic and overseas stock exchanges	3699	WANDA COMM-H SHS	1,235,305.799.23	Measure at fair values	1,224,378,639.47	89,659,496.08		0.00	1,235,305.799.23	120,851,956.07		Available-for-sale financial assets	Private
Stocks listed on domestic and overseas stock exchanges	1528	RS MACALLINE-H SHS	617,323,352.86	Measure at fair values	463,502,488.09	74,149,015.87	282,610,139.12	0.00		49,087,059.83	417,612,710.40	Available-for-sale financial assets	Private
Total			1,852,629,152.09	--	1,687,881,127.56	15,510,480.21	282,610,139.12	0.00	1,235,305.799.23	71,764,896.24	417,612,710.40	--	--

2) Investment in derivatives

Unit: RMB 10,000

Operation name of investment in derivative	Incidence relation	Whether or not transaction was related	Type of investment in derivatives	Initial amount of investment in derivatives	Start date	Expiry date	Beginning investment amount	Amount of buying in during the period	Amount of selling out during the period	Withdrawing depreciation reserve amount (if any)	Ending investment amount	Proportion of the ending contract amount to net assets at the end of the report period	Profits and losses during the report period
Jinrui Futures co., LTD	Non-related party	No	Futures Hedging Contract	-4,344.29	January 1, 2016	December 31, 2016	-4,344.29				930.31	0.02%	-3,695.41
Financing Institution	Non-related party	No	Forward Foreign Exchange Contract	-9,757.11	January 1, 2016	December 31, 2016	-9,107.11				21,863.04	0.41%	-160,328.22

			(Buying in)										
Financing Institution	Non-related party	No	Forward Foreign Exchange Contract (Selling out)	-109,795.73	January 1, 2016	December 31, 2016	-109,795.73				-36,254.55	-0.67%	-77,838.77
Total				-123,897.13	--	--	-123,247.13	0	0		-13,461.2	-0.24%	-241,862.4
Capital Source of Investment in Derivatives				Private									
Lawsuits (if apply)				None									
Disclosure Date of Announcement on Approval of Investment in Derivatives by Board of Directors (if any)				29 April, 2016									
Disclosure Date of Announcement on Approval of Investment in Derivatives by Board of Shareholders (if any)				May 20, 2016									
Risk analysis of open interest of derivatives and control measures during the Report Period (including but not limited to market risk, liquidity risk, credit risk, operation risk and legal risk)				<p>In order to evade any risk in the cost of purchase of raw materials by the company which might arise from wide fluctuations of the price of bulk raw materials, the Company carried on the hedging business for part of the raw materials and duly locked the cost of raw materials according to the futures market situation to reduce any uncertainty risk from fluctuations of the market price of the spot goods; meanwhile, the Company carried out foreign exchange transactions by bank's financial instruments to evade any risk in the fluctuations of exchange rate and interest rate, reduce foreign exchange liabilities and conduct the cost locking, and realize the maintenance and increase of the value of foreign exchange assets. The Company laid down the Rules for Hedging Management of Futures and "Internal Control System of Forward Foreign Exchange Transactions to execute the full appraisal and control of the investment in derivatives and risks in open interest, and the detailed description is provided below: 1. Legal and regulatory risk; While the Company carried on hedging and foreign exchange transactions, it was required to follow the laws and regulations and specifically stipulate the rights and obligations with the agency. Control measures: The Company assigned the responsible department to strictly execute the contract review, clarify the rights and obligations, strengthen compliance check and ensure the Company's investment in derivatives and operation of open interest in accordance with any laws and regulations and internal control system of the Company. 2. Operation risk: it means any risk in operation arising out of imperfect internal process, operation of employees and system. Control measures: The Company established the corresponding management system, clarified the division of responsibilities and examination & approval procedures of the hedging and foreign exchange transactions, built more perfect supervision mechanism and effectively reduced any operation risk through business, decision and transaction processes. 3. Market risk: The price change of bulk goods and uncertainty of fluctuations of exchange rate of foreign exchange market bring a greater market risk to the futures business and foreign exchange transactions. Control measures: The principle of prudent and moderate operation is upheld in the futures hedging and foreign exchange transactions of the Company, in which any speculative transaction is not permitted. As to the hedging business, the Company strictly restricted the number of hedging not to exceed the number of actual spot transaction and the open interest of the futures not to exceed the number of hedged spot goods and implemented the mechanism to stop loss. In respect of the foreign exchange transactions, the Company effectively prevented the market risk by judging the trend of foreign exchange rate and utilizing a contract to lock the settlement of exchange rate.</p>									
The detailed usage and related hypothesis and parameter setting should be disclosed in terms of the market price of the invested derivatives or changes in fair value of the products during the Report Period and analysis on the fair value of the derivatives.				The loss under the futures hedging contract during the Report Period was RMB -36.9541 million; the loss under the forward foreign exchange contract during the Report Period was RMB -1288.3377 million									
Descriptions about whether there were major changes in the accounting policies and detailed accounting principle of the Company's derivatives during the Report Period as compared to the last report period.				No change									
Special opinions of independent directors regarding the investment in derivatives and risk control of the Company				In the opinion of the Company's independent directors, the Company improved its management level by strengthening internal control and carrying out the risk prevention measures as well as stabilizing price fluctuations through futures hedging. It also enhanced its foreign exchange risk control level through foreign exchange transactions. The above investment in derivatives helps to give play to competitive advantages of the Company, so it is feasible for the Company to carry on the investment in derivatives under controllable risk.									

5. Usage of raised funds

Applicable Not applicable

The Company was not involved in any usage of raised funds during the Report Period.

VI. Sales of major assets and equities

1. Sales of major assets

Applicable Not applicable

The Company was not involved in sales of major assets during the Report Period

2. Sale of major equities

Applicable Not applicable

VII. Analysis on major controlling shareholder and joint stock companies

Information regarding major subsidiaries and joint stock companies that contribute over 10% of net profits to the Company

Unit: Yuan

Company Name	Company type	Main business	Registered capital	Total assets	Net assets	Operating incomes	Operating profit	Net profits
Zhuhai Gree Group Finance Company Limited	Subsidiary	Financial Services	1,500,000,000	47,281,381,537.98	3,991,395,596.38	1,806,178,786.46	755,239,787.64	565,683,875.70
Gree Electric Appliances (Chongqing) Co., Ltd.	Subsidiary	Air Conditioner Manufacturing	230,000,000	4,151,182,579.30	1,603,925,696.90	6,003,558,290.41	572,243,775.07	495,242,297.87
Zhuhai Gree Electrical Co., Ltd.	Subsidiary	Varnished Wire Manufacturing	169,315,586	4,389,384,073.36	558,318,600.96	5,271,208,519.11	89,283,939.10	105,118,540.38
Zhuhai Kaibang Motor Manufacture Co., Ltd.	Subsidiary	Motor Manufacturing	82,000,000	2,192,560,564.73	1,148,288,856.44	2,547,696,569.08	342,640,962.51	307,394,086.95
Gree Electric	Subsidiary	Air Conditioner	150,000,000	13,536,010,	8,556,512,4	12,853,036,	848,317,97	781,659,370

Company Name	Company type	Main business	Registered capital	Total assets	Net assets	Operating incomes	Operating profit	Net profits
Appliances (Hefei) Co., Ltd.		Manufacturing	0	085.42	57.41	912.52	1.10	.16
GREE (Zhongshan) Small Home Appliances Co.	Subsidiary	Small Home Appliances Manufacturing	30,000,000	593,451,749.77	267,745,435.72	742,546,788.99	24,768,806.33	14,430,119.96
Zhuhai Landa Compressor Co., Ltd.	Subsidiary	Compressor Manufacturing	93,030,000	12,048,122,098.67	7,099,158,745.39	9,289,864,923.44	1,144,188,126.31	1,024,334,818.93
Gree Electric Appliances (Zhengzhou) Co., Ltd.	Subsidiary	Air Conditioner Manufacturing	20,000,000	5,498,716,488.60	3,130,074,861.48	5,754,348,538.31	508,354,656.08	497,797,529.83
Gree Electric Appliances (Wuhan) Co., Ltd.	Subsidiary	Air Conditioner Manufacturing	10,000,000	4,581,385,224.78	1,271,070,574.07	7,885,098,048.92	511,666,390.87	446,778,556.34
Gree Electric Appliances (Wuhu) Co., Ltd.	Subsidiary	Air Conditioner Manufacturing	20,000,000	4,038,327,622.59	1,481,356,991.42	5,283,788,052.62	324,880,053.06	344,595,105.70
Gree Electric Appliances (Shijiazhuang) Co., Ltd.	Subsidiary	Air Conditioner Manufacturing	100,000,000	3,709,208,421.97	685,659,247.38	4,068,579,728.71	230,704,509.93	351,737,311.35

Information about acquisition and disposal of subsidiaries during the Report Period

√ Applicable □ Not applicable

Unit: RMB 10,000

Company Name	Methods of acquisition and disposal of subsidiaries during the Report Period	Impact on overall production and operation and financial results
Gree Precision Mold (Wuhan) Co., Ltd.	Establishment	1,250.70
Zhuhai Gree Precision Mold Co., Ltd.	Establishment	729.95
Zhuhai Gree New Material Co., Ltd.	Establishment	3.19
Zhuhai Gree Energy Environment	Establishment	-306.65

Technology Co., Ltd.		
Gree Electric Appliances (Hangzhou) Co., Ltd.	Establishment	-16.24

VIII. Information about businesses controlled by the Company

Applicable Not applicable

IX. Prospects of the Company's future development

In 2017, Electric Appliances regarded "challenging oneself and controlling the future" as the guiding ideology of the enterprise's annual management work to lay out the diversification strategy, and constantly extend to the intelligent manufacturing, smart home and new energy industries as consolidating and developing the air conditioning industry. It adheres to the management policy of being fair and impartial, open and transparent, and scrupulous in separating public from private interests, scrupulously abides by the conduct code of telling the truth, doing practical things, attaching importance to principles and the spirit of dedication, and doing good deeds and great things, and steadfastly focuses on independent innovation and intelligent manufacturing to achieve good results in both efficiency and benefit.

(I) Vigorously implementing the innovation driven development strategy to realize technical breakthroughs of key products

1. Complete technical upgrading and innovative strategic planning based on classification. Use reversed thinking to consider technological progress, keep close to the market and users in product planning, and create demands as meeting consumer demands.

2. Improve the new product development efficiency. Continue to intensify the project management and product innovation R&D management, popularize big data applications, and constantly summarize sharing and technical exchanges, and improve the efficiency of new product development; improve the project team responsibility system and integrate the lean design method into the new product R&D process by centering on the project.

3. Carry out the product platform design comprehensively and improve the standardization level. Using software to manage the product family tree, and realize

automatic control of the product platform and key material planning; promote generalization of key materials from the design source, reduce the production cost, and enhance the development and production efficiency; make sure that the product design idea is innovative and attach importance to skills to reduce the resource waste during the design.

4. Pay attention to the new development trend of the industry. Strengthen the research and development of artificial intelligence in the home appliance field, and promote the development of smart home technologies; keep concerned about the haze problem, make contributions to the "coal to electricity" market of the country, and improve the product performance as reducing costs.

5. Continue to reinforce the research into new technologies and original technologies. Continue to reinforce the research into the magnetic suspension bearing and control technologies, small size, light weight and high efficiency of compressor, new field motor products, ultra-low temperature air source heat pump heating products, technologies and products in the communication field, and washing machines, and keep the leading position in industry technologies.

(II) Consolidating the air conditioner market share and expanding the diversified new industry layout

1. Consolidate the domestic market share of residential air conditioners, optimize the sales structure of commercial air conditioner products, and steadily expand the market share of superior products.

2. Stick to the strategic deployment of maintaining growth, adjusting the structure and establishing an international brand in overseas sales and vigorously develop independent brands.

3. Focus on the development direction of "high end, intelligence and high-quality" to enrich the product lines of household appliances, and enhance the performance price ratio of products to provide consumers with health products.

4. Speed up the market development of the intelligent equipment and mould industry, carry out intensive study by focusing on the two major fields of robots and precision

machine tools, and provide independently developed high-end equipment for "Made in China 2025" as completing transformation and upgrading of the company's independent manufacturing system.

5. Reinforce promotion of all the industrial product brands. Take into account the domestic and overseas markets to build the brand image of "high quality, excellent service and strong lineup" of industrial products; actively seek cooperation opportunities with the e-commerce platform, and open up a new battlefield of Internet marketing.

6. Cooperate with Yinlong to broaden the related industry chain. Firmly grasp the opportunities and challenges brought by cooperation with Yinlong, and create new profit growth points in mould, motor, automotive air conditioning, intelligent equipment and other fields.

7. Accelerate the industrial layout and technological breakthroughs of the new energy industry sector, and launch independent and innovative new energy products; expand the market share of photovoltaic air conditioning products and achieve the technical breakthrough of optical storage integration; tackle the energy control protocol and strategy to achieve development of the distributed control systems and distributed energy systems at the home level, building level and urban level.

8. Make the mobile phone industry big and strong, and formally start offline channel sales of mobile phones.

9. Adhere to the sustainable development strategy direction of "saving, greenness, environmental protection and resource regeneration", form the closed loop industrial chain of resource regeneration, and insist on green ecological manufacturing.

(III) Vigorously promoting standardization and informatization to enhance the enterprise management level

1. Intensify the efforts to implement standardization in all the phases of product R&D to transit from design of good products to design of good products of meeting the needs of automation production.

2. Establish an information center, timely grasp the market, industry and related dynamics, and comprehensively analyze the inter-system information in the enterprise to

ensure smooth implementation of the supply side reform.

3. Set up a big data center, and promote the analysis and application of big data in each operation link of the company to effectively increase the enterprise management level.

4. Guarantee quality management from the source, adopt the forced mechanism to enhance the management level, and make sure that everyone controls quality during routine production, process, management and design.

(IV) Promoting the transformation of intelligent manufacturing to improve per capita efficiency

1. Implement the autonomous management mode to further clarify the double-effect subject management responsibility of "efficiency and benefit".

2. Strengthen reform and innovation of the value chain, deepen lean production, improve supply chain logistics, promote the JIT mode, realize direct distribution of the supplier, and further eliminate transit stock and transport waste.

3. Build a "sales centered" internal service system and improve the flexibility of production and procurement supply.

4. Comprehensively introduce the efficiency oriented contract wage system and automatic accounting system of production efficiency to promote efficiency guarantee and increase.

(V) Tightening cost control to improve economic benefits

1. Implement cost control from the design source and optimize product pricing ideas.

2. Strengthen the audit supervision, especially reinforce the audit management aiming to management process control.

3. Reinforce risk control, including external risk, internal management risk and new business risk.

(VI) Strengthening personnel training to scientifically and efficiently meet the diversified talent demand of the company

1. Speed up construction of GREE College. Promote technician training to meet the company's demand for transformation and upgrading of skilled workers; energetically cultivate expert talents, including management experts, technical experts and skill experts, so that the company can truly become a talent training base.

2. Establish a sound and dynamic group personnel planning and control mechanism, effectively control fluctuation of the personnel scale, and further strengthen the management work of post determination and organizational structure delimiting.

3. Continue to broaden the recruitment channels, enhance the independent recruitment ability, and scientifically and efficiently meet the need of diversified talents.

4. Provide the platform, direction and goal to young people so that they have the ability to undertake and control the future development of the company.

(VII) Strengthening the thinking transformation and quality improvement of cadres

1. Increase efforts to establish the cadre appointment and removal mechanism of promoting capable ones and demoting untalented ones. Cultivate a capable and thoughtful team; create a corporate culture with the spirit of dedication and perseverance, and the atmosphere in which all members are united and companionate and willing to help and learn from each other, and build the core competitiveness of enterprise.

2. Strengthen the system construction, reinforce work style construction, and create a working atmosphere of mutual help to promote sustainable development of the enterprise.

3. Build and update the cadre reserve bank to find excellent talents.

X. Reception of activities including researches, communication and interviews

1. Registration form for reception of activities including researches, communication and interviews

√ Applicable □ Not applicable

Time of reception	Method of reception	Type of reception object	Basic situation index of research
January 22, 2016	Others	Institution	For details, see the Record Table for Investor Relations Activities disclosed by the Company on www.cninfo.com.cn from 5 January, 2016 to 22 January, 2016
August 23, 2016	Others	Others	For details, see the announcement disclosed by the Company on www.cninfo.com.cn on 25 August, 2016
September 2, 2016	Field Research	Institution	For details, see the Record Table for Investor Relations Activities disclosed by the Company on www.cninfo.com.cn from 24 August, 2016 to 2 September, 2016
September 27, 2016	Others	Institution	For details, see the Record Table for Investor Relations Activities disclosed by the Company on www.cninfo.com.cn from 13 September, 2016 to 27 September, 2016
November 21, 2016	Others	Institution	For details, see the Record Table for Investor Relations Activities disclosed by the Company on www.cninfo.com.cn from 2 November, 2016 to 21 November, 2016
Times of reception	89		
Number of received institutions	895		
Number of received individuals	0		
Number of other received objects	36		
Whether undisclosed material information is revealed, disclosed or divulged	No		

Section V Important Events

I. Information about common stock profit distribution and capitalization from capital reserve funds

The common stock profit distribution policy in the report period, especially preparation, execution or adjustment of the cash dividend policy Applicable Not applicable

The Dividend program for the year of 2015 was implemented on July 7, 2016: Calculated by the total stock capital of the Company equivalent to 6,015,730,878 stocks, all directors will be distributed a cash of RMB 15.00 (tax included) per 10 stocks, with the total amount of cashes to be distributed in such a way up to RMB 9,023,596,317 and the balance to be carried forward to the next year.

Special description of the cash dividend policy	
In compliance with provisions of the Articles of Association or requirements of the resolution of the general meeting of shareholders:	Yes
The dividend standard and ratio are definite and clear:	Yes
The related decision procedures and mechanisms are complete:	Yes
Independent directors perform their duties responsibly and play their due roles:	Yes
Minority shareholders have the opportunity to fully express their opinions and demands and their legitimate rights and interests are fully protected:	Yes
The conditions and procedures are transparent and comply with regulations if the cash dividend policy is adjusted or changed:	Yes

The common stock dividend distribution plan (preplan) and the capitalization plan (preplan) from capital reserve funds in recent three years (including the Report Period)

1. Profit distribution preplan for the year of 2016

Calculated by the total stock capital equivalent to 6,015,730,878 stocks, all directors will be distributed a cash of RMB 18.00 (tax included) per 10 stocks, with the total amount of cashes to be distributed in such a way up to RMB 10,828,315,580.40 and the balance to be carried forward to the next year.

This distribution plan still needs to be approved by the general meeting of shareholders for the year of 2016.

2. Profit distribution plan for the year of 2015

Calculated by the total stock capital of the Company equivalent to 6,015,730,878 stocks, all directors will be distributed a cash of RMB 15.00 (tax included) per 10 stocks, with the total amount of cashes to be distributed in such a way up to RMB 9,023,596,317 and the balance to be carried forward to the next year.

3. Profit distribution plan for the year of 2014

Calculated by the total stock capital of the Company equivalent to 3,007,865,439 stocks, all directors will be distributed a cash of RMB 30.00 (tax included) per 10 stocks, with the total amount of cashes to be distributed in such a way up to RMB 9,023,596,317 and the balance to be carried forward to the next year; capital reserve funds are used for capitalization, and 10 stocks will be added per 10 stocks for all directors based on the total stock capital of the Company equivalent to 3,007,865,439 stocks.

Table for common stock cash dividends of the Company in the recent three years (including the Report Period)

Unit: Yuan

Year	Amount of cash dividend (tax included)	Net profit attributable to common shareholders of listed company in annual consolidated financial statements	Proportion to net profit attributable to common shareholders of listed company in consolidated financial statements	Amount of cash dividends based on other ways	Proportion of cash dividends based on other ways
2016	10,828,315,580.40	15,420,964,990.94	70.22%	0.00	0.00%
2015	9,023,596,317.00	12,532,442,817.66	72.00%	0.00	0.00%
2014	9,023,596,317.00	14,155,167,229.36	63.75%	0.00	0.00%

The profits of the Company in the Report Period and the parent company's profits distributable to common shareholders are positive, but the common stock cash dividend distribution preplan has not been put forward.

Applicable Not applicable

II. Preplan for profit distribution and capitalization from public reserve funds in the Report Period

Applicable Not applicable

Cash dividends of this distribution
If profits are distributed when the Company's development stage has entered the mature period and significant capital expenditure has been arranged, the minimum proportion of cash dividends to the profits to be distributed this time should be 40%.
Detailed description of the preplan for profit distribution or capitalization from public reserve funds

III. Fulfillment of commitments

1. Commitments of the Company's actual controllers, shareholders and acquirers, the Company and other related parties of commitments that have been fulfilled completely in the Report Period or have not been fulfilled completely as of the end of the Report Period

Applicable Not applicable

1. The Company did not have any commitments of the Company, shareholders, actual controllers, acquirers, directors, supervisors, senior management personnel or other related parties that have been fulfilled completely in the Report Period or have not been fulfilled completely as of the end of the Report Period in the Report Period.

2. The Company's assets or projects involve earnings forecast and the Report Period is still in the earnings forecast period and the Company explains the assets or projects that achieve the original earnings forecast and the relevant reasons

Applicable Not applicable

IV. The listed company' non-operating funds occupied by the controlling shareholders and their related parties

Applicable Not applicable

No controlling shareholder or its related party occupied non-operating funds of the listed company in the Report Period of the Company.

V. Description about the "Non-standard Audit Report" of the accounting firm in the Report Period by the Board of Directors, Board of Supervisors and independent director (if any)

Applicable Not applicable

VI. Description about changes in the accounting policies, accounting estimates and accounting methods in comparison to the financial report of last year

Applicable Not applicable

The Company didn't involve any change in the accounting policies, accounting estimates and accounting methods in the Report Period.

VII. Description about the retrospective restatement required for correction of significant accounting errors that occurred in the Report Period

Applicable Not applicable

The Company didn't involve any correction of significant accounting errors in the Report Period that requires retrospective restatement.

VIII. Description about changes in the consolidated statement scope in comparison with the financial report of last year

Applicable Not applicable

① Establishment of subsidiaries

Company Name	Equity acquisition mode	Time point of equity acquisition	Amount of subscribed capital contribution (ten thousand Yuan)	Amount of paid-in capital contribution (ten thousand Yuan)	Ratio of contribution (%)	Net assets of the end of the period (ten thousand Yuan)	Net profit of the period (ten thousand Yuan)
Gree Precision Mold (Wuhan) Co., Ltd.	Establishment	January 2016	8,000.00	8,000.00	100.00	9,250.70	1,250.70
Zhuhai Gree Precision Mold Co., Ltd.	Establishment	January 2016	10,000.00	10,000.00	100.00	10,729.95	729.95
Zhuhai Gree New Material Co., Ltd.	Establishment	March 2016	3,000.00	3,000.00	100.00	3,003.19	3.19
Zhuhai Gree Energy Environment Technology Co., Ltd.	Establishment	May 2016	20,000.00	20,000.00	100.00	19,693.35	-306.65
Gree Electric Appliances (Hangzhou) Co., Ltd.	Establishment	April 2016	30,000.00	30,000.00	100.00	29,983.76	-16.24

② Disposal of subsidiaries

The Company was not involved in disposal of subsidiaries in the current period.

③ Changes in the consolidation scope arising from other causes

The Company was not involved in changes in the consolidation scope arising from other causes in the current period.

IX. Engagement and disengagement of accounting firms

Currently engaged accounting firms

Name of domestic accounting firm	Union Power Certified Public Accountants (Special General Partnership)
Remuneration for the domestic accounting firm (RMB 10,000)	396
Consecutive years for the domestic accounting firm to render audit service	2
Names of certified public accountants of the domestic accounting firm	Wang Bing and He Li

A new accounting firm was engaged in the current period

Yes No

Engagement of an accounting firm for internal control auditing, financial adviser or sponsor

Applicable Not applicable

X. Suspension of listing and termination of listing after disclosure of the annual report

Applicable Not applicable

XI Matters related to bankruptcy reorganization

Applicable Not applicable

The Company was not involved in any matter related to bankruptcy reorganization in the Report Period.

XII. Major legal action or arbitration

Applicable Not applicable

The Company was not involved in any major legal action or arbitration during the Report Period.

XIII. Punishment and rectification

Applicable Not applicable

The Company was not involved in any punishment or rectification during the Report Period.

XIV. Integrity status of the Company and its controlling shareholders and actual controllers

Applicable Not applicable

XV. Implementation of the Company's equity incentive plan, employee stock ownership plan or other employee motivation measures

Applicable Not applicable

The Company was not involved in any equity incentive plan, employee stock ownership plan or other employee motivation measures or their implementation during the Report Period.

XVI. Significant related transactions

1. Related transactions associated with day-to-day operation

Applicable Not applicable

Related parties	Incidence relation	Type of related transactions	Contents of related transactions	Related transaction pricing principle	Prices of related transactions	Amount of related transactions (ten thousand Yuan)	Proportion to amount of similar transaction	Approved transaction amount (ten thousand Yuan)	Exceeding the approved quota	Settlement of related transactions	Available market price of similar transactions	Date of disclosure	Disclosure index
Hebei Shengshi Xinxing Gree Trading Co., Ltd.	The company in which the Company's director serves as general manager	Sales of commodities	Sales revenue	Market price	Market price	242,627.79	2.75%	500,000	No	Payment before delivery	Market price	29 April, 2016	www.cninfo.com.cn
Zhejiang Shengshi Xinxing Gree Trading Co., Ltd.	The company in which the Company's director serves as general manager	Sales of commodities	Sales revenue	Market price	Market price	431,836.64	4.90%	800,000	No	Payment before delivery	Market price	29 April, 2016	www.cninfo.com.cn
Henan Shengshi Xinxing Gree Trading Co., Ltd.	The company in which the Company's supervisor serves as general manager	Sales of commodities	Sales revenue	Market price	Market price	522,813.35	5.94%	1,000,000	No	Payment before delivery	Market price	29 April, 2016	www.cninfo.com.cn
Total				--	--	1,197,277.78	--	2,300,000	--	--	--	--	--
Details of huge-amount sales return				Not applicable									
Actual fulfillment (if any) in the Report Period when the total amount is estimated by category for the daily related transaction to take place in the current period				Not applicable									
Cause (if applicable) of the large difference between the transaction price and market reference price				Not applicable									

2. Related transactions of acquisition or sales of assets or equity

Applicable Not applicable

The Company was not involved in any related transaction of acquisition or sales of assets or equity in the Report Period.

3. Related transactions of common foreign investment

Applicable Not applicable

The Company was not involved in any related transaction of common foreign investment during the Report Period.

4. Associated credits and liabilities

Applicable Not applicable

The Company was not involved in any associated credit or liability in the Report Period.

5. Other significant related transactions

Applicable Not applicable

The Company was not involved in any other significant related transaction during the Report Period.

XVII. Major contracts and their fulfillment

1. Information about trusteeship, contracting and lease

(1) Trusteeship

Applicable Not applicable

The Company was not involved in any trusteeship during the Report Period.

(2) Contracting

Applicable Not applicable

The Company was not involved in any contracting matter during the Report Period.

(3) Lease

Applicable Not applicable

The Company was not involved in any lease during the Report Period.

2. Major guarantee

Applicable Not applicable

The Company was not involved in any major guarantee during the Report Period.

3. Entrusting others to execute any cash asset management

(1) Entrusted financing

Applicable Not applicable

The Company was not involved in any entrusted financing during the Report Period.

(2) Entrusted loan

Applicable Not applicable

The Company was not involved in any entrusted loan during the Report Period.

4. Other major contracts

Applicable Not applicable

The Company did not have any other major contract during the Report Period.

XVIII. Social responsibilities

1. Fulfilling the social responsibilities of taking targeted measures in poverty alleviation

(1) Summary of taking targeted measures in poverty alleviation in the year

Electric Appliances owns a salvage guarantee system for assisting employees in difficulties at multiple levels, including the social insurance of employees, sunshine mutual fund relief of critical diseases, and one-time temporary difficulty relief. The rescued group can basically cover the medical expense reimbursement and poverty relief arising from sudden major diseases of employees, poverty caused by unexpected accidents in the family, later expenses of chronic diseases and critical illnesses of employees, and sudden diseases of family members, so as to accurately solve practical difficulties of employees with a greater capital expenditure pressure, ensure active concern and active support in the real sense, and carry forward the collective spirit of mutual aid. In 2016, the Company rescued 238 employees, involving an amount of RMB1.687 million, making Gree employees in difficulties grateful, and injecting infinite force to the corporate development.

(2) Subsequent targeted poverty alleviation plan

To help related employees to settle difficulties and shake off poverty, highlight the guiding demonstration effect of assistance, bring into full play the Company's concern and care of employees in difficulties, earnestly solve difficulties for these employees, and strengthen the tenet consciousness and mass concept, the Company planned to carry out the long-term partner assistance plan for employees in difficulties to assist them in the "one-on-one" manner in 2017.

2. Fulfilling other social responsibilities

Gree actively and voluntarily performed its social responsibilities, effectively protected the lawful rights and interests of all stakeholders, won with its strength the recognition of the enterprise, brand and products from capital market and consumer market and promoted the low-carbon green growth in the industry through various activities. (Please refer to the Social Responsibilities Report for the Year 2016 on www.cninfo.com.cn)

If the listed company and its subsidiaries are key pollutant discharge units published by the environmental protection department

No

If any social responsibilities report is published

Yes No

Social responsibilities report of enterprise					
Enterprise nature	If environmental information is contained	If social information is contained	If corporate governance information is contained	Report disclosure standard	
				Domestic standard	Foreign standard
State-owned enterprise	Yes	Yes	Yes	CASSCSR1.0	Others

Specific circumstances

1. If the Company passed the environmental management system certification (ISO14001)	Yes
2. The Company's annual expenditure on environmental protection investment (ten thousand Yuan)	284
3. The Company's emission reduction performance of waste gas, waste water and waste residue	No environmental pollution accident

XIX. Description of other significant matters

Applicable Not applicable

The Company did not have any other significant matter to be described in the Report Period.

XX. Significant matters of the Company's subsidiaries

Applicable Not applicable

Section VI Changes in Stock Capital & Information of Shareholders

I. Changes in stock capital

1. Changes in stock capital

Unit: Share

	Before the change		Increase/Decrease (+, -)					After the change	
	Qty	Percentage	New Issue	Bonus Issue	Stock Converted from Reserve	Others	Subtotal	Qty	Percentage
I. Stocks with trading restriction conditions	43,613,644	0.72%				1,514,855	1,514,855	45,128,499	0.75%
3. Stocks held by other domestic capital	43,613,644	0.72%				1,514,855	1,514,855	45,128,499	0.75%
Stocks held by the domestic natural person	43,613,644	0.72%				1,514,855	1,514,855	45,128,499	0.75%
II. Tradable Stocks without trading restriction conditions	5,972,117,234	99.28%				-1,514,855	-1,514,855	5,970,602,379	99.25%
1. RMB ordinary stocks	5,972,117,234	99.28%				-1,514,855	-1,514,855	5,970,602,379	99.25%
III. Total of stocks	6,015,730,878	100.00%						6,015,730,878	100.00%

Causes of changes in stock capital

 Applicable Not applicable

Ms. Dong Mingzhu, Chairperson & President of the Company, cumulatively increased the hold shares by 498,000, Mr. Xu Zifa, Director, cumulatively increased the hold shares by 1,403,300, Mr. Wang Jingdong, Vice President, Finance Chief and Board Secretary, cumulatively increased the hold shares by 155,800.

2. Changes in restricted shares

Applicable Not applicable

II. Issuance and listing of securities

1. Issuance of securities (excluding the preferred stock) in the Report Period

Applicable Not applicable

2. Description about changes in the Company's total number of stocks and shareholder structure, and assets and liability structure

Applicable Not applicable

3. Existing internal employee stock

Applicable Not applicable

III. Information about the shareholders and actual controllers

1. Total number of shareholders and their shareholding status

Unit: Share

Total number of common shareholders at the end of the Report Period	396,962	Total number of common shareholders at the end of last month before the disclosure date of the annual report	338,129	Total number of preferred shareholders (if any) whose voting rights were restored at the end of Report Period (See Note 8)	0	Total number of preferred shareholders (if any) whose voting rights were restored at the end of last month before the disclosure date of the annual report (See Note 8)	0	
Shareholding of the shareholders holding more than 5% of total stocks or shareholding of the top 10 shareholders								
Name of shareholder	Nature of shareholder	Shareholding proportion	Total number of the stocks held at the end of the Report Period	Increase/Decrease in the Report Period	Number of the trading restricted stocks held	Number of the trading unrestricted stocks held	Pledge or freezing	
							Stock status	Qty
Zhuhai Gree Group Co., Ltd.	State-owned legal person	18.22%	1,096,255,624			1,096,255,624	Frozen	50,625,000

Hebei Jinghai Guaranteed Investment Co., Ltd.	Domestic non-state-owned legal person	8.91%	535,762,033			535,762,033		
Qian Hai Life Insurance Co., Ltd. — Hai Li Nian Nian	Domestic non-state-owned legal person	4.12%	247,905,586			247,905,586		
Hong Kong Securities Clearing Company Ltd.	Foreign legal person	2.38%	143,055,489			143,055,489		
China Securities Finance Co., Ltd.	State-owned legal person	2.08%	125,224,256			125,224,256		
Central Huijin Asset Management Co., Ltd.	State-owned legal person	1.40%	84,483,000			84,483,000		
UBS AG	Foreign legal person	1.28%	77,157,409			77,157,409		
Hillhouse Capital Management — HCM China Fund	Foreign legal person	0.84%	50,457,100			50,457,100		
National Social Security Fund 108 portfolio	Domestic non-state-owned legal person	0.83%	49,855,164			49,855,164		
Dong Mingzhu	Domestic natural person	0.74%	44,318,492			44,318,492		
Situation (if any) where a strategic investor or general legal person becomes one of top 10 shareholders due to placement of new shares (see Note 3)						None		
Description for affiliated relationship or concerted action of the above shareholders						None		
Shareholding of the top 10 shareholders without trading restriction conditions								
Name of shareholder	Number of the trading unrestricted stocks held at the end of the Report Period		Type of stocks					
			Type of stocks	Qty				
Zhuhai Gree Group Co., Ltd.	1,096,255,624		RMB ordinary	1,096,255,624				

		stocks	
Hebei Jinghai Guaranteed Investment Co., Ltd.	535,762,033	RMB ordinary stocks	535,762,033
Qian Hai Life Insurance Co., Ltd. — Hai Li Nian Nian	247,905,586	RMB ordinary stocks	247,905,586
Hong Kong Securities Clearing Company Ltd.	143,055,489	RMB ordinary stocks	143,055,489
China Securities Finance Co., Ltd.	125,224,256	RMB ordinary stocks	125,224,256
Central Huijin Asset Management Co., Ltd.	84,483,000	RMB ordinary stocks	84,483,000
UBS AG	77,157,409	RMB ordinary stocks	77,157,409
Hillhouse Capital Management — HCM China Fund	50,457,100	RMB ordinary stocks	50,457,100
National Social Security Fund 108 portfolio	49,855,164	RMB ordinary stocks	49,855,164
Dong Mingzhu	44,318,492	RMB ordinary stocks	44,318,492
Description for affiliated relationship or concerted action among the top 10 shareholders holding tradable stocks without trading restriction conditions and between the top 10 shareholders holding tradable stocks without trading restriction conditions and the top 10 shareholders			None
Description of the participation in margin trading business of the top 10 common shareholders (if any) (see Note 4)		None	

2. Information of the controlling shareholders of the Company

Nature of the controlling shareholder: Local state-owned holding

Type of the controlling shareholder: Legal person

Name of the of controlling shareholder	Legal representative/ Person in charge	Date of establishment	Organization code	Principal business
Zhuhai Gree Group Co., Ltd.	Zhou Lewei	December 15, 1990	914404001925371865	Investment and asset management; enterprise management service, enterprise planning; other commercial services (excluding any licensed business items)

Information regarding holding equity interests of other domestic and overseas listed companies by controlling shareholders during the Report Period	None
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3. Information of the actual controllers of the Company

Nature of the actual controller: Local state-owned assets management institution Type of the actual controller: Legal person

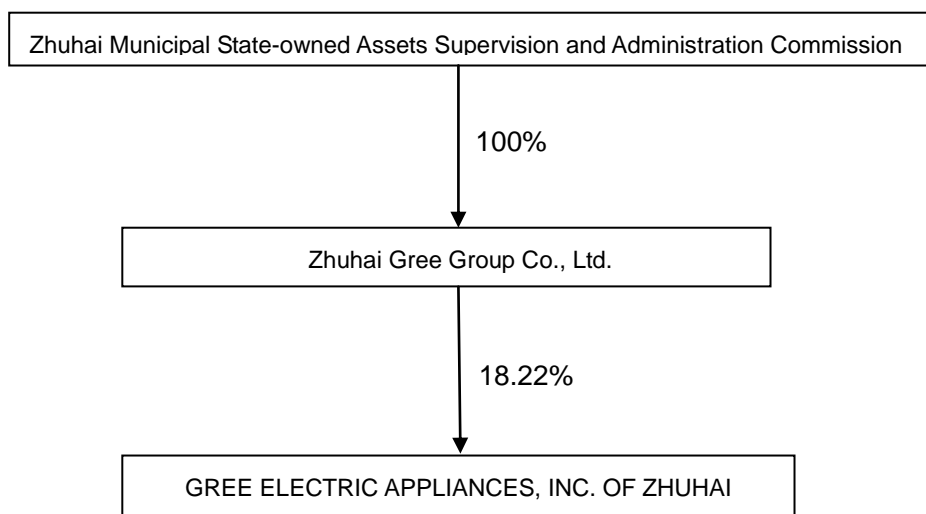
Name of the actual controller	Legal representative/Person in charge	Date of establishment	Organization code	Principal business
State-owned Assets Supervision and Administration Commission of Zhuhai Municipal People's Government	Wu Aicun	November 30, 2004	71924557-8	Fulfill responsibilities of the state-owned assets investor
Information regarding equity of other domestic and overseas listed companies controlled by the actual controller during the Report Period	At the end of the Report Period, the State-owned Assets Supervision and Administration Commission of Zhuhai Municipal People's Government also controlled Zhuhai League Stock Co., Ltd., Zhuhai Huafa Industrial Co., Ltd., Zhuhai Port Co., Ltd., Gree Real Estate Co., Ltd., Zhuhai Holdings Investment Group Limited and iOne Holdings Limited.			

Change in the actual controller in the Report Period

Applicable Not applicable

The actual controller of the Company did not change in the Report Period.

Block diagram of property right and control relationships between the Company and actual controller



The actual controller controlled the Company through trust or other asset management modes

Applicable Not applicable

4. Other corporate shareholders holding more than 10% of shares

Applicable Not applicable

5. Restricted share reduction of controlling shareholders and actual controllers, restructuring party and other commitment subjects

Applicable Not applicable

Section VII Related Information of Preferred Stock

Applicable Not applicable

The Company did not have any preferred stock in the Report Period.

Section VIII Directors, Supervisors, Senior Management

Personnel and Employees

I. Shareholding changes of directors, supervisors and senior management personnel

Name	Title	Tenure status	Gender	Age	Commencement of term of office	Termination of term of office	Stocks held at the beginning of the Period (shares)	Number of held stocks increased in the current period (shares)	Number of held stocks reduced in the current period (shares)	Other increase/decrease (shares)	Stocks held at the end of the Period (shares)
Dong Mingzhu	Chairman & President	Incumbent	F	62	May 25, 2012	May 31, 2018	43,820,492	498,000			44,318,492
Ye Zhixiong	Director	Incumbent	M	59	June 1, 2015	May 31, 2018					
Huang Hui	Director & Executive Vice President	Incumbent	M	52	May 25, 2012	May 31, 2018	7,375,000				7,375,000
Zhang Jundu	Director	Incumbent	M	56	May 25, 2012	May 31, 2018					
Xu Zifa	Director	Incumbent	M	62	June 1, 2015	May 31, 2018	200,000	1,403,300			1,603,300
Wang Ruzhu	Independent Director	Incumbent	M	52	May 20, 2014	May 31, 2018					
Lu Xin	Independent Director	Incumbent	F	53	June 1, 2015	May 31, 2018					
Guo Yang	Independent Director	Incumbent	F	58	June 1, 2015	May 31, 2018					
Xu Chuzhen	Chairman of Board of Supervisors	Incumbent	M	58	September 24, 2013	May 31, 2018					
Guo Shuzhan	Supervisor	Incumbent	M	60	May 25, 2012	May 31, 2018					
Wang Liqin	Staff Supervisor	Incumbent	F	40	October 15, 2014	May 31, 2018					
Zhuang Pei	Vice President	Incumbent	M	51	May 25, 2012	May 31, 2018	5,955,202				5,955,202

Name	Title	Tenure status	Gender	Age	Commencement of term of office	Termination of term of office	Stocks held at the beginning of the Period (shares)	Number of held stocks increased in the current period (shares)	Number of held stocks reduced in the current period (shares)	Other increase/decrease changes (shares)	Stocks held at the end of the Period (shares)
Wang Jingdong	Vice President, Finance Chief, Board Secretary	Incumbent	M	46	May 25, 2012	May 31, 2018	728,874	155,800			884,674
Chen Weicai	Vice President	Incumbent	M	44	September 3, 2013	May 31, 2018					
Liu Jun	Vice President	Incumbent	M	40	August 31, 2015	May 31, 2018	12,000				12,000
Meng Xiangkai	Director	Resigned	M	55	May 20, 2013	November 22, 2016	17,000				17,000
Total	--	--	--	--	--	--	58,108,568	2,057,100	0		60,165,668

II. Changes in the directors, supervisors and senior management personnel

√ Applicable □ Not applicable

Name	Title	Type	Date
Meng Xiangkai	Director	Resigned	November 22, 2016

III. Positions of directors, supervisors and senior management personnel

Professional background, major work experience and current main responsibilities in the Company of the current directors, supervisors and senior management personnel of the Company

Dong Mingzhu, female, a master, incumbent Chairperson & President of the Company

Since she joined the Company in 1990, she has served as sales manager, vice director and director of Sales Department, manager, vice general manager, general manager and vice chairperson of sales company; she has served as President of the Company since April 2001, and Chairperson of the Company since May 2012. At present, she concurrently serves as chairperson of Gree Hefei, Gree Wuhan, and Gree Zhengzhou. Since August

2012, she has served as non-executive director of Kingdee International Software Group Company Limited; She consecutively served as deputy to the tenth, eleventh and twelfth National People's Congresses and concurrently serves as a member of the Central Committee of China Democratic National Construction Association and the tenth Executive Committee of the All-China Women's Federation, UNDP's "messenger of sustainable urban development", director of Board of Directors of China Social Economic Investigation Research Center, member of Executive Committee of Guangdong Provincial Women's Federation, vice chairperson of Guangdong Province Association of Women Entrepreneurs, chairperson of Zhuhai Municipal Association of Women Entrepreneurs and honorary president of Zhuhai Red Cross Society.

She was successively engaged by Northwest University, College of Management of Sun Yat-sen University and Shandong University as a part-time professor, engaged by School of Management, Nanjing University of Technology as "MBA off-campus tutor", and engaged by School of Management, University of Science and Technology of China as MBA "Course Professor". She was engaged by Beijing Normal University Zhuhai Campus and University of International Business and Economics as visiting professor, part-time professor of Zhongnan University of Economics and Law and member of MBA Education Advisory Committee. She was invited to be an instructor of Summer Davos Forum 2014, engaged by the School of Entrepreneurship & Innovation, SJTU as a member of Advisory Committee of Strategic Experts, engaged by the National Development and Reform Commission as a member of Expert Committee for the thirteenth five-year development planning, engaged by Guangdong Provincial Government as an entrepreneurs consultant and member of the government decision-making advisory committee and engaged by Hefei municipal government as a consultant of (household electric appliances) industrial development, etc. In 2016, she was awarded a founding member of Advisory Committee of the United Nations Development Programme by the UN General Administration and included in the list of world's most influential businesswomen of Fortune for 10 consecutive years.

Ye Zhixiong, male, a master, incumbent director of the Company

Mr. Ye Zhixiong served as a member of Zhuhai Municipal Committee of the CPC, and the chairman, secretary of the Party committee and legal representative of Zhuhai Gree Group Co., Ltd. from May 2004 to August 2006; a member of Zhuhai Municipal Committee of the CPC, and the chairman, general manager and legal representative of Municipal Urban Asset Management and Operation Corporation from August 2006 to June 2009, and the secretary of the Party committee in September 2006; the chairman, general manager, legal representative and secretary of the Party committee of Zhuhai Urban Construction Group Co., Ltd. from June 2009 to January 2013; and the chairman, legal representative and secretary of the Party committee of Zhuhai Urban Construction Group Co., Ltd. from January 2013 to date. Since June 2015, he has served as a director of the Company.

Mr. Huang Hui, male, a master, incumbent Director, Executive Vice President and Chief Engineer of the Company.

Since August 2000 to May 2014, he has served as vice president of the Company; since 2014, he has served as executive vice president of the Company; since May 2007, he has served as chief engineer of the Company; since May 2012, he has served as director of the Company, and concurrently as chairman of Zhuhai Gree Dakin Device Co., Ltd., director of Chinese National Engineering Research Center of Green Refrigeration Equipment, part-time instructor of School of Energy and Power Engineering of Huazhong University of Science and Technology, member of Commission B2 of the International Institute of Refrigeration, vice president of Chinese Association of Refrigeration, member of the ninth council of China Quality Association, member of National Technical Committee for Standardization of Household Appliances, vice chairman of Industry Household Appliance Branch of China Electrical Equipment Industrial Association, expert of Guangdong Province Science and Technology Consultant Experts, vice president of Guangdong Provincial Institute of Refrigeration, vice chairman of Guangdong Light Industry Association, member of Technical Committee of Guangdong Provincial Institute of Standardization, member of Zhuhai Municipal Mayor Quality Award Evaluation Committee,

member of Zhuhai municipal Mayor Quality Award Evaluation Committee, deputy director of the editorial board of Electrical Appliances, and editorial board member of Journal of Refrigeration.

Zhang Jundu, male, with a college degree, incumbent Director of the Company.

Since September 1999, he has served as chairman of Zhejiang Tongcheng Gree Electric Appliances Co., Ltd. Since August 2012, he has concurrently served as general manager of Zhejiang Shengshi Xinxing Gree Trading Co., Ltd. Since May 2012, he has served as director of the Company.

Xu Zifa, male, with a bachelor degree, incumbent Director of the Company.

He worked as the general manager of Hebei Xinxing Gree Electric Appliance Sales Co., Ltd. from July 1999 to June 2011; the general manager of Hebei Shengshi Xinxing Gree Trading Co., Ltd. from July 2011 to date, and the director of Hebei Jinghai Guaranteed Investment Co., Ltd. from 2006 to date. Since June 2015, he has served as a director of the Company.

Wang Ruzhu, male, doctor, incumbent Independent Director of the Company

Since December 1994, Mr. Wang Ruzhu has served as a professor of Shanghai Jiao Tong University and director of the Institute of Refrigeration and Cryogenic Engineering. Since 2008, he has served as the director of the Solar Power Generation and Refrigeration Project Research Center under Ministry of Education. Since 2012, he has worked as the vice president of Chinese Association of Refrigeration. Since May 2014, he has served as an independent director of the Company.

Guo Yang, female, doctor, incumbent Independent Director of the Company

Ms. Guo Yang served as the general counsel of Chinese law at Hong Kong Pengli Insurance Co., Ltd. and chief representative at its representative office in Beijing from 1995 to 1998; the assistant vice president of Pacific Century Insurance Holdings Ltd. and chief representative at the representative office of Pacific Century Insurance Holdings Ltd. from 1999 to 2008; the chief representative at the representative office of Holland Ageas Insurance International Inc. from 2008 to 2009; an associate professor at the College of

Finance, Capital University of Economics and Business from 2010 to 2012; a director of the Company since June 2015 to date.

Lu Xin, female, doctor, incumbent Independent Director of the Company

Ms. Lu Xin has served Jinan University since January 2004. Now, she works as a professor at the Department of Accounting of the School of Management, Jinan University and deputy director at the Management Accounting Research Center of Jinan University. Concurrently, she is a deputy of the 12th National People's Congress, member of the Central Committee at Taiwan Democratic Self-Government League, vice chairman of Guangdong Provincial Party Committee at Taiwan Democratic Self-Government League, special auditor of Guangdong Audit Office, as well as an independent director of TCL Corporation and Kingfa Sci. & Tech. Co., Ltd. She has served as an independent director of the Company since June 2015.

Xu Chuzhen, male, with a bachelor degree, Chairman of Board of Supervisors of the Company.

From May 1999 to May 2011, Mr. Xu Chuzhen served as the managing director of League Stock Co., Ltd. From 2002 to May 2011, he concurrently served as the managing director and vice chairman of Zhuhai League Environmental Protection Co., Ltd.; from August 2009 to May 2011, he concurrently served as the chairman of Zhuhai League Investment Co., Ltd. From May 2011 to May 2012, he served as a vice chief engineer of Zhuhai Water Group Co., Ltd. During this period, he also served as a director of League Stock Co., Ltd. During this period, he also served as a director of League Stock Co., Ltd. Since May 2012, he has served as a full-time director and supervisor of Zhuhai SASAC. During this period, he also served as the chairman of the board of supervisors of Zhuhai Port Holdings Co., Ltd, chairman of the board of supervisors of Zhuhai Port Co., Ltd, director of Zhuhai League Stock Co., Ltd, chairman of the board of supervisors of Zhuhai Investment Holdings Co., Ltd, and director of Zhuhai Duty Free Enterprises Group Co., Ltd. Since September 2013, he has concurrently served as the chairman of the board of supervisors of the Company.

Guo Shuzhan, male, with a college degree, incumbent Supervisor of the Company

Since August 2006, he has served as chairman of Hebei Jinghai Guaranteed Investment Co., Ltd. Since August 2012, he has served as general manager of Henan Shengshi Xinxing Gree Trading Co., Ltd. From May 2012 up to now, he has served as supervisor of the Company.

Wang Liqin, female, with a bachelor degree, incumbent Staff Representative Supervisor.

From April 2004 to July 2010, Ms. Wang Liqin served as the HR supervisor of HR Department of GREE Electric Appliances Inc. of Zhuhai. Since August 2010, she has served as the head of HR Department of GREE Electric Appliances Inc. of Zhuhai. Since October 2014, she has served as the staff representative supervisor.

Zhuang Pei, male, with a bachelor degree, incumbent Vice President of the Company.

From 2002 to April 2003, he served as assistant president of the Company. From April 2003 up to now, he has served as vice president of the Company.

Wang Jingdong, male, a master, incumbent Vice President, Finance Chief, Board Secretary.

From November 2002 to April 2006, he served as head of financial department, head of purchase department and chief of Audit Department. From April 2006 to September 2009, he served as assistant president of the Company. From January 2008 up to now, he served as finance chief of the Company. From July 2009 up to now, he served as board secretary of the Company. From October 2009 up to now, he has served as vice president, finance chief and board secretary of the Company.

Chen Weicai, male, a master, incumbent Vice President of the Company.

From July 1993 to April 2008, he served as clerk, staff member, senior staff member, deputy director and director of Huale Police Station in Dongshan District (Yuexiu District) of Bureau of Public Security in Guangzhou. From July 2005 to April 2008, he served as deputy secretary (concurrent) of Huale Street Party Committee in Dongshan District (Yuexiu District) in Guangzhou. From April 2008 to July 2013, he served as deputy director and director of personnel department of Bureau of Public Security in Guangzhou. From

October 2008 to February 2012, he served as direction of office of Guangzhou Police's Foundation (concurrent). Since September 2013, he has served as vice-president of the Company.

Liu Jun, male, with a bachelor degree, incumbent Vice President of the Company.

Mr. Liu Jun was an employee of the Company from July 1998 to October 2001. He successively served as the assistant director and factory deputy director of the controller factory of the Company, factory deputy director and factory director of the Incoming Materials Inspection Factory, and the deputy head and head of the Supply Department from October 2001 to August 2006; the assistant president of the Company, director of the Materials Purchasing Center and director of the Logistics Distribution Center from August 2006 to July 2015. He has served as a vice president of the Company since August 2015.

Information of positions in shareholders

√ Applicable □ Not applicable

Name of incumbent	Name of shareholder	Position at the shareholder	Commencement of term of office	Remuneration and allowance received from the shareholder
Guo Shuzhan	Hebei Jinghai Guaranteed Investment Co., Ltd.	Chairman and legal representative	August 1, 2006	Yes
Xu Zifa	Hebei Jinghai Guaranteed Investment Co., Ltd.	Director	August 1, 2006	Yes
Xu Chuzhen	State-owned Assets Supervision and Administration Commission of Zhuhai Municipal People's Government	Full-time director and full-time supervisor	May 1, 2012	Yes

Information of positions in other companies

√ Applicable □ Not applicable

Name of incumbent	Names of other companies	Position at other companies	Commencement of term of office	Remuneration and allowance received from other companies
Ye Zhixiong	Zhuhai Urban Construction Group Co., Ltd.	Chairman, legal representative and secretary of the Party committee	January 1, 2013	Yes
Zhang Jundu	Zhejiang Tongcheng Gree Electric	Chairperson	September 1, 1999	Yes

Name of incumbent	Names of other companies	Position at other companies	Commencement of term of office	Remuneration and allowance received from other companies
	Appliances Co., Ltd.			
Zhang Jundu	Zhejiang Shengshi Xinxing Gree Trading Co., Ltd.	General Manager	August 1, 2012	Yes
Xu Zifa	Hebei Shengshi Xinxing Gree Trading Co., Ltd.	General Manager	July 1, 2011	Yes
Lu Xin	TCL Corporation	Independent Director	September 1, 2014	No
Lu Xin	Kingfa Sci. & Tech. Co., Ltd.	Independent Director	May 21, 2014	No
Guo Shuzhan	Henan Shengshi Xinxing Gree Trading Co., Ltd.	General Manager	August 1, 2012	Yes
Xu Chuzhen	Zhuhai League Stock Co., Ltd.	Director	May 20, 2014	Yes
Dong Mingzhu	Zhuhai Landa Compressor Co., Ltd.	Chairman and legal representative	May 10, 1985	No
Dong Mingzhu	Hefei Landa Compressor Co., Ltd.	Chairman and legal representative	December 7, 2009	No
Dong Mingzhu	Zhengzhou Landa Compressor Co., Ltd.	Chairman and legal representative	March 2, 2011	No
Dong Mingzhu	Chongqing Landa Compressor Co., Ltd.	Chairman and legal representative	May 23, 2011	No
Dong Mingzhu	Wuhan Landa Compressor Co., Ltd.	Chairman and legal representative	May 17, 2011	No
Dong Mingzhu	Zhuhai Kaibang Motor Manufacture Co., Ltd.	Chairman and legal representative	April 18, 2003	No
Dong Mingzhu	Hefei Kaibang Motor Manufacture Co., Ltd.	Chairman and legal representative	December 9, 2009	No
Dong Mingzhu	Henan Kaibang Motor Manufacture Co., Ltd.	Chairman and legal representative	August 4, 2011	No
Dong Mingzhu	Chongqing Kaibang Motor Manufacture Co., Ltd.	Chairman and legal representative	August 31, 2011	No
Dong Mingzhu	Hong Kong Gree Electric Appliances Sales Co., Ltd.	Chairperson	June 21, 2005	No
Dong Mingzhu	GREE (Zhongshan) Small Home Appliances Co.	Chairman and legal representative	April 3, 2009	No
Dong Mingzhu	Gree Electric Appliances (Zhengzhou) Co., Ltd.	Chairman and legal representative	August 26, 2010	No

Name of incumbent	Names of other companies	Position at other companies	Commencement of term of office	Remuneration and allowance received from other companies
Dong Mingzhu	Gree Electric Appliances (Wuhan) Co., Ltd.	Chairman and legal representative	August 30, 2010	No
Dong Mingzhu	Shijiazhuang Green Resources Recycling Co., Ltd.	Chairman and legal representative	December 1, 2011	No
Dong Mingzhu	Zhengzhou Gree Green Resources Recycling Co., Ltd	Chairperson, legal representative and general manager	August 26, 2010	No
Dong Mingzhu	Tianjin Green Energy Resource Recycling Co., Ltd.	Chairman and legal representative	March 13, 2013	No
Dong Mingzhu	Hunan Green Resources Recycling Co., Ltd	Chairman and legal representative	November 2, 2010	No
Dong Mingzhu	Gree Electric Appliances (Chongqing) Co., Ltd.	Chairman and legal representative	July 19, 2001	No
Dong Mingzhu	Gree (Shijiazhuang) Small Home Appliances Co., Ltd.	Chairman and legal representative	March 21, 2011	No
Dong Mingzhu	Gree Electric Appliances (Wuhu) Co., Ltd.	Chairman and legal representative	March 29, 2011	No
Dong Mingzhu	Wuhu Green Resources Recycling Co., Ltd.	Executive director and legal representative	March 29, 2011	No
Dong Mingzhu	Zhuhai Gree Group Finance Company Limited	Chairman and legal representative	May 29, 1995	No
Dong Mingzhu	Gree Electric Appliances (Shijiazhuang) Co., Ltd.	Chairman and legal representative	May 23, 2011	No
Dong Mingzhu	Zhuhai Ligao Precision Manufacturing Co., Ltd.	Chairman and legal representative	October 14, 2013	No
Dong Mingzhu	Zhuhai Gree TOSOT Life Electric Appliances Co., Lid.	Chairman and legal representative	April 12, 2013	No
Dong Mingzhu	Changsha Gree HVAC Equipment Co., Ltd.	Executive director and legal representative	April 14, 2014	No
Dong Mingzhu	Zhuhai HVAC Equipment Co., Ltd.	Chairman and legal representative	March 6, 2013	No
Dong Mingzhu	Wuhu Precision Manufacturing Co., Ltd.	Chairman and legal representative	November 20, 2014	No
Dong Mingzhu	Gree TOSOT (Suqian) Home Appliances Co., Ltd.	Chairman and legal representative	September 29, 2014	No

Name of incumbent	Names of other companies	Position at other companies	Commencement of term of office	Remuneration and allowance received from other companies
Dong Mingzhu	Gree Electric Appliances (Hefei) Co., Ltd.	Executive director, legal representative and general manager	December 19, 2006	No
Dong Mingzhu	Zhuhai GREE Intelligent Equipment Co., Ltd.	Chairman and legal representative	September 15, 2015	No
Dong Mingzhu	Zhuhai GREE Intelligent Equipment Technology Research Institute Co., Ltd.	Chairman and legal representative	December 29, 2015	No
Dong Mingzhu	Gree HVAC Equipment (Wuhan) Co., Ltd.	Chairman and legal representative	December 30, 2015	No
Dong Mingzhu	GREE Intelligent Equipment (Wuhan) Co., Ltd.	Chairman and legal representative	December 30, 2015	No
Dong Mingzhu	Zhuhai Hengqin GREE business factoring Co., Ltd.	Chairman and legal representative	December 28, 2015	No
Dong Mingzhu	Zhuhai Gree Electrical Co., Ltd.	Chairman and legal representative	July 13, 1992	No
Dong Mingzhu	Zhuhai Gree Xinyuan Electronics Co., Ltd.	Chairman and legal representative	May 30, 2016	No
Dong Mingzhu	Zhuhai Gree Precision Mold Co., Ltd.	Chairperson	January 23, 2016	No
Dong Mingzhu	Zhuhai Gree New Material Co., Ltd.	Chairperson	March 17, 2016	No
Dong Mingzhu	Zhuhai Gree Energy Environment Technology Co., Ltd.	Chairperson	May 11, 2016	No
Dong Mingzhu	Gree Precision Mold (Wuhan) Co., Ltd.	Chairperson	January 26, 2016	No
Dong Mingzhu	Gree Electric Appliances (Hangzhou) Co., Ltd.	Chairperson	April 15, 2016	No
Huang Hui	Gree Green Refrigeration Technology Center Co., Ltd. Of Zhuhai	Executive director, legal representative and general manager	December 28, 2009	No
Huang Hui	Zhuhai Gree Dakin Device Co., Ltd.	Chairman and legal representative	March 10, 2009	No
Huang Hui	Zhuhai IVP Information Technology Co., Ltd.	Chairman and legal representative	April 29, 2014	No
Huang Hui	Zhuhai Landa Compressor Co., Ltd.	Director	May 10, 1985	No
Huang Hui	Hefei Landa Compressor Co., Ltd.	Director	December 7, 2009	No
Huang Hui	Zhengzhou Landa Compressor Co., Ltd.	Director	March 2, 2011	No

Name of incumbent	Names of other companies	Position at other companies	Commencement of term of office	Remuneration and allowance received from other companies
Huang Hui	Chongqing Landa Compressor Co., Ltd.	Director	May 23, 2011	No
Huang Hui	Wuhan Landa Compressor Co., Ltd.	Director	May 17, 2011	No
Huang Hui	Hefei Kaibang Motor Manufacture Co., Ltd.	Director	December 9, 2009	No
Huang Hui	Henan Kaibang Motor Manufacture Co., Ltd.	Director	August 4, 2011	No
Huang Hui	Chongqing Kaibang Motor Manufacture Co., Ltd.	Director	August 31, 2011	No
Huang Hui	Gree Electric Appliances (Zhengzhou) Co., Ltd.	Director	August 26, 2010	No
Huang Hui	Gree Electric Appliances (Wuhan) Co., Ltd.	Director	August 30, 2010	No
Huang Hui	Shijiazhuang Green Resources Recycling Co., Ltd.	Director	December 1, 2011	No
Huang Hui	Zhengzhou Gree Green Resources Recycling Co., Ltd	Director	August 26, 2010	No
Huang Hui	Gree (Shijiazhuang) Small Home Appliances Co., Ltd.	Director	March 21, 2011	No
Huang Hui	Gree Electric Appliances (Wuhu) Co., Ltd.	Director	March 29, 2011	No
Huang Hui	Zhuhai GREE Intelligent Equipment Co., Ltd.	Director	September 15, 2015	No
Huang Hui	Zhuhai GREE Intelligent Equipment Technology Research Institute Co., Ltd.	Director	December 29, 2015	No
Huang Hui	GREE Intelligent Equipment (Wuhan) Co., Ltd.	Director	December 30, 2015	No
Huang Hui	Gree HVAC Equipment (Wuhan) Co., Ltd.	Director	December 30, 2015	No
Huang Hui	Gree Precision Mold (Wuhan) Co., Ltd.	Director	January 26, 2016	No
Huang Hui	Zhuhai Gree Precision Mold Co., Ltd.	Director	January 23, 2016	No
Huang Hui	Gree Electric Appliances (Hangzhou) Co., Ltd.	Director	April 15, 2016	No
Zhuang Pei	Hefei Landa Compressor Co., Ltd.	Director	December 7, 2009	No
Zhuang Pei	Zhengzhou Landa Compressor Co., Ltd.	Director	March 2, 2011	No

Name of incumbent	Names of other companies	Position at other companies	Commencement of term of office	Remuneration and allowance received from other companies
Zhuang Pei	Chongqing Landa Compressor Co., Ltd.	Director	May 23, 2011	No
Zhuang Pei	Wuhan Landa Compressor Co., Ltd.	Director	May 17, 2011	No
Zhuang Pei	Zhuhai Kaibang Motor Manufacture Co., Ltd.	Director	April 18, 2003	No
Zhuang Pei	Henan Kaibang Motor Manufacture Co., Ltd.	Director	August 4, 2011	No
Zhuang Pei	Chongqing Kaibang Motor Manufacture Co., Ltd.	Director	August 31, 2011	No
Zhuang Pei	Gree Electric Appliances (Zhengzhou) Co., Ltd.	Director	August 26, 2010	No
Zhuang Pei	Gree Electric Appliances (Wuhan) Co., Ltd.	Director	August 30, 2010	No
Zhuang Pei	Shijiazhuang Green Resources Recycling Co., Ltd.	Director	December 1, 2011	No
Zhuang Pei	Zhengzhou Gree Green Resources Recycling Co., Ltd	Director	August 26, 2010	No
Zhuang Pei	Tianjin Green Energy Resource Recycling Co., Ltd.	Director	March 13, 2013	No
Zhuang Pei	Hunan Green Resources Recycling Co., Ltd	Director	November 2, 2010	No
Zhuang Pei	Gree Electric Appliances (Chongqing) Co., Ltd.	Director	July 19, 2001	No
Zhuang Pei	Gree (Shijiazhuang) Small Home Appliances Co., Ltd.	Director	March 21, 2011	No
Zhuang Pei	Gree Electric Appliances (Wuhu) Co., Ltd.	Director	March 29, 2011	No
Zhuang Pei	Wuhu Green Resources Recycling Co., Ltd.	Director	March 29, 2011	No
Zhuang Pei	Gree Electric Appliances (Shijiazhuang) Co., Ltd.	Director	May 23, 2011	No
Wang Jingdong	Zhuhai Gree Electric Appliances Sales Co., Ltd.	Executive director and legal representative	September 17, 2008	No
Wang Jingdong	Hefei Landa Compressor Co., Ltd.	Director	December 7, 2009	No

Name of incumbent	Names of other companies	Position at other companies	Commencement of term of office	Remuneration and allowance received from other companies
Wang Jingdong	Zhengzhou Landa Compressor Co., Ltd.	Director	March 2, 2011	No
Wang Jingdong	Chongqing Landa Compressor Co., Ltd.	Director	May 23, 2011	No
Wang Jingdong	Wuhan Landa Compressor Co., Ltd.	Director	May 17, 2011	No
Wang Jingdong	Hefei Kaibang Motor Manufacture Co., Ltd.	Director	December 9, 2009	No
Wang Jingdong	Henan Kaibang Motor Manufacture Co., Ltd.	Director	August 4, 2011	No
Wang Jingdong	Chongqing Kaibang Motor Manufacture Co., Ltd.	Director	August 31, 2011	No
Wang Jingdong	Tianjin Green Energy Resource Recycling Co., Ltd.	Director	March 13, 2013	No
Wang Jingdong	Hunan Green Resources Recycling Co., Ltd	Director	November 2, 2010	No
Wang Jingdong	Zhuhai Gree Daikin Precision Mold Co., Ltd.	Director	March 10, 2009	No
Wang Jingdong	Zhuhai Gree Dakin Device Co., Ltd.	Director	March 10, 2009	No
Wang Jingdong	Wuhu Green Resources Recycling Co., Ltd.	Director	March 29, 2011	No
Wang Jingdong	Zhuhai Gree Group Finance Company Limited	Director	May 29, 1995	No
Wang Jingdong	Gree Electric Appliances (Shijiazhuang) Co., Ltd.	Director	May 23, 2011	No
Wang Jingdong	Zhuhai Gree TOSOT Life Electric Appliances Co., Lid.	Director	April 12, 2013	No
Wang Jingdong	Zhuhai HVAC Equipment Co., Ltd.	Director	March 6, 2013	No
Wang Jingdong	Gree TOSOT (Suqian) Home Appliances Co., Ltd.	Director	September 29, 2014	No
Wang Jingdong	Zhuhai Hengqin GREE business factoring Co., Ltd.	Director	December 28, 2015	No
Wang	Zhuhai Landa Compressor Co., Ltd.	Supervisor	May 10, 1985	No

Name of incumbent	Names of other companies	Position at other companies	Commencement of term of office	Remuneration and allowance received from other companies
Jingdong				
Wang Jingdong	Zhuhai Meilingda Refrigeration Technology Co., Ltd.	Supervisor	July 2, 2002	No
Wang Jingdong	Zhuhai Meiling General Motors Co., Ltd.	Supervisor	June 27, 2002	No
Wang Jingdong	Zhuhai Gree Electrical Co., Ltd.	Supervisor	July 13, 1992	No
Wang Jingdong	Zhuhai Kaibang Motor Manufacture Co., Ltd.	Supervisor	April 18, 2003	No
Wang Jingdong	Gree Electric Appliances (Zhengzhou) Co., Ltd.	Supervisor	August 26, 2010	No
Wang Jingdong	Gree Electric Appliances (Wuhan) Co., Ltd.	Supervisor	August 30, 2010	No
Wang Jingdong	Shijiazhuang Green Resources Recycling Co., Ltd.	Supervisor	December 1, 2011	No
Wang Jingdong	Zhengzhou Gree Green Resources Recycling Co., Ltd	Supervisor	August 26, 2010	No
Wang Jingdong	Gree Electric Appliances (Chongqing) Co., Ltd.	Supervisor	July 19, 2001	No
Wang Jingdong	Gree (Shijiazhuang) Small Home Appliances Co., Ltd.	Supervisor	March 21, 2011	No
Wang Jingdong	Gree Electric Appliances (Wuhu) Co., Ltd.	Supervisor	March 29, 2011	No
Wang Jingdong	Zhuhai Gree Xinyuan Electronics Co., Ltd.	Supervisor	April 25, 1988	No
Liu Jun	Zhuhai GREE Intelligent Equipment Co., Ltd.	Director	September 15, 2015	No
Liu Jun	Zhuhai GREE Intelligent Equipment Technology Research Institute Co., Ltd.	Director	December 29, 2015	No
Liu Jun	Zhuhai Hengqin GREE business factoring Co., Ltd.	Director	December 28, 2015	No
Liu Jun	GREE Intelligent Equipment (Wuhan) Co., Ltd.	Director	December 30, 2015	No
Liu Jun	Gree HVAC Equipment (Wuhan) Co., Ltd.	Director	December 30, 2015	No

Name of incumbent	Names of other companies	Position at other companies	Commencement of term of office	Remuneration and allowance received from other companies
Liu Jun	Zhuhai Gree Precision Mold Co., Ltd.	Director	January 23, 2016	No
Liu Jun	Gree Precision Mold (Wuhan) Co., Ltd.	Director	January 26, 2016	No
Liu Jun	Gree Electric Appliances (Hangzhou) Co., Ltd.	Director	April 15, 2016	No

Punishments given by the securities regulatory institution to the incumbent directors, supervisors and senior management personnel or those who resigned in the Report Period in the recent three years

Applicable Not applicable

IV. Remunerations of the directors, supervisors and senior management personnel

Decision making procedures, determination basis, and actual payment regarding the remunerations of directors, supervisors and senior management personnel

Within the Report Period, the Board of Directors of the Company conducted the performance review of the achievements and performance of duties of the senior management personnel and implemented the assignment assessment system regarding the working results in ethic, competence, diligence and achievement. The Company adhered to the principle of rationality, fairness and justice and laid emphasis on combination of material incentive and spiritual incentive. As for the material incentive, the Company paid attention to reasonably controlling reward grade and properly opening the reward gap and emphasized the time and frequency of reward. As for the spiritual incentive, the Company paid attention to combining the corporate objectives with the spirit of dedication, sense of social responsibility and career achievement of the senior management personnel.

Remunerations of the directors, supervisors and senior management personnel in the Report Period

Unit: RMB 10,000

Name	Title	Gender	Age	Tenure status	Total amount of pre-tax remuneration received from the Company	Remuneration received from a related party of the Company
Dong Mingzhu	Chairman & President	F	62	Incumbent	619.83	No
Ye Zhixiong	Director	M	59	Incumbent	0	No
Huang Hui	Director & Executive Vice President	M	52	Incumbent	433.88	No
Zhang Jundu	Director	M	56	Incumbent	0	No
Xu Zifa	Director	M	62	Incumbent	0	No
Wang Ruzhu	Independent Director	M	52	Incumbent	12	No
Guo Yang	Independent Director	F	58	Incumbent	12	No
Lu Xin	Independent Director	F	53	Incumbent	12	No
Xu Chuzhen	Supervisor	M	58	Incumbent	0	No
Guo Shuzhan	Supervisor	M	60	Incumbent	0	No
Wang Liqin	Staff Supervisor	F	40	Incumbent	75.15	No
Zhuang Pei	Vice President	M	51	Incumbent	216.94	No
Wang Jingdong	Vice President, Finance Chief, Board Secretary	M	46	Incumbent	297.52	No
Chen Weicai	Vice President	M	44	Incumbent	133.26	No
Liu Jun	Vice President	M	40	Incumbent	247.93	No
Meng Xiangkai	Director	M	55	Resigned		No
Total	--	--	--	--	2,060.51	--

Equity incentives granted to the directors and senior management personnel in the Report Period

 Applicable Not applicable

V. Employees of the Company

1. Number of employees and their specialties and education level

Number (person) of on-the-job employees of the parent company	26,505
Number (person) of on-the-job employees of the main subsidiaries	45,105
Total number (person) of on-the-job employees	71,610
Total number (person) of employees receiving salaries in the current period	71,610

Number (person) of retired employees for whom the parent company and main subsidiaries need to bear expenses	290
Formation of Specialties	
Category of formation of specialties	Number (person) of employees in the formation
Manufacturing Personnel	58,323
Sales Personnel	1,749
Technicians	7,729
Financial Personnel	473
Administrative Personnel	3,336
Total	71,610
Education Level	
Education level category	Number (person) of employees
Bachelor Degree or above	9,814
College Degree	9,186
Technical Secondary School Education and below	52,610
Total	71,610

2. Remuneration policy

The Company provides employees with competitive salary level in the industry and region according to the macroeconomic environment and its business benefits. Besides, the Company established standardized and systematized salary management system in accordance with the national laws and regulations and actual conditions of the enterprise to provide a guarantee for obtaining legal and due labor remuneration by employees. To share the innovative achievements of the Company with general employees and improve employee well-being, the Company decided to add RMB1000 to the salary of each employee per month in November 2016, which played an important role in talent introduction and talent motivation. Meanwhile, to realize rapid and standard training of talents and give full scope to the talents and appoint competent employees in relevant positions, the Company comprehensively consolidated and promoted the work of skill grade evaluation by focusing on skilled positions, made great efforts to promote the professional technical grade evaluation mechanism for technical positions, offered the skilled and technical talents who are competent and have good performance multi-ways

occupational development path and comprehensively built the employing mechanism attracting, retaining and inspiring talents in 2016.

3. Training plan

The transformation breakthrough of manufacturing inevitably requires upgrading and development of the talent team. In 2016, the talent training and cultivation work of Gree followed the core thoughts of "whole staff learning, transformation support; intelligent manufacturing inheritance, development assistance" to promote the development and innovation of various businesses.

① Putting a different emphasis on each level and carrying out the whole staff learning (four levels) development plan

In 2016, the Company promoted the whole staff learning plan of "accelerated learning-transformation breakthrough" to forge and consolidate the four level learning plan system consisting of the company level, department level, section level and individual learning plan, and the plan system with complementary layers specified different responsibilities and key requirements of the learning subject at each level to fulfill the learning and development goals of "connecting to the strategy in the upstream and connecting to the performance in the downstream". The company implemented the whole staff learning development plan to mobilize the learning enthusiasm of all staff, attracted 60000 employees to participate in the series of platforms of promoting learning by competition such as the labor skill competition called "Build Dreams with Originality", product creative design competition and the contest called "Intelligent Manufacturing Inheritance•Gree Excellent Lecturers" organized by the Company, and dug the learning benchmarks and post elites such as "Gree Top 500 Skilled Workers", "Top 50 in Product Innovation" and "Gree Top 30 Good Lecturers".

At the same time, the Company supported and supervised all the units in setting up a complete talent training mechanism by facing all the bases and sales companies of the group to achieve talent training support of the whole industry chain. In 2016, the sales companies organized level-2 and level-3 after-sales technical training for 80000 employees. To achieve effective coverage of whole staff learning, the Company

independently developed a "PDA" mobile learning platform to send the after-sales and terminal learning materials to the frontline directly so as to meet the quick and efficient learning requirements of the frontline personnel. There were 300,000 registered users for "PDA", and more than 40000 persons downloaded learning materials each month.

② Focusing on strategy to support training and cultivation of new businesses and key groups

According to its diversified development layout, the Company put an emphasis on the talent transformation support and cultivation topic in the new businesses and new fields such as intelligent equipment, moulds and mobile phones, and irregularly organized and implemented more than 30 lectures of technology frontier experts with 3000 attendants in the fields such as communication technology, information technology, quality technology, and innovative technology in 2016.

According to the Company's automation development plan, the transformation and upgrading cultivation work of skilled workers was organized and carried within the group to cultivate 1000 special talents of automation skill workers in robot integrated application for the Company in the whole year of 2016.

The Company carried out 12 terms of special training camps for the key groups such as middle level cadres, supervisors and team leaders in the year, and totally 500 cadres at the middle level and basic level participated in the camps. Comprehensive means such as pre-training assessment, special training, management salon, action practice, and joint performance of growth were adopted for the training camps according to characteristics of different management positions in different stages of development to systematically boost the actual management capabilities of the management at the basic and medium levels.

③ Helping the frontline sales and service personnel to boosting levels in the market-oriented manner

To further enhance the terminal sales capacity, the Company further promoted construction of the sales company terminal training system in 2016. The Company organized and implemented the "Pearl Blooming" shopping guide development plan to provide development platform and resource support to terminal shopping guides, and organized the "Pearl" guide training camp activities to boost the sales level of shopping guide

comprehensively.

In 2016, Gree comprehensively strengthened the professional construction of grassroots after-sales team, and started the after-sales skill training camp of 2016 "Travel of top quality products and professional construction of the future" for household and commercial products. The training camp adopted the modes such as nationwide tour and HQ assemble for training to enhance the personnel skills and service level comprehensively and has trained 45000 persons in total.

To enhance the sales ability of overseas market, Gree strengthened overseas customer product training and technical support in an all-round way, and conducted special activities such as "Global Gree Centralized Training and Global Tour" throughout the year, with the training activities covering nearly 1200 customers from 30 countries in the four continents, in the hope of passing the voice of Gree to the world and making the world love products made in China.

4. Labor outsourcing

Applicable Not applicable

Section IX Corporate Governance

I. Basic conditions of corporate governance

In strict accordance with the Company Law, Securities Law and other relevant national laws and regulations and Instructions on Standardized Operation of Companies Listed on the Main Board of Shenzhen Stock Exchange, the Company establishes normative corporate governance structure and rules of procedure for the General Meeting of Shareholders, Board of Directors and Board of Supervisors, clarifies the responsibilities and authorities in decision-making, performance and supervision, forms effective division of responsibilities and balance mechanism, continuously promotes the level of normal operation and safeguards the interests of investors and the Company.

The corporate governance conforms to the Company Law and requirements of CSRC for governance of listed companies.

Great differences exist between the actual corporate governance and the normative document related to listed company governance published by the CSRC

Yes No

II. Independence of the Company relative to the controlling shareholder in the aspects such as business operation, personnel, assets, organization and finance

The Company has a sound corporate governance structure and completely separates from Gree Group as the controlling shareholder in business operation, personnel, assets, organization and finance, and the Company has independent and complete business operation and independent management capability.

III. Horizontal competition

Applicable Not applicable

IV. Convening of the annual general meeting of shareholders and interim general meeting of shareholders during the Report Period

1. General meetings of shareholders during the Report Period

Session of meeting	Type of meeting	Proportion of participating investors	Date of meeting	Date of disclosure	Disclosure index
2015 annual general meeting of shareholders	Annual general meeting of shareholders	0.21%	May 19, 2016	May 20, 2016	Announcement on Resolutions of the General Meeting of Shareholders for the Year 2015 published on www.cninfo.com.cn, etc.
The first interim general meeting of shareholders for the year of 2016	Interim general meeting of shareholders	1.55%	October 28, 2016	October 31, 2016	Announcement on Resolutions of Convening the First Interim General Meeting of Shareholders for the Year 2016 published on www.cninfo.com.cn, etc.

2. Convening of an interim general meeting of shareholders requested by the preferred shareholders whose voting rights have been restored

Applicable Not applicable

V. Performance of duties by independent directors during the Report Period

1. Attendance of independent directors at meetings of the Board of Directors and general meetings of shareholders

Attendance of independent directors at meetings of the Board of Directors						
Name of independent director	Number of meetings of the Board of Directors requiring attendance in the Report Period	Times of attendance on site	Times of attendance in the way of communication	Times of attendance by proxy	Times of absence	Failed to personally attend the meeting for two consecutive times
Wang Ruzhu	6	2	4	0	0	No
Guo Yang	6	2	4	0	0	No
Lu Xin	6	1	5	0	0	No
Number of attendance of independent directors at the general meetings of Shareholders						2

Description about the failure to personally attend the meeting of the Board of Directors for two consecutive times

None

2. Objection raised by independent directors to relevant issues of the Company

Independent directors raised objection to relevant issues of the Company

Yes No

The independent directors didn't raise any objection to relevant issues of the Company.

3. Other descriptions for performance of duties by independent directors

Whether the relevant suggestions on the Company by independent directors were adopted

Yes No

Description about the relevant suggestions on the Company by independent directors that were adopted or not adopted

Within the Report Period, the independent directors of the Company were able to act in the best interest of the Company and its shareholders, faithfully perform their own duties in accordance with the relevant provisions, attend the meetings of the Board of Directors, review and discuss various proposals carefully, fully express their suggestions and opinions for the operation and management of the Company, play an active role in making correct decisions, improving management level and standardizing business operations by the Board of Directors of the Company, and practically safeguarding the interests of minority stock holders.

VI. Performance of duties by special committees under the Board of Directors during the Report Period

1. Performance of duties by audit committee under the Board of Directors

According to the Rules of Procedure of Audit Committee, the audit committee was mainly responsible for communication, supervision and check for internal and external audits:

(1) The audit committee carried out full communications with the accounting firm responsible for the annual audit of the Company in respect of audit plan, engagement letter and risk and control, etc.

(2) Before the annual audit certified public accountants accessed to the site, the audit committee reviewed the preliminarily prepared financial statements of the Company and held that these statements reflected the present financial position of the Company in all major aspects.

(3) After the annual audit certified public accountants issued preliminary opinions, the audit committee reviewed financial statements of the Company, communicated with the

accounting firm in respect of material particulars and significant accounting estimates, audit adjustments and significant accounting policies which might have potential influence on the financial statements and held that the financial statements of the Company gave a true, accurate and complete view of the whole position of the Company and agreed to prepare the annual report for the year 2016 on the basis of these financial statements.

(4) The audit committee reviewed the financial statements for the year 2016 which had been audited by the auditors and held that these financial statements gave a fair view of the financial position of the Company ended 31 December 2016 and operating results and cash flows for the year 2016 in all major aspects and agreed to submit them to the Board of Directors for deliberation.

(5) The audit committee summarized and evaluated the audit work for this year as done by Union Power CPAs Co., Ltd. and held that the annual audit certified public accountants performed their audit work in strict accordance with the Independent Auditing Standards for Chinese Certified Public Accountants and suggested the Company re-engage Union Power CPAs Co., Ltd. as the audit institution for the year 2017.

2. Performance of duties by the remuneration and appraisal committee under the Board of Directors

The remuneration and appraisal committee under the Board of Directors carried out the work in accordance with the Rules of Procedure of the Remuneration and Appraisal Committee, reviewed the annual remunerations disclosed by the directors, supervisors and senior management personnel of the Company according to the Trial Measures for Annual Salary System of Managers, and upon review held that the annual remunerations disclosed by the directors, supervisors and senior management personnel of the Company were consistent with those received actually by them from the Company. The remunerations of the directors, supervisors and senior management personnel of the Company were paid according to the provisions for wages management of the Company.

3. Nomination committee

The nomination committee under the Board of Directors carried out the work in accordance with the Rules of Procedure of the Nomination Committee, during the Report Period, it deliberated the proposals on appointment of directors and checked the qualifications of related persons.

VII. Work of the Board of Supervisors

The Board of Supervisors found whether there are risks in the supervision during the Report Period.

Yes No

The Board of Supervisors had no objection to the supervision during the Report Period.

VIII. Appraisal and incentive for senior management personnel

Within the Report Period, the Board of Directors of the Company conducted the performance review of the achievements and performance of duties of the senior management personnel and implemented the assignment assessment system regarding the working results in ethic, competence, diligence and achievement. The Company adhered to the principle of rationality, fairness and justice and laid emphasis on combination of material incentive and spiritual incentive. As for the material incentive, the Company paid attention to reasonably controlling reward grade and properly opening the reward gap and emphasized the time and frequency of reward. As for the spiritual incentive, the Company paid attention to combining the corporate objectives with the spirit of dedication, sense of social responsibility and career achievement of the senior management personnel.

IX. Internal control

1. Details about major defects found in internal control in the Report Period

Yes No

2. Internal control self-evaluation report

Full disclosure date of the internal control evaluation report	April 27, 2017
Full disclosure index of the internal control evaluation report	www.cninfo.com.cn
Proportion of the total amount of unit assets included in the evaluation scope to the total amount of assets in the consolidated financial statements of the Company	99.00%
Proportion of the unit operating income included in the evaluation scope to the unit operating income in the consolidated financial	99.00%

statements of the Company		
Defect identification standard		
Category	Financial report	Non-financial report
Qualitative standard	For details, see the Internal Control Self-evaluation Report of Gree Electric Appliances, Inc. of Zhuhai for the Year 2016 disclosed on www.cninfo.com.cn by the Company on 27 April.	For details, see the Internal Control Self-evaluation Report of Gree Electric Appliances, Inc. of Zhuhai for the Year 2016 disclosed on www.cninfo.com.cn by the Company on 27 April.
Quantitative standard	For details, see the Internal Control Self-evaluation Report of Gree Electric Appliances, Inc. of Zhuhai for the Year 2016 disclosed on www.cninfo.com.cn by the Company on 27 April.	For details, see the Internal Control Self-evaluation Report of Gree Electric Appliances, Inc. of Zhuhai for the Year 2016 disclosed on www.cninfo.com.cn by the Company on 27 April.
Number of major defects in the financial report		0
Number of major defects in the non-financial report		0
Number of important defects in the financial report		0
Number of important defects in the non-financial report		0

X. Internal control audit report

Deliberation opinion section in the internal control audit report	
We hold that Gree Electric Appliances, Inc. of Zhuhai has maintained effective internal control of financial reports in accordance with the Basic Rules for Internal Control of Enterprises and relevant regulations.	
Disclosure of internal control audit report	Disclosed
Full disclosure date of the internal control audit report	April 27, 2017
Full disclosure index of the internal control audit report	www.cninfo.com.cn
Type of internal control audit report opinions	Standard without reserved opinion
Major defects found in the non-financial report	No

The accounting firm issued the internal control audit report of non-standard opinions

Yes No

The internal control audit report issued by the accounting firm is consistent with the self-evaluation report opinion of the Board of Directors

Yes No

Section X Financial Report

I. Audit report

Audit opinion type	Standard without reserved opinion
Signing date of the audit report	April 26, 2017
Name of the audit institution	Union Power Certified Public Accountants (Special General Partnership)
Audit Report Doc No.	Union Power Audit No. (2017) No. 050018
Name of the certified public accountant	Wang Bing and He Li

Audit report

Union Power Audit No. (2017) No. 050018

All shareholders of GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI:

We have audited the accompanying financial statements of GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI (hereinafter referred to as "your company"), including the consolidated and parent company's balance sheets ended 31 December 2016 and consolidated and parent company's income statements, consolidated and parent company's cash flow statements and consolidated and parent company's statements of changes in owners' equity and notes to financial statements for the year 2016.

1. Responsibility of management for financial statements

Preparing and fairly presenting these financial statements are the responsibilities of the management of your company. These responsibilities include: (1) Preparing these financial Statements in accordance with the Accounting Standards for Business Enterprises and enabling them to achieve a fair reflection; (2) designing, implementing and maintaining the necessary internal control to make these financial statements free of any material misstatement resulting from cheating.

2. Responsibility of certified public accountants

Our responsibility is to express an opinion on audit of these financial statements on the basis of implementation of audit work. We have conducted our audit work according to

the provisions of Audit Standards for Certified Public Accountants of China. The Audit Standards for Certified Public Accountants of China require us to observe the code of professional ethics for Chinese certified public accountants and plan and implement audit work so as to reasonably assure the financial statements free of material misstatement.

Our audit work involves implementation of audit procedures to obtain the audit evidences relating to amount and disclosure of financial statements. The selection of audit procedures depends on judgment of certified public accountants, including the appraisal of material misstatement risk of the financial statements resulting from cheating or errors. During the execution of risk appraisal, the certified public accountants have considered the internal control relating to preparation and fair presentation of financial statements to design proper audit procedures. The audit work also includes appraising whether the management applied proper accounting policy and made reasonable accounting estimate and appraising the overall presentation of these financial statements.

We believe the audit evidences obtained by us are sufficient and proper and shall provide the basis for expressing our audit opinion.

3. Audit opinion

In our opinion, these financial statements of your company have been prepared in all material aspects in accordance with the Accounting Standards for Business Enterprises and fairly reflected the consolidated and parent company's financial position of your company ended 31 December 2016 and consolidated and parent company's operating results and cash flows for the year 2016.

Union Power Certified Public
Accountants (Special General
Partnership)

Chinese CPA: Wang Bing

Chinese CPA: He Li

Wuhan, China

26 April 2017

Consolidated Balance Sheet

December 31, 2016

Prepared by: GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI

Unit: RMB Yuan

Assets	Note	Balance at the end of the period	Beginning Balance
Current assets:			
Monetary capital	7 (1)	95,613,130,731.47	88,819,798,560.53
Settlement Reserves			
Lending funds			
Financial assets measured at their fair values and of which the changes are recorded into the current profits and losses			
Derivative financial assets	7(2)	250,848,418.63	
Bills receivable	7(3)	29,963,355,478.45	14,879,805,537.96
Accounts receivable	7(4)	2,960,534,651.37	2,879,212,111.93
Prepayment	7(5)	1,814,945,790.78	847,929,149.71
Premiums receivable			
Reinsurance accounts receivable			
Reinsurance contract reserve			
Interests receivable	7(6)	1,045,542,563.43	1,109,776,449.77
Dividends receivable			
Other receivables	7(7)	244,984,154.67	254,016,643.00
Buying back the sale of financial assets	7(8)		1,000,000,000.00
Inventories	7(9)	9,024,905,239.41	9,473,942,712.51
Assets classified as held for sale			
Non-current assets due within one year			
Other current assets	7(10)	1,992,536,503.43	1,684,833,479.54
Total current assets		142,910,783,531.64	120,949,314,644.95
Non-current assets:			
Disbursement of loans and advances	7(11)	4,737,184,235.79	7,872,619,001.46
Available-for-sale financial assets	7(12)	1,384,303,560.40	2,704,719,177.56
Held-to-maturity investment			
Long-term receivables			
Long-term equity investment	7(13)	103,913,171.51	95,459,187.55
Investment real estate	7(14)	597,736,633.95	491,540,849.66
Fixed assets	7(15)	17,681,655,478.06	15,431,813,077.20
Construction in Progress	7(16)	581,543,756.84	2,044,837,830.02
Project goods and materials			
Fixed assets in liquidation		36,949,646.14	22,010,122.57
Productive biological assets			
Oil and gas assets			
Intangible assets	7(17)	3,355,276,284.72	2,656,143,811.74
Development expenditures			
Business reputation			
Long-term deferred expenses		1,051,286.89	8,182,375.95
Deferred income tax assets	7(18)	9,667,717,152.15	8,764,376,136.27
Other non-current assets	7(19)	1,311,590,311.26	657,000,100.13
Total non-current assets		39,458,921,517.71	40,748,701,670.11
Total assets		182,369,705,049.35	161,698,016,315.06

Legal representative:

Responsible person in charge of accounting work:

In-charge person of accounting institution:

Consolidated Balance Sheet (Continued)

December 31, 2016

Prepared by: GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI

Unit: RMB Yuan

Liabilities and Owners' (or Shareholders') Equity	Note	Ending Balance	Beginning Balance
Current liabilities:			
Short-term borrowing	7(20)	10,701,081,645.32	6,276,660,136.03
Borrowings from the central bank	7(21)	4,274,000.00	8,000,000.00
Deposits from customers and interbank	7(22)	145,241,859.45	566,612,235.82
Loans from other banks			
Financial liabilities measured at their fair values and of which the changes are recorded into the current profits and losses			
Derivative financial liabilities	7(23)	394,763,490.33	1,189,028,366.37
Bills payable	7(24)	9,127,336,849.68	7,427,635,753.74
Accounts payable	7(25)	29,541,466,861.10	24,794,268,372.47
Advances from customers	7(26)	10,021,885,515.93	7,619,598,042.86
Financial assets sold for repurchase			
Handling charges and commissions payable			
Payroll payable	7(27)	1,702,949,427.06	1,697,282,605.51
Taxes payable	7(28)	3,126,302,754.29	2,977,801,480.55
Interests payable	7(29)	41,781,977.25	48,386,709.75
Dividends payable	7(30)	87,732,811.56	707,913.60
Other payables	7(31)	2,222,613,974.82	2,607,601,936.21
Reinsurance accounts payable			
Insurance contract reserves			
Customer brokerage deposits			
Securities underwriting brokerage deposits			
Liabilities classified as held for sale			
Non-current liabilities due within one year	7(32)		2,403,745,557.37
Other current liabilities	7(33)	59,758,848,571.94	55,007,851,867.48
Total current liabilities		126,876,279,738.73	112,625,180,977.76
Non-current liabilities:			
Long-term borrowing			
Bonds payable			
Including: Preferred stock			
Perpetual bond			
Long-term payables			
Long-term payroll payable	7(34)	117,732,064.00	127,518,492.00
Special payables			
Accrued liabilities			
Deferred income	7(35)	172,081,044.75	134,571,708.03
Deferred income tax liabilities	7(18)	280,009,411.36	244,136,559.35
Other non-current liabilities			
Total non-current liabilities		569,822,520.11	506,226,759.38
Total liabilities		127,446,102,258.84	113,131,407,737.14
Owners' equity (or Shareholders' equity):			
Paid-up capital (or stock capital)	7(36)	6,015,730,878.00	6,015,730,878.00
Other equity instruments			
Including: Preferred stock			
Perpetual bond			
Capital reserves	7(37)	183,400,626.71	185,950,626.71
Less: Treasury stock			
Other comprehensive income	7(38)	-177,172,013.61	-124,928,526.03
Special reserves			
Surplus reserve	7(39)	3,499,671,556.59	3,499,671,556.59
General risk provisions	7(40)	267,370,640.37	207,764,066.72
Undistributed profit	7(41)	44,074,949,590.07	37,737,187,489.78
Total owners' equity attributable to parent company		53,863,951,278.13	47,521,376,091.77
Minority equity		1,059,651,512.38	1,045,232,486.15
Total owners' equity		54,923,602,790.51	48,566,608,577.92
Total liabilities and owners' equity		182,369,705,049.35	161,698,016,315.06

Legal representative:

Responsible person in charge of accounting work:

In-charge person of accounting institution:

Balance Sheet of Parent Company

December 31, 2016

Prepared by: GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI

Unit: RMB Yuan

Assets	Note	Ending Balance	Beginning Balance
Current assets:			
Monetary capital		94,358,894,092.06	88,680,099,321.27
Financial assets measured at their fair values and of which the changes are recorded into the current profits and losses			
Derivative financial assets		250,848,418.63	
Bills receivable		28,681,394,851.75	13,754,447,428.79
Accounts receivable	18 (1)	1,029,622,972.59	3,416,105,149.73
Prepayment		7,336,373,722.28	3,634,956,003.75
Interests receivable		1,289,154,900.73	1,477,241,737.32
Dividends receivable			
Other receivables	18 (2)	848,175,367.89	574,622,000.79
Inventories		7,847,311,118.65	8,670,596,377.12
Assets classified as held for sale			
Non-current assets due within one year			
Other current assets		101,558,124.83	43,205,378.75
Total current assets		141,743,333,569.41	120,251,273,397.52
Non-current assets:			
Available-for-sale financial assets			
Held-to-maturity investment			
Long-term receivables			
Long-term equity investment	18 (3)	7,713,333,058.50	6,854,879,074.54
Investment real estate		30,324,919.33	31,569,857.77
Fixed assets		3,482,273,291.47	3,986,232,943.74
Construction in Progress		92,157,312.16	45,748,249.58
Project goods and materials			
Fixed assets in liquidation		28,267,150.92	8,704,526.44
Productive biological assets			
Oil and gas assets			
Intangible assets		526,591,622.40	223,794,602.31
Development expenditures			
Business reputation			
Long-term deferred expenses			
Deferred income tax assets		9,063,947,017.39	8,077,471,456.41
Other non-current assets		243,648,986.71	363,632,959.20
Total non-current assets		21,180,543,358.88	19,592,033,669.99
Total assets		162,923,876,928.29	139,843,307,067.51

Legal representative:

Responsible person in charge of accounting work:

In-charge person of accounting institution:

Balance Sheet of Parent Company (Continued)

December 31, 2016

Prepared by: GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI

Unit: RMB Yuan

Liabilities and Owners' (or Shareholders') Equity	Note	Ending Balance	Beginning Balance
Current liabilities:			
Short-term borrowing		7,136,785,600.00	2,675,363,200.00
Financial liabilities measured at their fair values and of which the changes are recorded into the current profits and losses			
Derivative financial liabilities		32,218,000.00	91,071,099.06
Bills payable		10,045,470,518.12	7,237,386,266.55
Accounts payable		41,793,337,033.46	40,616,067,475.26
Advances from customers		14,791,379,086.59	7,427,598,204.97
Payroll payable		733,818,959.96	875,567,613.73
Taxes payable		1,875,319,977.49	2,507,553,404.63
Interests payable		43,053,052.94	8,418,174.57
Dividends payable		602,881.87	602,881.87
Other payables		560,376,207.04	610,537,718.98
Liabilities classified as held for sale			
Non-current liabilities due within one year			2,403,745,557.37
Other current liabilities		60,107,149,647.50	55,170,845,529.23
Total current liabilities		137,119,510,964.97	119,624,757,126.22
Non-current liabilities:			
Long-term borrowing			
Bonds payable			
Including: Preferred stock			
Perpetual bond			
Long-term payables			
Long-term payroll payable		117,732,064.00	127,518,492.00
Special payables			
Accrued liabilities			
Deferred income		130,349,609.28	113,796,827.32
Deferred income tax liabilities		232,395,962.90	221,586,260.60
Other non-current liabilities			
Total non-current liabilities		480,477,636.18	462,901,579.92
Total liabilities		137,599,988,601.15	120,087,658,706.14
Owners' equity (or Shareholders' equity)			
Paid-up capital (or stock capital)		6,015,730,878.00	6,015,730,878.00
Other equity instruments			
Including: Preferred stock			
Perpetual bond			
Capital reserves		190,973,495.25	190,973,495.25
Less: Treasury stock			
Other comprehensive income		-18,336,753.00	-54,758,221.50
Special reserves			
Surplus reserve		3,497,114,024.31	3,497,114,024.31
Undistributed profit		15,638,406,682.58	10,106,588,185.31
Total owners' equity (or shareholders' equity)		25,323,888,327.14	19,755,648,361.37
Total liabilities and owners' equity (or shareholders' equity)		162,923,876,928.29	139,843,307,067.51

Legal representative:

Responsible person in charge of accounting work:

In-charge person of accounting institution:

Consolidated Income Statement

For the Year 2016

Prepared by: GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI

Unit: RMB Yuan

Item	Note	Amount for the current period	Amount for the previous period
1. Total operating revenues		110,113,101,850.23	100,564,453,646.56
Including: Operating Revenue	7(42)	108,302,565,293.70	97,745,137,194.16
Interest revenue	7(43)	1,809,581,651.68	2,816,215,388.45
Earned premium			
Fee and commission income		954,904.85	3,101,063.95
2. Total operating costs		91,529,379,824.61	86,134,609,086.80
Including: Operating Cost	7(42)	72,885,641,217.00	66,017,353,745.09
Interest expense	7(43)	93,317,462.31	652,352,307.92
Handling charges and commission expenses		333,542.60	399,791.57
Refunded premiums			
Net payments for insurance claims			
Net provision for insurance contracts			
Expenditures dividend policy			
Amortized reinsurance expenditures			
Taxes and surcharges	7(44)	1,430,404,246.95	751,894,199.95
Sales expense	7(45)	16,477,265,963.04	15,506,341,694.21
Overhead Expense	7(46)	5,488,955,551.20	5,048,746,635.48
Financial expense	7(47)	-4,845,546,598.04	-1,928,797,250.18
Asset impairment loss	7(48)	-991,560.45	86,317,962.76
Add: Profits or losses on the changes in fair value (losses expressed with "-")	7(49)	1,093,332,134.65	-1,010,322,499.17
Income from investments (losses expressed with "-")	7(50)	-2,221,356,324.55	96,654,919.95
Including: Investment incomes from joint venture and partnership		8,034,445.96	3,246,089.30
3. Operating profit (losses expressed with "-")		17,455,697,835.72	13,516,176,980.54
Add: Non-operating revenues	7(51)	1,096,234,774.23	1,404,291,659.85
Including: Gains from disposal of non-current assets	7(51)	2,838,642.05	1,039,883.33
Less: Non-operating expenses	7(52)	20,742,533.35	11,049,178.36
Including: Losses from disposal of non-current assets	7(52)	15,083,762.45	9,118,859.43
4. Total profit (total losses expressed with "-")		18,531,190,076.60	14,909,419,462.03
Less: Income tax expenses	7(53)	3,006,555,172.73	2,285,686,841.81
5. Net profit (net loss expressed with "-")		15,524,634,903.87	12,623,732,620.22
Net profit attributable to owners of parent company		15,420,964,990.94	12,532,442,817.66
Minority interest income		103,669,912.93	91,289,802.56
6. Net of tax of other comprehensive income		-54,469,476.32	-139,722,316.44
Net of tax of other comprehensive income attributable to owners of parent company		-52,243,487.58	-142,675,233.57
(1) other comprehensive income not to be reclassified to profit or loss in subsequent periods		-8,412,589.00	-17,952,049.00
1. Changes due to remeasuring and redefining net liabilities or net assets of the benefit plan		-8,412,589.00	-17,952,049.00
2. Shares enjoyed in other comprehensive income not to be reclassified to profit or loss in the invested entity under the equity method			
(2) Other comprehensive income to be reclassified to profit or loss in subsequent periods		-43,830,898.58	-124,723,184.57
1. Shares enjoyed in other comprehensive income to be reclassified to profit or loss in the invested entity under the equity method			
2. Gains and losses from changes in fair value of financial assets available for sale		-67,430,700.38	-230,765,894.39
3. Gains and losses from held-to-maturity investments reclassified as financial assets available for sale			
4. Effective part of cash flow hedging gains and losses		44,834,057.50	5,565,251.27
5. Difference arising from translation of financial statements in foreign currency		-21,234,255.70	100,477,458.55
6. Others			
Net of tax of other comprehensive income attributable to minority shareholders		-2,225,988.74	2,952,917.13
7. Total comprehensive income		15,470,165,427.55	12,484,010,303.78
Total comprehensive income attributable to owners of parent company		15,368,721,503.36	12,389,767,584.09
Total comprehensive income attributable to minority shareholders		101,443,924.19	94,242,719.69
8. Earnings per share:			
(1) Basic earnings per share	19(2)	2.56	2.08
(2) Diluted earnings per share	19(2)	2.56	2.08

Legal representative:

Responsible person in charge of accounting work:

In-charge person of accounting institution:

Income Statement of Parent Company

For the Year 2016

Prepared by: GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI

Unit: RMB Yuan

Item	Note	Amount for the current period	Amount for the previous period
1. Operating revenues	18(4)	100,196,022,986.24	93,603,741,139.75
Less: Operating Cost	18(4)	74,157,492,256.23	72,014,671,656.89
Taxes and surcharges		775,947,515.17	432,775,315.43
Sales expense		15,982,757,141.77	16,128,392,011.95
Overhead Expense		2,018,741,946.11	2,132,369,143.60
Financial expense		-5,474,190,948.12	-3,317,674,713.24
Asset impairment loss		99,779.73	-3,691,215.17
Add: Profits or losses on the changes in fair value (losses expressed with "-")		316,201,517.69	-175,248,617.29
Income from investments (losses expressed with "-")	18(5)	3,133,375,724.41	171,438,245.76
Including: Investment incomes from joint venture and partnership		8,034,445.96	3,246,089.30
2. Operating profit (losses expressed with "-")		16,184,752,537.45	6,213,088,568.76
Add: Non-operating revenues		96,856,023.21	136,619,359.37
Including: Gains from disposal of non-current assets		496,921.55	85,349.79
Less: Non-operating expenses		681,502.47	399,008.88
Including: Losses from disposal of non-current assets		150,495.17	370,704.12
3. Total profit (total losses expressed with "-")		16,280,927,058.19	6,349,308,919.25
Less: Income tax expenses		1,725,512,243.92	933,478,997.61
4. Net profit (net loss expressed with "-")		14,555,414,814.27	5,415,829,921.64
5. Net of tax of other comprehensive income		36,421,468.50	-12,386,797.73
(1) other comprehensive income not to be reclassified to profit or loss in subsequent periods		-8,412,589.00	-17,952,049.00
1. Changes due to remeasuring and redefining net liabilities or net assets of the benefit plan		-8,412,589.00	-17,952,049.00
2. Shares enjoyed in other comprehensive income not to be reclassified to profit or loss in the invested entity under the equity method			
(2) Other comprehensive income to be reclassified to profit or loss in subsequent periods		44,834,057.50	5,565,251.27
1. Shares enjoyed in other comprehensive income to be reclassified to profit or loss in the invested entity under the equity method			
2. Gains and losses from changes in fair value of financial assets available for sale			
3. Gains and losses from held-to-maturity investments reclassified as financial assets available for sale			
4. Effective part of cash flow hedging gains and losses		44,834,057.50	5,565,251.27
5. Difference arising from translation of financial statements in foreign currency			
6. Others			
6. Total comprehensive income		14,591,836,282.77	5,403,443,123.91

Legal representative:

Responsible person in charge of accounting work:

In-charge person of accounting institution:

Consolidated Cash Flow Statement

For the Year 2016

Prepared by: GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI

Unit: RMB Yuan

Item	Note	Amount for the current period	Amount for the previous period
1. Cash flows from operating activities:			
Cash received from sale of goods or rendering of services		69,896,621,293.21	110,918,320,884.07
Net increase in deposits and due from banks		-421,370,376.37	-239,900,888.66
Net increase in borrowings from central bank		-3,726,000.00	-9,457,000.00
Net increase in placements from other financial institutions			
Cash received from original insurance contracts			
Net increase received from reinsurance business			
Net increase in deposits from the insured and investment			
Net increase for disposal of financial assets measured at their fair values and of which the changes are recorded into the current profits and losses			
Cash received from interests, fees and commissions		1,965,747,102.22	2,793,577,944.23
Net increase in placements from other financial institutions			
Net increase in repurchase business capital			-586,000,000.00
Refund of tax and levies		1,139,337,699.60	1,237,326,987.91
Other cash received relating to operating activities	7(54)	2,938,826,213.65	4,682,640,196.09
Sub-total of cash inflows from operating activities		75,515,435,932.31	118,796,508,123.64
Cash payments for goods acquired and services received		40,478,783,811.27	42,541,255,260.22
Net increase in loans and advances to customers		-4,216,183,377.63	2,465,300,268.21
Net increase in deposits with central bank and other financial institutions		-1,064,180,189.98	-1,050,510,263.03
Cash paid for indemnity of original insurance contract			
Cash paid for interests, fees and commissions		94,593,790.43	662,494,322.97
Cash paid for policy dividends			
Cash paid to and on behalf of employees		5,657,046,182.44	5,590,514,442.03
Payments of all types of taxes		11,333,898,757.72	13,773,887,181.66
Other cash paid relating to operating activities	7(54)	8,371,524,851.14	10,435,185,083.90
Sub-total of cash outflows from operating activities		60,655,483,825.39	74,418,126,295.96
Net cash flows from operating activities		14,859,952,106.92	44,378,381,827.68
2. Cash flows from investing activities:			
Cash received from recovery of investments		3,142,289,553.35	950,000,000.00
Cash received from return of investments		264,728,491.86	84,643,291.79
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		27,196,374.80	1,228,803.43
Net cash received from disposal of subsidiaries and other business units			
Other cash received relating to investing activities	7(54)	6,500,000.00	143,435,881.62
Sub-total of cash inflows from investing activities		3,440,714,420.01	1,179,307,976.84
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets		3,276,936,026.68	2,884,513,074.71
Cash paid for investments		1,496,403,698.86	2,832,663,335.62
Net increase in pledge loans			
Net cash paid for acquisition of subsidiaries and other business units			
Other cash paid relating to investing activities	7(54)	17,913,927,388.57	175,286,430.99
Sub-total of cash outflows from investing activities		22,687,267,114.11	5,892,462,841.32
Net Cash Flow from Investment Activities		-19,246,552,694.10	-4,713,154,864.48
3. Cash flows from financing activities:			
Cash received from absorbing investment			
Including: Cash received from minority shareholder investment by subsidiary			
Cash received from borrowings		12,382,413,204.61	10,096,926,967.84
Cash received from bond issue			
Other cash received relating to financing activities	7(54)	2,110,522,945.98	1,257,485,012.71
Sub-total of cash inflows from financing activities		14,492,936,150.59	11,354,411,980.55
Cash repayments of amounts borrowed		11,054,156,840.31	9,512,423,538.15
Cash paid for dividend and profit distribution or interest payment		9,180,067,571.71	9,525,010,447.46
Including: Dividends and profits paid to minority shareholders by subsidiaries			
Other cash paid relating to financing activities		10,271,924.02	
Sub-total of cash outflows from financing activities		20,244,496,336.04	19,037,433,985.61
Net Cash Flow from Financing Activities		-5,751,560,185.45	-7,683,022,005.06
4. Effect of foreign exchange rate changes on cash and cash equivalents		4,094,503,950.24	1,876,340,773.99
5. Net increase in cash and cash equivalents		-6,043,656,822.39	33,858,545,732.13
Add: Beginning balance of cash and cash equivalents		77,365,016,845.22	43,506,471,113.09
6. Ending balance of cash and cash equivalents		71,321,360,022.83	77,365,016,845.22

Legal representative:

Responsible person in charge of accounting work:

In-charge person of accounting institution:

Cash Flow Statements of Parent Company

For the Year 2016

Prepared by: GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI

Unit: RMB Yuan

Item	Note	Amount for the current period	Amount for the previous period
1. Cash flows from operating activities:			
Cash received from sale of goods or rendering of services		73,772,247,201.55	100,825,366,279.54
Refund of tax and levies		892,479,335.10	1,159,795,819.86
Other cash received relating to operating activities		2,776,455,975.16	3,402,282,409.75
Sub-total of cash inflows from operating activities		77,441,182,511.81	105,387,444,509.15
Cash payments for goods acquired and services received		47,666,643,016.88	48,637,706,510.04
Cash paid to and on behalf of employees		2,461,753,957.31	2,254,402,964.71
Payments of all types of taxes		7,790,647,525.17	9,328,346,895.14
Other cash paid relating to operating activities		7,822,012,647.53	8,274,660,258.70
Sub-total of cash outflows from operating activities		65,741,057,146.89	68,495,116,628.59
Net cash flows from operating activities		11,700,125,364.92	36,892,327,880.56
2. Cash flows from investing activities:			
Cash received from recovery of investments			
Cash received from return of investments			28,941,374.91
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		2,817,038.00	154,720.00
Net cash received from disposal of subsidiaries and other business units			
Other cash received relating to investing activities		6,500,000.00	143,435,881.62
Sub-total of cash inflows from investing activities		9,317,038.00	172,531,976.53
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets		487,437,576.81	1,005,797,949.58
Cash paid for investments		850,419,538.00	220,000,000.00
Net cash paid for acquisition of subsidiaries and other business units			
Other cash paid relating to investing activities		24,401,261,166.04	
Sub-total of cash outflows from investing activities		25,739,118,280.85	1,225,797,949.58
Net Cash Flow from Investment Activities		-25,729,801,242.85	-1,053,265,973.05
3. Cash flows from financing activities:			
Cash received from absorbing investment			
Cash received from borrowings		8,351,424,680.00	8,361,061,000.00
Other cash received relating to financing activities		2,110,522,945.98	1,257,485,012.71
Sub-total of cash inflows from financing activities		10,461,947,625.98	9,618,546,012.71
Cash repayments of amounts borrowed		6,765,973,061.39	7,098,162,324.08
Cash paid for dividend and profit distribution or interest payment		9,108,489,378.90	9,444,887,252.27
Other cash paid relating to financing activities		10,271,924.02	
Sub-total of cash outflows from financing activities		15,884,734,364.31	16,543,049,576.35
Net Cash Flow from Financing Activities		-5,422,786,738.33	-6,924,503,563.64
4. Effect of foreign exchange rate changes on cash and cash equivalents		4,034,988,007.34	1,733,758,931.75
5. Net increase in cash and cash equivalents		-15,417,474,608.92	30,648,317,275.62
Add: Beginning balance of cash and cash equivalents		81,020,140,360.98	50,371,823,085.36
6. Ending balance of cash and cash equivalents		65,602,665,752.06	81,020,140,360.98

 Legal representative:
institution:

Responsible person in charge of accounting work:

In-charge person of accounting

Consolidated Statement of Changes In Owners' Equity

For the Year 2016

Prepared by: GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI

Unit: RMB Yuan

Item	Amount for the current period												
	Shareholders' equity attributable to the parent company											Minority equity	Total owners' equity
	Paid-up capital (or stock capital)	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserve	General risk provisions	Undistributed profit		
	Preferred stock	Perpetual bond	Others										
1. Ending balance for the previous year	6,015,730,878.00				185,950,626.71		-124,928,526.03		3,499,671,556.59	207,764,066.72	37,737,187,489.78	1,045,232,486.15	48,566,608,577.92
Add: Changes in accounting policies													
Early error correction													
Business combination involving enterprises under common control													
Others													
2. Beginning balance for the current year	6,015,730,878.00				185,950,626.71		-124,928,526.03		3,499,671,556.59	207,764,066.72	37,737,187,489.78	1,045,232,486.15	48,566,608,577.92
3. Increase or decrease in the current year (decrease expressed with "-")					-2,550,000.00		-52,243,487.58			59,606,573.65	6,337,762,100.29	14,419,026.23	6,356,994,212.59
(1) Total comprehensive income							-52,243,487.58				15,420,964,990.94	101,443,924.19	15,470,165,427.55
(2) Capital invested by owners and capital decrease													
1. Ordinary stocks invested by shareholders													
2. Capital invested by holders of other equity instruments													
3. Amounts of share-based payments recognized into owner's equity													
4. Others													
(3) Profit distribution										59,606,573.65	-9,083,202,890.65	-87,024,897.96	-9,110,621,214.96
1. Appropriation to surplus reserves													
2. Appropriation of general risk provisions										59,606,573.65	-59,606,573.65		
3. Allocation to owners											-9,023,596,317.00	-87,024,897.96	-9,110,621,214.96

(or shareholders)													
4. Others													
(4) Internal carry-over of owner's equity													
1. Transfer of capital reserves into capital (or stock capital)													
2. Transfer of surplus reserves into capital (or stock capital)													
3. Surplus reserves for making up losses													
4. Others													
(5) Appropriative reserve													
1. Amount withdrawn for the period													
2. Amount used for the period													
(6) Others												-2,550,000.00	
4. Ending balance for the current period	6,015,730,878.00					183,400,626.71	-177,172,013.61	3,499,671,556.59	267,370,640.37	44,074,949,590.07	1,059,651,512.38	54,923,602,790.51	

Legal representative:

Responsible person in charge of accounting work:

In-charge person of accounting institution:

Consolidated Statement of Changes In Owners' Equity

For the Year 2016

Prepared by: GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI

Unit: RMB Yuan

Item	Amount for the current period												
	Shareholders' equity attributable to the parent company											Minority equity	Total owners' equity
	Paid-up capital (or stock capital)	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserve	General risk provisions	Undistributed profit		
	Preferred stock	Perpetual bond	Others										
1. Ending balance for the previous year	3,007,865,439.00				3,191,266,065.71		17,746,707.54		2,958,088,564.43	136,364,066.72	34,841,323,981.28	978,796,185.50	45,131,451,010.18
Add: Changes in accounting policies													
Early error correction													
Business combination involving enterprises under common control													
Others													
2. Beginning balance for the current year	3,007,865,439.00				3,191,266,065.71		17,746,707.54		2,958,088,564.43	136,364,066.72	34,841,323,981.28	978,796,185.50	45,131,451,010.18
3. Increase or decrease in the current year (decrease expressed with "-")	3,007,865,439.00				-3,005,315,439.00		-142,675,233.57		541,582,992.16	71,400,000.00	2,895,863,508.50	66,436,300.65	3,435,157,567.74
(1) Total comprehensive income							-142,675,233.57				12,532,442,817.66	94,242,719.69	12,484,010,303.78
(2) Capital invested by owners and capital decrease													
1. Ordinary stocks invested by shareholders													
2. Capital invested by holders of other equity instruments													
3. Amounts of share-based payments recognized into owner's equity													
4. Others													
(3) Profit distribution									541,582,992.16	71,400,000.00	-9,636,579,309.16	-27,806,419.04	-9,051,402,736.04
1. Appropriation to surplus reserves									541,582,992.16		-541,582,992.16		
2. Appropriation of general risk provisions										71,400,000.00	-71,400,000.00		

Statement of Changes In Owners' Equity of Parent Company

For the Year 2016

Prepared by: GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI

Unit: RMB Yuan

Item	Amount for the current period											
	Paid-up capital (or stock capital)	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserve	General risk provisions	Undistributed profit	Total owners' equity
		Preferred stock	Perpetual bond	Others								
1. Ending balance for the previous year	6,015,730,878.00				190,973,495.25		-54,758,221.50		3,497,114,024.31		10,106,588,185.31	19,755,648,361.37
Add: Changes in accounting policies												
Early error correction												
Others												
2. Beginning balance for the current year	6,015,730,878.00				190,973,495.25		-54,758,221.50		3,497,114,024.31		10,106,588,185.31	19,755,648,361.37
3. Increase or decrease in the current year (decrease expressed with "-")							36,421,468.50				5,531,818,497.27	5,568,239,965.77
(1) Total comprehensive income							36,421,468.50				14,555,414,814.27	14,591,836,282.77
(2) Capital invested by owners and capital decrease												
1. Ordinary stocks invested by shareholders												
2. Capital invested by holders of other equity instruments												
3. Amounts of share-based payments recognized into owner's equity												
4. Others												
(3) Profit distribution											-9,023,596,317.00	-9,023,596,317.00
1. Appropriation to surplus reserves												
2. Allocation to owners (or shareholders)											-9,023,596,317.00	-9,023,596,317.00
3. Others												
(4) Internal carry-over of owner's equity												
1. Transfer of capital reserves into capital (or stock capital)												
2. Transfer of surplus reserves into capital (or stock capital)												
3. Surplus reserves for making up losses												
4. Others												
(5) Appropriative reserve												
1. Amount withdrawn for the period												
2. Amount used for the period												
(6) Others												

4. Ending balance for the current period	6,015,730,878.00		190,973,495.25	-18,336,753.00	3,497,114,024.31	15,638,406,682.58	25,323,888,327.14
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Legal representative:

Responsible person in charge of accounting work:

In-charge person of accounting institution:

Statement of Changes In Owners' Equity of Parent Company

For the Year 2016

Prepared by: GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI

Unit: RMB Yuan

Item	Amount for the previous period											
	Paid-up capital (or stock capital)	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserve	General risk provisions	Undistributed profit	Total owners' equity
		Preferred stock	Perpetual bond	Others								
1. Ending balance for the previous year	3,007,865,439.00				3,198,838,934.25		-42,371,423.77		2,955,531,032.15		14,255,937,572.83	23,375,801,554.46
Add: Changes in accounting policies												
Early error correction												
Others												
2. Beginning balance for the current year	3,007,865,439.00				3,198,838,934.25		-42,371,423.77		2,955,531,032.15		14,255,937,572.83	23,375,801,554.46
3. Increase or decrease in the current year (decrease expressed with "-")	3,007,865,439.00				3,007,865,439.00		-12,386,797.73		541,582,992.16		-4,149,349,387.52	-3,620,153,193.09
(1) Total comprehensive income							-12,386,797.73				5,415,829,921.64	5,403,443,123.91
(2) Capital invested by owners and capital decrease												
1. Ordinary stocks invested by shareholders												
2. Capital invested by holders of other equity instruments												
3. Amounts of share-based payments recognized into shareholders' equity												
4. Others												
(3) Profit distribution									541,582,992.16		-9,565,179,309.16	-9,023,596,317.00
1. Appropriation to surplus reserves									541,582,992.16		-541,582,992.16	
2. Allocation to owners (or shareholders)											-9,023,596,317.00	-9,023,596,317.00
3. Others												
(4) Internal carry-over of owner's equity	3,007,865,439.00				3,007,865,439.00							
1. Transfer of capital reserves into capital (or stock capital)	3,007,865,439.00				3,007,865,439.00							
2. Transfer of surplus reserves into capital (or stock capital)												
3. Surplus reserves for making up losses												
4. Others												
(5) Appropriative reserve												
1. Amount withdrawn for the period												

2. Amount used for the period											
(6) Others											
4. Ending balance for the current period	6,015,730,878.00			190,973,495.25		-54,758,221.50		3,497,114,024.31		10,106,588,185.31	19,755,648,361.37

Legal representative:

Responsible person in charge of accounting work:

In-charge person of accounting institution:

GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI

Notes to Financial Statements for the Year 2016

I. Basic information of the Company

GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI (hereinafter referred to as "the Company" or "Company") was formerly known as Haili Air-conditioning Engineering Co., Ltd. of Zhuhai which was established in 1989 upon approval of Zhuhai Municipal Industrial Committee and the people's Bank of China Zhuhai Branch and was renamed GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI (hereinafter referred to as "the Company" or "Company") in 1994 upon approval of Zhuhai City Commission for Economic Restructuring, and the Company was listed on Shenzhen Stock Exchange dated 18 November 1996 upon receipt of the approval document Zheng Jian Fa Zi (1996) No. 321 from China Securities Regulatory Commission, and it has obtained the unified social credit identifier No. 91440400192548256N and has the registered capital of RMB 6,015,730,878.00 as of December 31, 2016.

Legal representative: Dong Mingzhu

Business scope: export and import of goods and technologies (excluding items forbidden by laws and administrative regulations. Items restricted by laws and administrative regulations shall be conducted with special license); manufacturing and distribution of pumps, valves, compressors and similar machines, fan motors, packaging equipment and other general-purpose equipment, motors, equipment for power transmission and distribution and control equipment, electric wires and cables, optical cables and electrical equipment, and household electrical appliances; wholesale of mechanical equipment, hardware and electrical equipment and electronic products; retail of household electrical appliances and electronic products.

Main products of the Company: The Company is engaged in household electrical appliances business mainly including production and sales of air conditioners and their accessories, and household appliances and their accessories.

Company address: Jinji West Road, Qianshan, Zhuhai City, Guangdong Province

The parent company of the Company is Zhuhai Gree Group Co., Ltd. and the final controller is Zhuhai Municipal State-owned Assets Supervision and Administration Commission.

This financial report was submitted under approval of the Board of Directors of the Company as of April 26, 2017.

II. Coverage of the consolidated statements

The Company incorporated over 50 subsidiaries such as Gree Electric Appliances (Chongqing) Co., Ltd. and Gree Electric Appliances (Hefei) Co., Ltd. in the coverage of the financial statements consolidated in the current period. For details, see “Note 8 Change to the Consolidation Scope” and “Note 9 Equity in Other Subjects”.

III. Preparation basis of the financial statements

1. Preparation basis of the financial statements

The financial statements of the Company have been prepared in accordance with the requirements of Accounting Standards for Business Enterprises – Basic Standards (issued by Decree No.33 of the Ministry of Finance and revised by Decree No. 76 of the Ministry of Finance) issued by the Ministry of Finance on 15 February, 2006 and 41 Specific Accounting Standards, application guidelines, explanations and other relevant regulations of the accounting standards subsequently promulgated (collectively referred to as the “Accounting Standards for Business Enterprises”), and the disclosure requirements in accordance with the Preparation Rules for Information Disclosure by Companies Offering Securities to the Public No. 15 - General Provisions on Financial Reports (2014 Revision) issued by China Securities Regulatory Commission.

2. Going concern

This financial statement was presented on a going concern basis. The management carefully evaluated factors of the Company in the future 12 months commencing from December 31, 2016 such as the macropolicy risk, market operation risk, current and long-term profitability and solvency of the enterprise, financial flexibility, and the management’s intention of changing the operations policy, and held that there was no event that can generate significant influence on

the Company's ability to continue as a going concern.

IV. Statements regarding observance of the Accounting Standards for Business Enterprises

The financial statements prepared by the Company conform to the requirements of the Accounting Standards for Business Enterprises and give a true and complete view of the financial position of the Company on December 31, 2016, and the related information such as operating results and cash flows in the year 2016. Besides, the financial statements prepared by the Company, in all the major aspects, also conform to the disclosure requirements of financial statements and their notes in the Preparation Rules for Information Disclosure by Companies Offering Securities to the Public No. 15 - General Provisions on Financial Reports revised by the China Securities Regulatory Commission in 2014.

V. Significant accounting policies and estimates and previous errors

Specific accounting policies and accounting estimate suggestions:

The Company and each subsidiary are engaged in production and sales of air conditioners and their accessories, and household appliances and their accessories. The Company and each subsidiary have prepared several specific accounting policies and accounting estimates for transactions and events such as revenue recognition based on the actual production management characteristics and in accordance with provisions of the related Accounting Standards for Business Enterprises. For details, see the detailed description in Note 5 herein. For the description about major accounting judgments and estimates made by the management, please see Note 5 (29) "Major accounting estimates".

(1) Accounting period

Accounting period of the Company includes one year and interim periods. An interim period covers six-month, a quarter and a month. The accounting year of the Company commences on 1 January and ends on 31 December of each year.

(2) Operating cycle

The normal operating cycle refers to the period from the Company's purchase of assets used for processing to achieving of cash or cash equivalent. The Company regards 12 months as one operating cycle and uses it as the liquidity classification

standard for assets and liabilities.

(3) Functional currency

RMB is the functional currency used by the Company.

(4) Accounting treatment of business combination involving enterprises under common control and business combination not involving enterprises under common control

Business combination refers to the transaction or event of combining two or more independent enterprises to form a reporting entity. Business combination is classified into business combination involving enterprises under common control and business combination not involving enterprises under common control.

1. Business combination involving enterprises under common control

A business combination involving enterprises under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory. For business combination involving enterprises under common control, the party that obtains the right to control other enterprises participating in the combination on the combination date is the combining party, and other enterprises participating in the combination are the combined party. The combination date refers to the date on which the combining party actually obtains the right to control the combined party.

Where business combination involving enterprises under common control arises from one transaction or equities of invested entities under common control are obtained step by step through multiple transactions and these transactions belong to a package deal, the Company will recognize the cost of combination according to the share of carrying amount of net assets obtained for the combined party in the ultimate controlling party's consolidated financial statements on the combination date. The difference between the carrying amount of the consideration paid for the combination (or total par value of the issued stocks) and the combination cost is adjusted to capital reserve; if the capital reserve is not sufficient to absorb the difference, any excess is adjusted against retained earnings.

Costs incurred that are attributable to the business combination made by the

Company, including intermediary costs such as the audit fee, legal service charge and appraisal and consultation costs, and other related overhead expenses are charged to profits or losses in the period in which they are incurred; the transaction expenses directly attributable to the consideration paid for the combination through issuance of equity instruments are credited against the capital reserve; if the capital reserve is not sufficient, any excess is adjusted against retained earnings; the transaction expenses directly attributable to the consideration paid for the combination through issuance of debt instruments are recorded into the initially recognized amount of debt instruments. Where the equities of invested entities under common control are obtained step by step through multiple transactions to achieve business combination but these transactions do not belong to a package deal, the Company will recognize the cost of combination according to the share of carrying amount of net assets to be enjoyed by the combined party after the combination in the ultimate controlling party's consolidated financial statements on the combination date. The difference between the combination cost and the sum of the carrying amount of long-term equity investments prior to the combination plus the carrying amount of the consideration newly paid for further acquisition of shares on the date of combination is adjusted to capital reserve (capital premium or capital stock premium); if the capital reserve is not sufficient to absorb the difference, any excess is adjusted against retained earnings. For the equity investment held before the date of combination, accounting treatment is not performed temporarily for other comprehensive incomes that are accounted using the equity method or recognized using financial instruments and accounted according to the measurement standard for recognition. When this investment is disposed of, accounting treatment is conducted using the basis the same as that used by the invested entity to directly dispose of relevant assets or liabilities. For other changes in owners' equities other than the net profits/losses, other comprehensive income and profit distribution in net assets of the invested entity that are recognized because of accounting using the equity method, accounting treatment is not conducted temporarily; they shall be transferred to the profits and losses of the current period at the time of disposing of this investment.

2. Business combination not involving enterprises under common control

A business combination not involving enterprises under common control is a business combination in which all of the combining enterprises are not ultimately controlled by the same party or parties both before and after the combination. For business combination not involving enterprises under common control, the party that obtains the right to control other enterprises participating in the combination on the date of combination is the acquiring party, and other enterprises participating in the combination are the acquired party. The date of acquisition refers to the date on which the acquiring party actually obtains the right to control the acquired party.

For the business combination implemented through one transaction, the cost of business combination refers to the fair value of assets paid, liabilities incurred or assumed and equity securities issued by the Company on the date of acquisition for obtaining the right to control the acquired party. On the date of acquisition, the assets, liabilities and contingent liabilities obtained by the Company from the acquired party are recognized at the fair value.

For a business combination realized by two or more transactions of exchange, the accounting treatment for the combination costs shall be made by distinguishing individual financial statements and consolidated financial statements:

In the individual financial statements, where the held stocks are accounted using the equity method prior to the date of acquisition, the cost of combination of the investment is the aggregate of the carrying amount of the equity investment of the acquired party held before the date of acquisition and the investment cost newly increased on the date of acquisition. For other related comprehensive income, accounting treatment is performed during disposal of the investment using the basis the same as that used by the invested entity to directly dispose of relevant assets or liabilities; the owner's equity that is recognized due to other changes in owners' equities other than the net profits/losses, other comprehensive income and profit distribution of the invested entity is accordingly transferred to the profits and losses of the current period at the time of disposing of this investment. Where the equity investment held before the date of acquisition is recognized using financial instruments and undergoes accounting treatment according to the measurement standard, the cost of combination of the investment is the aggregate

of the fair value of the equity investment recognized according to this standard and the newly increased investment cost. The difference between the fair value of the originally held stocks and the carrying amount and all the cumulative fair value changes originally recorded into other comprehensive income are transferred to the investment income of the current period.

In the consolidated financial statements, the stocks of the acquired party held before the date of acquisition shall be remeasured based on the fair value of such stocks on the date of acquisition, and the difference between their fair value and carrying amount shall be charged to the investment income of the current period; where the stocks of the acquired party held before the date of acquisition involve other comprehensive income under accounting of the equity method and other changes in owners' equities other than the net profits/losses, other comprehensive income and profit distribution, other comprehensive income and other changes in owners' equities concerned with them shall be transferred to the investment income in the period in which the date of acquisition is included (excluding other comprehensive income arising from changes in the net assets or net liabilities of the benefit plan remeasured and redefined by the invested entity). The summation of the fair value of the stocks of the acquired party held before the date of acquisition on the date of acquisition and newly increased investment costs on the date of acquisition shall be the combination cost of the investment.

Costs incurred that are attributable to the business combination made by the Company, including intermediary costs such as the audit fee, legal service charge, and appraisal and consultation costs, and other related overhead expenses are charged to profits or losses in the period in which they are incurred. The transaction expenses directly attributable to the consideration paid for the combination through issuance of equity instruments are credited against the capital reserve; if the capital reserve is not sufficient, any excess is adjusted against retained earnings; the transaction expenses directly attributable to the consideration paid for the combination through issuance of debt instruments are recorded into the initially recognized amount of debt instruments.

In the Company, the positive balance between the business combination cost and the fair value of the identifiable net assets obtained by the Company from the acquired party shall be recognized as business reputation and subsequently

measured after the accumulated provision for impairment is deducted from the cost; the negative balance between the business combination cost and the fair value of the identifiable net assets obtained by the Company from the acquired party shall be charged to profits or losses of the current period after being checked.

3. Principle of judging whether multiple transactions are “a package deal”

When the terms and conditions of multiple transactions and the economic impact thereof accord with one or more of the following cases, usually it indicates that these transactions shall undergo accounting treatment as “a package deal”: (1) these transactions are concluded at the same time or concluded in consideration of mutual influence; (2) only the whole of these transactions can achieve a complete business result; (3) occurrence of one transaction depends on occurrence of at least one of the other transactions; (4) one transaction is not economical when considered separately, but economical when taken into account together with other transactions.

(5) Preparation of consolidated financial statements

1. Principle of determining the scope of consolidated financial statements

The consolidation scope of consolidated financial statements shall be determined on the basis of control. Control means that the Company owns the power to the invested entity, enjoys variable return by participating relevant activities of the invested entity, and has the capacity of using the power to the invested entity to affect its return amount.

2. Preparation of consolidated financial statements

The consolidated financial statements of the Company are prepared by the Company based on individual financial statements of the Company and subsidiaries and according to other relevant data. During preparation of consolidated financial statements, the accounting policy and accounting period of the Company shall be consistent with those of subsidiaries, and the inter-company major transactions and balances shall be offset.

For the subsidiary added due to business combination involving enterprises under common control in the Report Period, the Company adjusts the amount at the beginning of the period in the consolidated balance sheet, incorporates the

revenue, expense and profit of this subsidiary from the beginning of the period for consolidation to the end of the report period into the consolidated profit statement, includes its cash flow into the consolidated cash flow statement, and adjusts relevant items in the comparative statements; for the subsidiary added due to business combination not involving enterprises under common control, the Company does not adjust the amount at the beginning of the period in the consolidated balance sheet, but only incorporates the revenue, expense and profit of this subsidiary from the date of acquisition to the end of report period into the consolidated profit statement and its cash flow into the consolidated cash flow statement.

The portion of shareholders' equity of the subsidiaries that isn't attributable to the Company shall be separately presented as the minority shareholders' equity under the shareholders' equity in the consolidated balance sheet. The share of net profits or losses of the subsidiaries in the current period that is attributable to the minority shareholders' equity shall be presented as the item of "Minority interest income" under the net profit in the consolidated profit statement. The share of comprehensive income of the subsidiaries in the current period that is attributable to the minority shareholders' equity shall be presented as the item of "Total comprehensive income attributable to minority shareholders" under the total comprehensive income in the consolidated profit statement. Where the losses of a subsidiary undertaken by minority shareholders exceed the share enjoyed by minority shareholders in the owners' equities of this subsidiary at the beginning of the period, the balance shall be still adjusted against the minority shareholders' equity.

For acquisition of the subsidiary's stocks owned by minority shareholders thereof, in the consolidated financial statements, the difference between the long-term equity investment newly obtained because of acquisition of minority shareholders' stocks and the share of net assets of the subsidiary to be enjoyed and continuously calculated according to the proportion of newly added shares from the acquisition date or consolidation date is adjusted to capital reserve; if the capital reserve is not sufficient to absorb the difference, any excess is adjusted against retained earnings.

For the transaction for which a part of equity investment is disposed of but the right to control this subsidiary is not lost, in the consolidated financial statements, the difference between the disposal price and the share of net assets of the subsidiary to be enjoyed accordingly for disposal of the long-term equity investment and continuously calculated from the acquisition date or consolidation date is adjusted to capital reserve (capital premium or capital stock premium); if the capital reserve is not sufficient to absorb the difference, any excess is adjusted against retained earnings.

Where the right to control the original subsidiary is lost due to disposal of a part of equity investment or other reasons, the remaining stocks shall be remeasured at their fair value on the date of losing the control right; the result of the sum of the consideration obtained from the equity disposal plus the fair value of remaining stocks, minus the share of net assets of the original subsidiary that should be enjoyed and is continuously calculated according to the original proportion of held shares from the acquisition date, shall be charged to the investment income in the period when the control right is lost, and adjusted against the business reputation at the same time; other comprehensive income related to the original subsidiary's equity investment shall be transferred to the investment income of the current period when the control right is lost.

Where the equity investment for a subsidiary is disposed of step by step through multiple transactions till the control right is lost and all the transactions belong to a package deal, accounting treatment shall be performed for the transactions by deeming all the transactions as one item for disposing of the subsidiary and losing the control right; however, prior to loss of the control right, the difference between every disposal price and the share of net assets of this subsidiary to be enjoyed accordingly for investment disposal shall be recognized as other comprehensive income in the consolidated financial statements and, at the time of losing the control right, be jointly transferred to the profits or losses in the period when the control right is lost.

Where the equity investment for a subsidiary is disposed of step by step through multiple transactions till the control right is lost and the transactions do not belong to a package deal, all the transactions before loss of the right to control the

subsidiary shall be handled according to the regulations of the Company on partial disposal of the subsidiary's long-term equity investment provided that the Company does not lose the right to control the subsidiary.

This report period does not involve buying-in and selling-out of the same subsidiary's stocks, or selling-out and buying-in in turn.

(6) Joint arrangement classification and accounting treatment of co-management

Joint arrangement refers to the arrangement for joint control by two or more participants.

1. Joint arrangement classification

Joint arrangement is classified into co-management and contractual enterprise. Co-management refers to the joint arrangement where the parties to the venture enjoy relevant assets of this arrangement and assume relevant liabilities of this arrangement. Contractual enterprise refers to the joint arrangement where the parties to the venture only enjoy rights to net assets of this arrangement.

2. Accounting treatment of co-management

(1) The Company recognizes the following items related to quantum of interest in co-management and performs accounting treatment in accordance with provisions of the corresponding Accounting Standards for Business Enterprises:

- ① Independently held assets, as well as the jointly held assets to be recognized according to the share of the Company;
- ② Independently undertaken liabilities, as well as the jointly undertaken liabilities to be recognized according to the share of the Company;
- ③ Revenue generated by selling the output share of co-management that is enjoyed by the Company;
- ④ Revenue that is generated by selling the output during co-management and recognized according to the share of the Company;
- ⑤ Independently incurred expense, as well as the expense incurred by co-management and recognized according to the share of the Company.

(2) Where the Company puts assets into or sells assets to the parties to co-management (except that the assets constitute business), before the said assets are sold to a third party by the parties to co-management, the Company recognizes only the part in the profits or losses arising from this transaction that is attributable to other participants in the co-management. In case that the put or sold assets involve the asset impairment loss complying with provisions in the Accounting Standard for Business Enterprises No. 8 - Impairment of Assets, the Company shall recognize the said loss in full.

(3) Where the Company purchases assets from the parties to co-management (except that the assets constitute business), before said assets are sold to a third party, the Company recognizes only the part in the profits or losses arising from this transaction that is attributable to other participants in the co-management. In case that the purchased assets involve the asset impairment loss complying with provisions in the Accounting Standard for Business Enterprises No. 8 - Impairment of Assets, the Company shall recognize this part of loss according to the share to undertake.

(7) Accounting measurement attribute

1. Measurement attribute

The Company takes the accrual system as the basis of accounting and measures the initial value using historical cost. The financial assets and liabilities measured at their fair value and of which the variation is recorded into the profits and losses of the current period and the financial assets available for sale and derivative instruments shall be measured at their fair value; The inventories and fixed assets for which the payment is delayed in excess of normal credit terms while they are purchased shall be measured at their present value of their purchase price; The inventories on which an impairment loss occurs shall be measured at their net realizable value, and other assets on which an impairment loss occurs shall be measured at their recoverable amount of their fair value and present value (whichever is higher); The asset inventory surplus and other assets shall be measured at their replacement cost.

2. Items in the financial statements with their measurement attribute changing during the period

There was no change in the accounting measurement attribute of the items in the financial statements during the Report Period.

(8) Criteria for cash and cash equivalents

The cash refers to the enterprise's money on hand and deposits for payment at any time. Cash equivalents refer to investments held by the enterprise which are short in term (generally referring to those expiring within not more than 3 months from the date of acquisition), high in liquidity, convertible to the known amount of cash and insignificant in risk of change of value.

(9) Foreign currency transactions

1. Method of translation for foreign currency transactions

At the time of initial recognition of a foreign currency transaction of the Company, the amount in the foreign currency shall be translated into the amount in RMB currency at the spot exchange rate of the transaction date (generally referring to the medial rate of foreign exchange quotation published by the People's Bank of China at the date of transaction, the same below).

2. Treatment of monetary items of foreign currencies and non-monetary items of foreign currencies on the balance sheet date

For the monetary items of foreign currencies, the translation is done according to spot rate of the balance sheet date. The exchange difference generated from the difference of spot rate of the current balance sheet date and the time of initial recognition of a foreign currency or the previous balance sheet date is charged to the profit or loss of the current period except that the exchange difference generated from foreign currency borrowings relating to assets of which the acquisition or production satisfies the capitalization conditions is capitalized in accordance with the Accounting Standards for Business Enterprises No. 17 – Borrowing Costs. For the non-monetary items of foreign currencies measured by historical cost, translation is done according to spot rate of the transaction date

without change in their amount in functional currency. Non-monetary items of foreign currencies such as stocks and funds measured at their fair value are translated as per the spot rate on the date when their fair value is confirmed. The differences between the translated amounts in functional currency and the original amounts in functional currency are recorded into current profits and losses as fluctuation in fair value (including fluctuation in exchange rates).

3. Translation of foreign currency financial statements

The Company translates the financial statements expressed in foreign currency into ones expressed in RMB currency according to the following provisions:

The asset and liability items in the balance sheets shall be translated at a spot exchange rate on the balance sheet date; among the owners' equity items, except the ones as "undistributed profits", others shall be translated at the spot exchange rate at the time when they are incurred. The income and expense items in the profit statements shall be translated at the average exchange rate. The balance arisen from the translation of foreign currency financial statements in compliance with the aforesaid method shall be presented separately under the owners' equity item of the balance sheets. The foreign currency cash flow statement shall be translated at the average exchange rate on the cash flow date. The amount of influence of the exchange rate change on cashes shall be presented separately under the adjusted item in the cash flow statement.

(10) Financial instruments

1. Basis for recognition of financial instruments

The term "financial instruments" refers to the contracts under which the financial assets of an enterprise are formed and the financial liability or right instruments of any other entity are formed. When the Company becomes a party to a financial instrument contract, it recognizes a financial asset or financial liability.

Where a financial asset satisfies any of the following requirements, the recognition of it shall be terminated: Where the contractual rights for collecting the cash flow of the said financial asset are terminated; or where the said financial asset has been

transferred and meets the conditions for recognizing the termination of financial assets as provided for in Accounting Standards for Enterprises No. 23 - Transfer of Financial Assets.

Only when the prevailing obligations of a financial liability are relieved in all or in part may the recognition of the financial liability be terminated in all or partly.

2. Classification of financial assets and financial liabilities

Financial assets attributable to the Company are classified into the following four categories according to their investment purpose and economic essence: ① The financial assets which are measured at their fair values and the variation of which is recorded into the profits and losses of the current period, including transactional financial assets and the financial assets which are measured at their fair values and of which the variation is included in the current profits and losses; ② The investments which will be held to their maturity; ③ Loans and the account receivables; and ④ Financial assets available for sale.

Financial liabilities shall be classified into the following two categories according to their economic essence: ① The financial liabilities which are measured at their fair values and of which the variation is included in the current profits and losses, including transactional financial liabilities and the designated financial liabilities which are measured at their fair values and of which the variation is included in the current profits and losses; and ② Other financial liabilities.

3. Measurement of financial assets and financial liabilities

The financial assets and financial liabilities initially recognized by the Company shall be measured at their fair values. For the financial assets and liabilities measured at their fair values and of which the variation is recorded into the profits and losses of the current period, the transaction expenses thereof shall be directly recorded into the profits and losses of the current period; for other categories of financial assets and financial liabilities, the transaction expenses thereof shall be included into the initially recognized amount.

Subsequent measurement of financial assets and financial liabilities:

(1) For the financial assets and financial liabilities measured at their fair values and of which the variation is recorded into the profits and losses of the current period, they shall be measured at their fair values, and the variation of their fair values shall be recorded into the profits and losses of the current period.

(2) The investments held until their maturity and accounts receivable are measured at their amortization cost by actual interest rate.

(3) The profits and losses arising from the subsequent measurement of the financial assets available for sale at their fair value and the profits and losses arising from the change in their fair value shall be included directly in the owner's equity with the exception of impairment losses and the exchange gains or losses arising from foreign exchange conversion of monetary financial assets in any foreign currency, and when the said financial asset is stopped from recognition and is transferred out, it shall be recorded into the profits and losses of the current period.

(4) The equity instrument investments for which there is no quoted price in the active market and whose fair value cannot be reliably measured, and the derivative financial assets which are connected with such equity instruments and are settled by delivering the said equity instruments shall be measured at their costs.

(5) The Company shall make subsequent measurement on other financial liabilities on the basis of the post-amortization costs, with the exception of those under the following circumstances:

- ① The derivative financial liabilities for which there is no quoted price in the active market, which are connected with the equity instruments whose fair value cannot be reliably measured and are settled by delivering the said equity instruments shall be measured at their costs.
- ② For the financial guarantee contracts which are not designated as a financial liability measured at its fair value and the variation thereof is recorded into the profits and losses of the current period, and for the commitments to grant

loans which are not designated to be measured at the fair value and of which the variation is recorded into the profits and losses of the current period and which will enjoy an interest rate lower than that of the market, a subsequent measurement shall be made after they are initially recognized according to the higher one of the following:

A. the amount as determined according to the Accounting Standards for Enterprises No. 13 - Contingencies; or

B. the surplus of the initially recognized amount with the subtraction of accumulative amortization as determined according to the principles of the Accounting Standards for Enterprises No. 14 - Revenues.

4. Recognition of fair values of financial assets and financial liabilities

The fair value refers to the amount that is agreed upon by the two parties to fair dealings who are familiar with the situation during assets exchange or performance of debt.

(1) Financial instruments with the active market

The fair values of the financial assets and financial liabilities of financial instruments which have the active market shall be recognized at their quoted prices in the active market. The quoted prices in the active market refer to the prices regularly obtained from stock exchanges, brokers, trade associations and pricing service institutions, and represent the prices of market transactions that actually occur in fair dealings. Quoted prices shall be determined according to the following principles:

- ① In the active market, the quoted prices of the Company for the financial assets it holds or the financial liabilities it plans to assume shall be the present actual offer, while the quoted prices of the Company for the financial assets it plans to acquire or the financial liabilities it has assumed shall be the available charge.
- ② Where there is no available offer or charge for a financial asset or financial liability, the enterprise shall adopt the market quoted price of the latest

transaction or adjusted market quoted price of the latest transaction to determine the fair value of the said financial asset or financial liability, unless the enterprise has definite evidences to prove that the market quoted price of the latest transaction is not a fair value.

(2) Where there is no active market for a financial asset or financial liability, the Company shall adopt value appraisal techniques to determine its fair value. The value appraisal techniques include the prices adopted by the parties, who are familiar with the condition, in the latest market transaction upon their own free will, the current fair value obtained by referring to other financial instruments of the same essential nature, the cash flow capitalization method and the option pricing model, etc.

5. Accrual method of the provision for impairment of financial assets

(1) Investments held until their maturity

Where an investment held until their maturity measured on the basis of post-amortization costs is impaired, the carrying amount of the said investment held until their maturity shall be written down to the present value of the predicted future cash flow (excluding the loss of future credits not yet occurred) (the discount rate adopts the original actual interest rate), and the amount as written down shall be recognized as loss of the impairment of the asset and shall be recorded into the profits and losses of the current period. When an impairment provision is made, an impairment test shall be made on the investment held until their maturity with significant single amounts. If any objective evidence shows that it has been impaired, the impairment-related losses shall be recognized and shall be recorded into the profits and losses of the current period. Where, upon independent test, the investment held until their maturity (including those financial assets with significant single amounts and those with insignificant amounts) has not been impaired, it shall be included in a combination of investment held until their maturity with similar risk features so as to conduct another impairment test. The investment held until their maturity which has suffered from an impairment loss in any single

amount shall not be included in any combination of financial assets with similar risk features for any impairment test. Where any investment held until their maturity measured on the basis of post-amortization costs is recognized by the Company as having suffered from any impairment loss, if there is any objective evidence proving that the value of the said investment held until their maturity has been restored, and it is objectively related to the events that occur after such loss is recognized, the impairment-related losses as originally recognized shall be reversed and be recorded into the profits and losses of the current period. However, the reversed carrying amount shall not be any more than the post-amortization costs of the said investment held until their maturity on the day of reverse under the assumption that no provision is made for the impairment.

(2) Accounts receivable

See the Notes 5 (11) for the impairment test and accrual method of the provision for impairment of the accounts receivable.

(3) Disbursement of loans and advances

Loss provision shall be reserved for loans and advances according to the five level classification of credit assets risks and loan provision rate standard:

Risks are classified for the Company's credit assets according to relevant provisions of the financial regulation agencies. The standard risk coefficients are as follows: 1.5% for the normal type, 3% for the concerned type, 30% for the secondary type, 60% for the suspicious type, and 100% for the loss type. Besides, in the document named Administrative Measures for the Loan Loss Reserves of Commercial Banks issued by the China Banking Regulatory Commission through Order [2011] No.4, the China Banking Regulatory Commission clearly put forward that the basic standard of loan provision rate is 2.5%, the basic standard of provision coverage ratio is 150%, and the higher one of the two shall prevail.

(4) Financial assets available for sale

- ① Available-for-sale financial assets measured at the fair value

When a significant or non-transient decline in the fair value of equity instrument investment available for sale is judged by comprehensively considering relevant factors, a decline in the equity instrument available for sale has occurred. Here, the “significant decline” means that the cumulative decline of fair value exceeds 20%; the “non-transient decline” means that the fair value has declined continuously for over 12 months.

When a decline in the financial assets available for sale has occurred, the cumulative loss generated from decline of fair value that had been recorded directly into the owners' equity shall be removed from the owners' equity and shall be recorded into the impairment loss. The said cumulative loss removed is the balance obtained by deducting the recovered principal and amortized amount, current fair value and the impairment loss originally charged to profits or losses from the initial acquisition cost of the said assets.

For debt instrument investment available for sale for which the impairment loss has been recognized, the recognized impairment loss shall be returned when there is an increase of fair value in a subsequent period and the increase objectively relates to events after impairment loss being recognized. When the impairment loss reversal of the equity instrument investment available for sale is recognized as other comprehensive income, the impairment loss reversal of the debt instrument investment available for sale shall be charged to profits or losses of the current period.

② Available-for-sale financial assets measured at cost

Where an equity instrument investment for which there is no quoted price in the active market and whose fair value cannot be reliably measured, or a derivative financial asset which is connected with the equity instrument and which must be settled by delivering the equity instrument, suffers from any impairment, the gap between the carrying amount of the equity instrument investment or the derivative financial asset and the current value of the future cash flow of similar financial assets capitalized according to the returns ratio of the market at the same time

shall be recognized as impairment-related losses and be recorded into the profits and losses of the current period, but cannot be returned.

6. Transfer of financial assets

The term "transfer of financial assets" refers to a company's transferring or delivering a financial asset to a party (the transferee) other than the issuer of the financial assets.

Where the Company has transferred nearly all of the risks and rewards related to the ownership of the financial asset to the transferee, it shall stop recognizing the financial asset; If it has retained nearly all of the risks and rewards related to the ownership of the financial asset, it shall not stop recognizing the financial asset.

Where the Company does not transfer or retain nearly all of the risks and rewards related to the ownership of a financial asset, it shall deal with it respectively according to the circumstances as follows: If it gives up its control over the financial asset, it shall stop recognizing the financial asset and shall recognize the assets and liabilities generated therefrom; If it does not give up its control over the financial asset, it shall, according to the extent of its continuous involvement in the transferred financial asset, recognize the related financial asset and recognize the relevant liability accordingly.

7. Derivative instruments and embedded derivative instruments

Derivative instruments implement initial measurement at the fair value on the date of signing the contract, and also perform subsequent measurement at the fair value. Changes in the fair value of derivative instrument shall be charged to profits or losses of the current period.

For the hybrid instruments containing embedded derivative instruments, if the hybrid instruments are not specified as financial assets and financial liabilities measured at the fair value and of which the changes are recorded into the profits or losses of the current period the embedded derivative instruments are not closely related to this master contract in terms of economic characteristics and risks, and individual instruments with conditions the same as those of the embedded

derivative instruments accord with the derivative instrument definition, the embedded derivative instruments shall be removed from the hybrid instruments and handled as independent derivative instruments. Where derivative instruments cannot be separately measured at the time of acquisition or the subsequent balance sheet date, the hybrid instruments shall be specified as financial assets and financial liabilities measured at the fair value as a whole and of which the changes shall be recorded into the profits or losses of the current period.

8. Offsetting financial assets with financial liabilities

When the Company has the statutory right to offset the recognized amount, this statutory right is executable at present, and the Company also plans to perform netting settlement or simultaneously realize the financial assets and liquidate the financial liabilities, the financial assets and financial liabilities shall be listed in the balance sheet using the net amount after mutual offsetting. In other cases, the financial assets and financial liabilities are presented respectively in the balance sheet and not mutually offset.

9. Equity instruments

Equity instruments refer to contracts that can prove ownership of the residual equity in assets of the Company after deduction of all the liabilities. The owners' equities are increased after the transaction expenses are deducted from the consideration received at issuance of the equity instruments. The Company completes all kinds of allocations (excluding stock dividends) for the equity instrument holding parties to reduce the owners' equities. The Company does not recognize the amount of change in the fair value of equity instruments.

(11) Receivables

The Company's receivables (including accounts receivable and other receivables) shall take the contract or agreement price as their initially recorded amount. Due to bankruptcy of the debtor, collection is still not possible after settlement according to legal settlement procedures; or due to the death of the debtor leaving no legacies to pay off and nobody to assume the obligations, collection is really not

possible; or due to the failure of the debtor to perform its repayment obligations within the specified time limit, the receivables shall be presented as a loss on bad debt upon examination and approval according to legal procedures. As for the Company's transfer, pledge and discount to financial institutions like banks with receivable creditor's right, according to the provisions of the relevant contract, when the debtor fails to pay back the due debts, if the Company bears the payment liability to the financial institutions, the receivable creditor's right shall be treated as pledged loan; If the Company bears no payment liability to the financial institutions, the receivable creditor's right shall be treated as the transferred one and the profit and loss of transfer shall be recognized.

When the Company recovers the receivables, the difference between the acquired price and the carrying amount of the receivables shall be recorded into the profits and losses of the current period.

1. Receivables with significant single amounts and single bad debt provision appropriated:

If a single amount accounts for 5% (including more than 5%) of total amount of the receivables, the Company shall recognize the said receivables as the receivables with significant single amounts.

On the balance sheet, the Company shall carry out an independent impairment test for the receivables with significant single amounts, where, upon independent test, the said receivables has been impaired, the negative balance between the present value of the future cash flow of the said receivables and their carrying amount shall be recognized as loss of the impairment of the said receivables, and a provision for bad debts shall be made accordingly. Where the receivables have not been impaired upon independent test, the several combinations between the said receivables and the receivables with insignificant single amounts shall be made based on similar credit risk features, and then the loss of the impairment of the said receivables shall be calculated and recognized at a certain proportion of

the combinations of these receivables in the balance on the balance sheet date, and a provision for bad debts shall be made accordingly.

2. Receivables with a provision for bad debts based on combinations:

Basis for recognition of combinations	
Aging combination	Divided into groups based on aging of the receivables as credit risk features
Consolidation scope combination	Divided into groups based on the receivables related to consolidated financial statements and the receivables which can fully obtain customer's credit information
Accrual method of a provision for bad debts based on combinations	
Aging combination	Make a provision for bad debts by aging analysis
Consolidation scope combination	An impairment test is carried out according to the debtor's credit, and a provision for bad debts shall not be made for the receivables of the Company that is clearly guaranteed.

In the combinations, the receivables with a provision for bad debts made by aging analysis:

Aging	Percentage of provisioning accounts receivable (%)	Percentage of provisioning other receivables(%)
Within 1 year	5.00	5.00
1 to 2 years	20.00	20.00
2 to 3 years	50.00	50.00
Over 3 years	100.00	100.00

3. Accounts receivable with insignificant single amounts but single bad debt provision appropriated:

As for the receivables with insignificant single amounts, if there are conclusive evidences to show that there is an obvious difference in their collectability, a provision for bad debts shall be made as per the negative balance between the present value of their future cash flow and their carrying amount.

(12) Inventories

1. Classification of inventories

Classification of inventories: The Company's inventories are classified into raw materials, goods in process, and goods finished.

2. Valuation for delivered inventories

Valuation for delivered inventories: When various kinds of inventories of the Company are delivered, they shall be valued at planned costs, and the planned costs shall be adjusted into actual costs based on the difference of costs of the current month at the end of the month.

3. Recognition of the net realizable value and measurement of provision for decline in value of inventories

At the balance sheet date, inventories are measured at the lower of cost and net realizable value. If the cost of inventories is higher than the net realizable value, a provision for decline in value of inventories shall be made and shall be recorded into the profits and losses of the current period, where a provision for decline in value of inventories has been made, if the value of the said inventories is resumed later, the said value shall be reversed from the provision for decline in value of the inventories. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale and relevant taxes.

4. Stock count system for inventories

The perpetual inventory system is adopted for stock count of the Company.

5. Amortization methods of low-value consumables and packaging materials

Low-value consumables and packaging materials are written off in full when issued for use.

(13) Assets held for sale

1. Recognition standard

The component (or non-current assets; the same below) of the Company that matches the following conditions at the same time shall be recognized as assets held for sale: the said component can be sold immediately in its current status and only according to the usual terms on sales of this kind of components; the Company has adopted a resolution on disposal of this component (where shareholder approval is required in accordance with relevant regulations, approval shall be obtained from the general meeting of shareholders or corresponding organ of authority); the Company has signed an irrevocable transfer agreement with the transferee; such transfer will be completed within one year.

2. Accounting treatment

For the fixed assets held for sale, the Company adjusts the expected net salvage value of the fixed assets so that the expected net salvage value of the fixed assets can reflect the amount got by reducing the disposal expenses from their fair value,

but cannot exceed the original carrying amount of the fixed assets when the fixed assets comply with the conditions for assets held for sale; the positive difference of the original carrying amount less the expected net salvage value after adjustment shall be charged to profits or losses of the current period as asset impairment loss.

In case that an asset or a disposal group is included in the category held for sale but subsequently fails to meet the recognition conditions for fixed assets held for sale, the Company shall stop including it in the category held for sale and measure it according to the lower of the following two amounts:

(1) The carrying amount of this asset or disposal group before it is included in the category held for sale, according to the amount after adjustment of the depreciation, amortization or impairment that should be recognized originally on the assumption that the asset or disposal group is not included in the category held for sale;

(2) Re-recovered amount on the date when a decision is made to stop sales.

Other non-current assets such as intangible assets complying with the conditions for holding for sale shall be handled in the light of the above principle.

(14) Long-term equity investments

Long-term equity investments mainly include the equity investment held by the Company that is able to control, is under common control with or has significant influences on the invested entity and the equity investment to joint ventures.

1. Judgment standards of control and significant influence

Judgment standards of control: (1) The Company owns the power to the invested entity; (2) the Company enjoys variable return by participating relevant activities of the invested entity; (3) the Company has the capacity of using the power to the invested entity to affect its return amount. The Company acknowledges the control force for the invested entity that meets the above three conditions.

Judgment standards of significant influence: The Company has the power to participate in decision making for the financial and operations policies of the invested entity, but cannot control formulation of these policies independently or together with other parties. Where the Company can exert a great influence on the invested entity, the invested entity is an associated enterprise of the Company. The

invested entity under common control by the Company and other participants is a contractual enterprise of the Company. Common control means that any participant cannot independently control this arrangement, and any participant with the right to common control on this arrangement can prevent other participants or the combination of participants from independently controlling this arrangement.

2. Investment cost recognition of long-term equity investment

The long-term equity investment of the Company is measured at the investment cost at the time of acquisition. Normally the investment cost refers to the assets paid, liabilities incurred or undertaken, and the fair value of equity securities issued for the acquisition of this investment, including the costs directly attributable to the acquisition. However, for the long-term equity investment formed by business combination involving enterprises under common control, the investment cost is the share of carrying amount of the combined party's net assets acquired on the combination date in the ultimate controlling party's consolidated financial statements.

3. Subsequent measurement of long-term equity investments and recognition of profits or losses

The Company adopts the cost method for accounting for the long-term equity investment based on which the Company is able to control the invested enterprise; the Company adopts the equity method for accounting for investments put into associated enterprises and contractual enterprises.

The price of a long-term equity investment accounted by employing the cost method shall be included at its initial investment cost. If there are additional investments or disinvestments, the cost of the long-term equity investment shall be adjusted. The cash dividends or profits declared to distribute by the invested entity shall be recognized as investment income and charged to profits or losses of the current period.

When the Company employs the equity method for accounting of the long-term equity investment, if the investment cost of a long-term equity investment is more than the investing enterprise' attributable share of the fair value of the invested entity's identifiable net assets for the investment, the investment cost of the long-term equity investment may not be adjusted; if the investment cost of a long-term

equity investment is less than the investing enterprise' attributable share of the fair value of the invested entity's identifiable net assets for the investment, the carrying amount of the long-term equity investment shall be adjusted, and the difference shall be recorded into the profits or losses of the current period.

When the Company employs the equity method for accounting of the long-term equity investment, the Company first adjusts the invested entity's net profits or losses and other comprehensive income in the aspects such as the fair value of the invested entity's identifiable net assets at the time of investment acquisition, accounting policy and accounting period, and then recognizes the current-period investment profits or losses and other comprehensive income according to the investing enterprise' attributable or shareable share of the invested entity's net profits or losses and other comprehensive income. For other changes in owners' equities other than the net profits or losses, other comprehensive income and profit distribution, the carrying amount of the long-term equity investment shall be adjusted and recorded into the owners' equities.

For the unrealized internal transaction profits/losses that arise between the Company and the associated enterprises and contractual enterprises, the part attributable to the Company shall be calculated according to the shareholding proportion, and the investment profits/losses shall be recognized on the basis of offsetting.

For the long-term equity investments held already prior to January 1, 2007 for the associated enterprises and contractual enterprises, if there is any equity investment difference on the debit side, the investment profits/losses shall be recognized after deduction of the equity investment difference on the debit side amortized by the straight-line method according to the original residual maturity.

4. Recognition of common control and significant influences on the invested entity

Common control is recognized as the control which does not exist unless the investing parties unanimously agree on sharing the control power over the relevant important financial and operating decisions of the invested entity according to the provisions of the contract.

Significant influences will be recognized where there is power to participate in making decisions on the financial and operating policies of the invested entity, but

not to control or do joint control together with other parties over the formulation of these policies. When the Company holds more than 20% (included) but less than 50% of voting shares of the invested entity directly or indirectly through a subsidiary, significant influences on the invested entity shall be recognized, unless there is clear evidence indicating that the Company cannot participate in production and management decision-making of the invested entity in this situation and therefore cannot generate significant influences; if the Company holds less than 20% (excluded) of voting shares of the invested entity, usually the Company is not deemed to have a significant influence on the invested entity, unless there is clear evidence indicating that the Company can participate in production and management decision-making of the invested entity in this situation and therefore can generate significant influences.

5. Conversion of the long-term equity investment accounting method

Where the equity investment originally held by the Company, which is unable to control, is not under common control with or has no significant influences on the invested entity, is converted into an investment for an associated enterprise or contractual enterprise due to additional investment, the investment shall be accounted by the equity method instead, and the Company shall use the fair value of the original equity investment plus the fair value of the consideration paid to acquire the newly added investment as the initial investment cost accounted by the equity method instead. The difference between the fair value and carrying amount of the originally held equity investment prior to the additional investment, and the cumulative fair value changes originally recorded into other comprehensive income shall be transferred to the current-period profits or losses accounted by the equity method instead.

For the originally held investments for associated enterprises and contractual enterprises, if they are not able to be under common control with or have significant influences on the invested entity, if they are not able to be under common control with or have significant influences on the invested entity due to reason such as partial disposal, accounting treatment must be performed for remaining equity investments according to the recognition and measurement standards for financial instruments, and the difference between the fair value and carrying amount on the date on which the common control or significant influence

is lost shall be charged to profits or losses of the current period. When accounting based on the equity method is terminated for other related comprehensive income originally subject to accounting of equity method, accounting treatment is performed using the basis the same as that used by the invested entity to directly dispose of relevant assets or liabilities; all the owners' equities that are recognized due to other changes in owners' equities other than the net profits/losses, other comprehensive income and profit distribution of the invested entity shall be transferred to the profits or losses of the current period when accounting based on the equity method is terminated.

Where the originally held investments for associated enterprises or contractual enterprises are converted to investments for subsidiaries due to additional investment, in the individual financial statements, the sum of the carrying value of the acquired party's equity investment held prior to the acquisition date and the investment cost newly added on the acquisition date shall be used as the initial investment cost of such an investment; for the equity investment held prior to the acquisition date, other comprehensive income recognized due to accounting of the equity method shall undergo accounting treatment using the basis the same as that used by the invested entity to directly dispose of relevant assets or liabilities when such an investment is disposed of.

When the influencing capability on the invested entity is converted from control to a significant influence or common control together with other investors due to investment disposal, the long-term equity investment cost, for which recognition shall be terminated, is first carried over according to the proportion of investment disposal. On such a basis, the remaining long-term equity investment cost is compared with the share attributable to the Company in the fair value of the invested entity's identifiable net assets at the time of original investment, which is calculated according to the remaining shareholding proportion. For the business reputation part to be embodied in the investment evaluation, the carrying amount of long-term equity investment shall not be adjusted; where the investment cost is less than the share attributable to the Company in the fair value of the invested entity's identifiable net assets at the time of original investment, any excess shall be adjusted against retained earnings when the long-term equity investment cost is adjusted. For the share attributable to the Company in the invested entity's

realized net profits/losses between acquisition of the original investment and conversion to accounting of the equity method due to investment disposal, the carrying amount of the long-term equity investment shall be adjusted, meanwhile, any excess shall be adjusted against retained earnings for the share attributable to the Company in the invested entity's realized net profits/losses (excluding the cash dividends or profits distributed or declared to distribute) from acquisition of the original investment to the beginning of the period in which the investment is disposed of, and the current-period profits or losses shall be adjusted for the share attributable to the Company in the invested entity's realized net profits/losses from the beginning of the period in which the investment is disposed of to the investment disposal date; the share attributable to the Company in the invested entity's changes in other comprehensive income shall be recorded into other comprehensive income when the carrying amount of the long-term equity investment is adjusted; the share attributable to the Company in the invested entity's other changes in owners' equities arising from reasons other than the net profits or losses, other comprehensive income and profit distribution shall be recorded into "Capital reserves -- Other capital reserves" when the carrying amount of the long-term equity investment is adjusted. After the cost method is converted to the equity method for the long-term equity investment, the share attributable to the Company in the invested entity's realized net profits/losses, other comprehensive income and other changes in owners' equities shall be calculated and recognized according to provisions of the standard in the future period.

For the originally held long-term equity investment that is able to control the invested entity, if the shareholding proportion declines due to reasons such as partial disposal and the investment cannot be able to control, be under common control with or have significant influences on the invested entity, accounting treatment must be performed for remaining equity investments according to the recognition and measurement standards for financial instruments. The difference between the fair value and carrying amount on the date of control loss shall be recorded into the investment income of the current period.

In the process of holding the long-term equity investment, if the Company decides to sell all or part of held stocks of the invested entity in consideration of all aspects,

the carrying amount of the long-term equity investment corresponding to the sold stocks shall be carried over accordingly, and the difference between the selling price and the carrying amount of long-term equity investment for disposal shall be recognized as disposal profit or loss.

If the Company disposes of all the long-term equity investments accounted by the equity method, when accounting based on the equity method is terminated for other related comprehensive income originally subject to accounting of equity method, accounting treatment is performed using the basis the same as that used by the invested entity to directly dispose of relevant assets or liabilities; all the owners' equities that are recognized due to changes in other owners' equities other than the net profits/losses, other comprehensive income and profit distribution of the invested entity shall be transferred to the investment income of the current period when accounting based on the equity method is terminated; if a part of the long-term equity investment accounted by the equity method is disposed of and the remaining stocks are still accounted using the equity method, other related comprehensive income originally subject to accounting of equity method shall be handled using the basis the same as that used by the invested entity to directly dispose of relevant assets or liabilities and be carried over by proportion, and the owners' equities that are recognized due to other changes in owners' equities other than the net profits/losses, other comprehensive income and profit distribution of the invested entity shall be carried over to the investment income of the current period according to the proportion.

(15) Investment real estate

The Company's investment real estate includes a land use right that is leased out, a land use right held for transfer upon capital appreciation and a building that is leased out.

The Company's investment real estate is measured at its cost, and the Company uses the cost model for a subsequent measurement of its investment real estate. The depreciation and amortization of the investment real estate shall be made in accordance with the accounting policies of fixed assets or intangible assets of the Company.

When the Company changes the purpose of the investment real estate, such as for self-use, it shall transfer the relevant investment real estate to other assets.

(16) Fixed assets

1. Recognition standard of fixed assets

The Company's fixed assets refer to the tangible assets that are held for the sake of producing commodities, rendering labor service, renting or business management and whose useful life is in excess of one fiscal year. Fixed assets can not be recognized unless they simultaneously meet the conditions as follows:

- (1) The economic benefits pertinent to the fixed assets are likely to flow into the enterprise; and
- (2) The cost of the fixed assets can be measured reliably.

2. Measurement of fixed assets

The measurement of a fixed asset shall be made at its cost.

- (1) The cost of a purchased fixed asset consists of the purchase price, the relevant taxes, freight, loading and unloading fees, professional service fees and other expenses that bring the fixed asset to the expected conditions for use and that may be relegated to the fixed asset.

If the payment for a fixed asset is delayed beyond the normal credit conditions and it is of financing nature in effect, the cost of the fixed asset shall be recognized based on the present value of the purchase price. The difference between the actual payment and the present value of the purchase price shall be included in the current profits and losses within the credit period, unless it shall be capitalized in accordance with the Accounting Standards No. 17 - Borrowing Costs.

- (2) The cost of a self-constructed fixed asset shall be formed by the necessary expenses incurred for bringing the asset to the expected conditions for use.
- (3) The cost invested to a fixed asset by the investor shall be recognized in accordance with the value as stipulated in the investment contract or agreement, other than those of unfair value as stipulated in the contract or agreement.

(4) The costs of fixed assets acquired through the exchange of non-monetary assets, recombination of liabilities, merger of enterprises, and financial leasing shall be respectively recognized in accordance with the Accounting Standards No. 7 - Exchange of Non-monetary Assets, Accounting Standards for Enterprises No. 12 - Debt Restructuring, Accounting Standards for Enterprises No. 20 - Merger of Enterprises and Accounting Standards for Enterprises No. 21 - Leases.

3. Classification of fixed assets

The Company's fixed assets are classified into houses and buildings, machinery equipment, electronic equipment and transportation equipment and otherwise.

4. Depreciation of fixed assets

(1) Recognition of depreciation method and service life, expected net salvage value rate and annual depreciation rate:

The depreciation of fixed assets shall be made by the straight-line method. The annual depreciation rate recognized according to the category, service life and expected net salvage value rate of fixed assets is as follows:

Category of fixed assets	Expected net salvage value rate %	Expected service life	Annual depreciation rate %
Houses and buildings	5.00	20 to 30 years	3.17-4.75
Machinery equipment	5.00	6-10 years	9.50-15.83
Electronic equipment	5.00	2-5 years	19.00-47.50
Transportation equipment	5.00	3 to 6 years	15.83-31.67
Others	5.00	3-5 years	19.00-31.67

Depreciation of fixed assets of which a provision for impairment has been made: For a fixed asset of which a provision for impairment has been made, the depreciation of the fixed asset shall be made based on the amount of deducting its expected net salvage value, depreciation amount and provision for impairment from the original price of the fixed asset and remaining service life of the fixed asset.

For the fixed assets that have reached intended usable condition but not prepared the final account for completion, their costs shall be recognized at their estimated value, and their depreciation shall be made accordingly; After completion of the

final account for completion, the original estimated value of the fixed assets shall be adjusted by their actual costs, but the original depreciation amount does not require adjusting.

(2) Check of service life, expected net salvage value and depreciation method of fixed assets: The Company shall, at least at the end of each year, have a check on the service life, expected net salvage value, and the depreciation method of the fixed assets. If the Company finds that there is any difference between the expected service life and the previously estimated service life of a fixed asset, the expected service life of the fixed asset shall be adjusted; If there is any difference between the amount of expected net salvage value and the previously estimated amount of the net salvage value, the expected net salvage value shall be adjusted; If any significant change is made on the form of the realization of the expected economic benefits concerning a fixed asset, the method for the depreciation of the fixed asset shall be changed. If any change is made to the service life, expected net salvage value or the depreciation method of a fixed asset, it shall be regarded as a change of the accounting estimates.

5. Treatment of subsequent expenditures for fixed assets

Subsequent expenditures incurred on a fixed asset refer to repair expenses, renovation expenses, repair costs and decoration expenses and otherwise incurred in the course of use of the fixed asset. Their accounting treatment is as follows: Where subsequent expenditures of a fixed asset such as renovation expenses meet the conditions of recognizing the fixed asset, they shall be recorded into the cost of the fixed asset, and the carrying amount of the replaced part of the subsequent expenditures shall be deducted; Where subsequent expenditures of a fixed asset such as repair costs do not meet the conditions of recognizing the fixed asset, they shall be recorded into the profits and losses of the current period in which they are incurred; Where the decoration expenses of a fixed asset meet the conditions of recognizing the fixed asset, they shall be measured in a single detail account of "Fixed Assets", and the depreciation of the

fixed asset shall be made separately by the straight-line method in a shorter time of the period of two decorations and remaining usable life of the fixed asset.

The improvement expenditures incurred on a fixed asset leased by operating lease shall be capitalized and reasonably amortized as long-term prepaid expenses.

(17) Construction in progress

The term "construction in progress" refers to all necessary expenditures incurred before the acquired fixed assets enable the project to reach expected usable condition, including project direct materials, direct employee remunerations, installation costs for equipment to be installed and project construction, project management fees, net profits and losses of project commissioning and approved capitalized borrowing costs.

1. Valuation of construction in progress

The Company's construction in progress shall be measured individually by construction project and shall be valued at actual cost.

2. Time point of carrying over construction in progress into fixed asset

When the construction in progress reaches the expected usable condition, they shall be transferred to fixed asset at their actual cost. For the fixed assets that have reached expected usable condition but not prepared the final account for completion, they shall be charged to the account at their estimated value and shall be adjusted after their actual value is recognized.

(18) Capitalization of borrowing costs

Borrowing costs are interests and other costs incurred by the Company in connection with the borrowing of the funds, including interests, amortization of discounts or premiums related to borrowings, ancillary costs incurred in connection with the arrangement of borrowings, and exchange differences arising from foreign currency borrowings.

1. Recognition of capitalization of borrowing costs

The borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset shall be capitalized, and the amounts of other borrowing costs incurred shall be recorded into the profits and losses of the period in which they are incurred. Qualifying assets are fixed assets, investment real estate and inventories and otherwise that necessarily take a substantial period of time for acquisition, construction or production to get ready for their intended use or sale.

2. Period of capitalization of borrowing costs

(1) Time point of capitalization of borrowing costs. The capitalization of borrowing costs commences only when all of the following conditions are satisfied:

- ① Expenditures for the asset have been incurred;
- ② Borrowing costs have been incurred; and
- ③ Activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced.

(2) Time point of ceasing capitalization of borrowing costs: Capitalization of borrowing costs ceases when the qualifying asset acquired, constructed or produced becomes ready for its intended use or sale. The subsequent borrowing costs shall be recorded into the profits and losses of the current period.

(3) Recognition of suspending capitalization of borrowing costs: Capitalization of borrowing costs shall be suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted by activities other than those necessary to prepare the asset for its intended use or sale, and the interruption is for a continuous period of over 3 months. Borrowing costs incurred during the period in which capitalization of borrowing costs is suspended shall be recorded into the profits and losses of the current period.

3. Calculation of capitalized amounts of borrowing costs

During the capitalization period, the amount of interest (including amortization of discounts or premiums) to be capitalized for each accounting period shall be recognized as follows:

(1) Where special funds are borrowed for the acquisition, construction or production of a qualifying asset, the amount of interest to be capitalized shall be the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds.

(2) Where general funds are borrowed for the acquisition, construction or production of a qualifying asset, the amount of interest to be capitalized on such general borrowings shall be calculated and recognized by applying a capitalization rate of such general borrowings to the weighted average of the excess amounts of accumulated expenditures on the asset over and above the amounts of special borrowings. The capitalization rate shall be calculated and recognized by the weighted average interest rate of general borrowings.

Where there is any discount or premium, the amount of discounts or premiums that shall be amortized during each accounting period shall be recognized by the real interest rate method, and an adjustment shall be made to the amount of interests in each period. During the period of capitalization, the amount of interest capitalized during each accounting period shall not exceed the amount of interest actually incurred to the relevant borrowings in the current period.

Ancillary costs in connection with special borrowings that are incurred before the qualifying asset acquired, constructed or produced becomes ready for its intended use or sale shall be capitalized on the basis of the incurred amount when they are incurred, and they shall be recorded into the cost of qualifying asset; those incurred after the qualifying asset acquired, constructed or produced becomes ready for its intended use or sale shall be recognized as expenses on the basis of the incurred amount when they are incurred, and shall be recorded into the profits and losses of the current period. The ancillary costs arising from a general

borrowing shall be recognized as expenses at their incurred amount when they are incurred, and shall be recorded into the profits and losses of the current period.

(19) Intangible assets

1. Recognition of intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance owned or controlled by the Company. Intangible assets can be recognized only when they meet the conditions simultaneously as follows:

- (1) They are consistent with the definition of intangible assets;
- (2) The economic benefits related to intangible assets are likely to flow into the enterprise; and
- (3) The cost of intangible assets can be measured reliably.

2. Measurement of intangible assets

The intangible assets shall be measured according to their cost or fair value (if increased through business combination not involving enterprises under common control).

3. Subsequent measurement

The Company shall analyze and judge the service life of intangible assets when it obtains intangible assets. If the Company is unable to forecast the period when the intangible asset can bring economic benefits to it, it shall be regarded as an intangible asset with uncertain service life.

With regard to an intangible asset with limited service life, its amortization amount shall be amortized by expected realization pattern of its economic benefits, if the Company is unable to recognize the expected realization pattern reliably, intangible assets shall be amortized by the straight-line method.

The Company shall, at least at the end of each year, check the service life and the amortization method of intangible assets with limited service life. If necessary, it shall adjust the said service life and amortization method.

With regard to an intangible asset with uncertain service life, its amortization amount shall not be amortized, but the Company shall check the service life of the said intangible asset every year and shall carry out an impairment test for it.

4. Estimation of service life

As for intangible assets with limited service life, the estimation of their service life generally considers the following factors:

- (1) General life cycle of products manufactured by using the assets and information about service life of similar assets available;
- (2) Present situation of technologies and process and estimation for future development trends;
- (3) Market demand of products manufactured or services rendered by using the assets;
- (4) Expected actions of present or potential competitors;
- (5) Expected maintenance expenses for economic capacity from the assets and the Company's expected capability to pay relevant expenses;
- (6) Laws and regulations or similar restrictions relating to the control period of the assets, such as concession period and lease period;
- (7) Relevance with service life of other assets held by the Company, etc.

5. Division of research expenditures and development expenditures included in expenditures for internal research and development projects

- (1) Research expenditures in internal research and development projects shall be recorded into the profits and losses of the current period when they are incurred.
- (2) Development expenditures in internal research and development projects shall be recognized as intangible assets where they satisfy all of the following conditions:
 - ① Technical feasibility of completing the intangible asset so that it will be available for use or sale;
 - ② Intention to complete the intangible asset and use or sell it;

- ③ How the intangible asset will generate economic benefits, including the ability to demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
- ④ Availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- ⑤ Ability to measure reliably the expenditure that is attributable to the intangible asset during its development.

(20) Long-term deferred expenses

Long-term deferred expenses refer to the expenses incurred by the Company but attributable to the current and subsequent accounting periods of more than one year (excluding one year), including the expenses for improvement of fixed assets leased by operating lease.

Long-term deferred expenses shall be recorded into the account based on their actual amount of expenditure and shall be averagely amortized by their beneficial period, if long-term deferred expenses can not benefit subsequent accounting periods, the unamortized value of the project shall be all transferred to the profits and losses of the current period.

(21) Impairment of Assets

On the balance sheet date, if there is any sign showing possible impairment of assets (referring to the assets other than inventories, equity instruments that have no quoted price and reliable fair value measurement in active market, investment real estate measured by fair value model, consumable biological assets, assets formed under construction contract, deferred income tax assets, residual value not guaranteed by the renter in the financing lease and financial assets), their recoverable amount shall be estimated on the basis of single item assets; Where it is difficult to estimate the recoverable amount of the single item assets, the recoverable amount of the assets shall be recognized on the basis of their asset group or combination of asset groups.

The recoverable amount shall be recognized in light of the higher one of the net amount of the fair value of the single item assets, asset group or combination of asset groups less the disposal expenses and the present value of the expected future cash flow of the single item assets, asset group or combination of asset groups.

Where the recoverable amount of the single item assets is lower than their carrying amount, a provision for the asset impairment shall be made accordingly on the basis of the difference between the carrying amount of the single item assets and their recoverable amount. Where the recoverable amount of an asset group or a combination of asset groups is lower than its carrying amount, it shall be recognized as the corresponding impairment loss. The amount of the impairment loss shall first charge against the carrying amount of business reputation which is apportioned to the asset group or combination of asset groups, then charge it against the carrying amount of other assets in proportion to the weight of other assets in the asset group or combination of asset groups with the business reputation excluded. The charges against the carrying amount of the assets above shall be treated as the impairment loss of the single item assets (including the business reputation), and a provision for impairment of the single item assets shall be made accordingly.

Once the above loss of asset impairment is recognized, it shall not be switched back in future accounting periods.

(22) Estimated liabilities

1. Recognition of estimated liabilities

When the businesses related to contingencies such as external guarantee, pending action or arbitration, product quality assurance, plan for layoffs, loss contract, restructuring obligations and fixed asset disposal obligations meet all of the following conditions, they shall be recognized as liabilities:

- (1) The liabilities are present liabilities assumed by the Company;
- (2) The fulfillment of the liabilities might cause outflow of economic benefits from the enterprise.
- (3) The amount of the liabilities can be reliably measured.

2. Measurement of estimated liabilities

The estimated liabilities shall be measured in accordance with the best estimate of the necessary expenses for the performance of the current obligation. If there is a sequent range for the necessary expenses and if all the outcomes within this range are equally likely to occur, the best estimate shall be recognized in accordance with the middle estimate within the range. In other cases, the best estimate shall be recognized in accordance with the following methods, respectively:

- (1) If the contingencies concern a single item, it shall be recognized in the light of the most likely outcome.
- (2) If the contingencies concern two or more items, the best estimate shall be calculated and recognized in accordance with all possible outcomes and the relevant probabilities.

When all or some of the expenses necessary for the liquidation of estimated liabilities of the company is expected to be compensated by a third party or other parties, the compensation shall be separately recognized as an asset only when it is virtually certain that the reimbursement will be obtained. The amount recognized for the reimbursement shall not exceed the carrying amount of the recognized estimated liabilities.

(23) Employees' wages and salaries

1. The term "employees' wages and salaries" refers to all kinds of remunerations or compensations given by the enterprises in exchange of the employees' services or for cancellation of labor relationships. The employees' wages and salaries include the short-term wages and salaries, separation benefits, dismiss welfare and other long-term employee benefits, as well as the benefits provided by the

enterprises to employees' spouses, children and dependants, deceased employees' survivors and other beneficiaries.

2. In addition to all the employees who have signed a labor contract with the enterprise, the scope of employees also covers members who have not signed a labor contract with the enterprise but have been formally appointed by the enterprise, and those who provide services to the enterprise which has signed an employment contract with a labor service agent.

3. In the accounting period during which employees provide services to the Company, the Company recognizes the short-term wages and salaries actually incurred as liabilities and charges them to the current-period profits and losses or relevant asset costs.

4. Separation benefits are classified into the defined contribution plan and defined benefit plan.

(1) In the accounting period during which employees provide services to the Company, the Company recognizes the amount to be deposited (calculated according to the defined contribution plan) as liabilities and charges it to the current-period profits and losses or relevant asset costs.

(2) Usually accounting treatment for the defined benefit plan consists of the following steps:

- ① According to the projected unit credit method, adopt the unbiased and mutually consistent actuarial assumption to estimate the demographic variables and financial variables, measure obligations generated by the defined benefit plan, and determine the period to which relevant obligations belong;
- ② In case that the defined benefit plan involves assets, recognize the deficit or surplus formed by reducing the fair value of assets of the defined benefit plan from the present obligation value of the defined benefit plan as one net liability or net asset of the defined benefit plan. If the defined benefit plan has any surplus, use the lower of the defined benefit plan surplus and the upper asset limit to measure net assets of the defined benefit plan. The upper

asset limit refers to the present value of the economic interest that can be obtained by the Company from refund of the defined benefit plan or by reducing the fund to be deposited for the defined benefit plan in the future;

- ③ At the end of the period, recognize the costs of employees' wages and salaries arising from the defined benefit plan as the service costs, net interests of net liabilities or net assets of the defined benefit plan, and changes arising from remeasurement of net liabilities or net assets of the defined benefit plan, wherein the service costs and net interests of net liabilities or net assets of the defined benefit plan are recorded into the current-period profits/losses or relevant asset costs, changes arising from remeasurement of net liabilities or net assets of the defined benefit plan are recorded into other comprehensive income and cannot be reversed to profits/losses in the subsequent accounting period, but such amount recognized in other comprehensive income can be transferred within the equity scope;
- ④ Recognize a settlement gain or loss during settlement of the defined benefit plan.

5. If the Company provides employees with dismiss welfare, the liability of employees' wages and salaries that arises from the dismiss welfare shall be recognized on the earlier one of the following two dates and charged to the current-period profits/losses: ① when the Company cannot unilaterally cancel the dismiss welfare provided for the labor relationship cancellation plan or staff reduction suggestion; ② when the Company recognizes the cost or expense related to reconstruction involving dismiss welfare payment.

6. If other long-term benefits offered by the Company to employees comply with conditions of the defined contribution plan, accounting treatment is conducted according to the defined contribution plan; the long-term benefits other than these shall undergo accounting treatment according to the defined benefit plan, but the changes arising from remeasurement of the net liabilities or net assets of other long-term benefits for employees shall be recorded into the current-period profits/losses or relevant asset costs.

(24) Recognition of revenues

Revenues shall be recognized where the relevant economic benefits are likely to flow into the Company, the relevant amount of revenue can be reliably measured and the following conditions are met simultaneously:

1. Revenue from selling goods

Where the Company has transferred significant risks and rewards of ownership of the goods to the buyer, and it neither retains continuous management right that usually keeps relation with the ownership nor implements effective control over the sold goods; and the relevant costs incurred or to be incurred can be reliably measured, the revenue from selling goods shall be recognized.

2. Revenue from rendering labor services

If the Company can, on the balance sheet date, reliably estimate the schedule of completion and outcome of a transaction concerning the labor services, and the costs related to the transaction incurred or to be incurred can be reliably measured, the Company shall recognize the revenue from rendering labor services adopting the percentage-of-completion method and shall ascertain the schedule of completion under the transaction concerning the rendering of labor services according to the proportion of the costs incurred against the estimated total costs. Where the Company can not, on the balance sheet date, reliably estimate the outcome of a transaction concerning the labor services, if it expects that the cost of labor services incurred can be made up, the Company shall recognize the revenue from rendering labor services based on the amount of the cost of labor services incurred and shall carry forward the cost of labor services in accordance with the same amount; If it is expected that the cost of labor services incurred can not be made up, the cost of labor services incurred shall be recorded into the profits and losses of the current period, and the revenue from rendering labor services shall not be recognized.

3. Abalienate the right to use assets

The amount of interest revenue shall be calculated and recognized in accordance with the length of time for which the Company's cash is used by others and the actual interest rate; The amount of royalty revenue shall be calculated and recognized in accordance with the period and method of charging as stipulated in the relevant contract or agreement.

(25) Government subsidies

A government subsidy means the monetary and non-monetary assets obtained free by the Company from the government, but excluding the capital invested by the government as the owner. Government subsidies consist of the government subsidies pertinent to assets and government subsidies pertinent to income.

The Company defines the obtained government subsidies used for purchase or construction, or forming the long-term assets by other ways as government subsidies pertinent to assets, and all the other government subsidies as government subsidies pertinent to income. If the government document does not specify the subsidy object, the following mode is adopted to classify the subsidies into government subsidies pertinent to income and government subsidies pertinent to assets: (1) if the government document specifies the project to which the subsidy aims, the amount is divided according to the relative proportion of the paid amount to form assets to the paid amount to be recorded into expenses in the budget of this specific project, and this division proportion needs to be checked on every balance sheet date and be changed when necessary; (2) if the government document provides only a general presentation of the purpose without specifying the specific project, the subsidy shall be regarded as government subsidy pertinent to income.

The government subsidies of monetary assets shall be measured according to the amount received or receivable. Here, if there is any exact evidence showing that this subsidy is appropriated according to the fixed quota, it can be measured according to the amount receivable; otherwise it shall be measured according to the amount actually received. The government subsidies of non-monetary assets shall be measured at the fair value; if the fair value cannot be obtained in a reliable way, the subsidies shall be measured at the nominal amount of RMB1.

When a government subsidy is actually received, the Company usually recognizes and measures it according to the actually received amount. At the end of the period, however, if there is any exact evidence showing that the Company complies with relevant conditions provided in the financial supporting policy and it is expected to receive the capital support from the government, this subsidy shall be measured according to the amount receivable. The government subsidy measured according to the amount receivable shall comply with all the following conditions: (1) The amount of receivable subsidy has been confirmed by the authoritative government department by issuing a document, or the subsidy can be independently and reasonably measured and calculated in accordance with relevant provisions of the formally issued financial fund management measures and it is predicted that its amount does not involve significant uncertainty; (2) the subsidy is based on the financially supported project that is formally released by the local financial department and initiatively disclosed according to provisions of the Regulation of the People's Republic of China on the Disclosure of Government Information, as well as its financial fund management measures, and the management measures must be generous (any enterprise meeting the defined conditions can apply for the subsidy) and are not formulated specially for specific enterprises; (3) the related subsidy approval document has clearly promised the time limit of appropriation and appropriation of the fund is guaranteed by the corresponding financial budget, so it can be surely received within the defined time limit; (4) other conditions (if any) that shall be matched according to specific conditions of the Company and this matter of subsidy.

The government subsidies pertinent to assets shall be recognized as deferred income and shall be equally distributed within the service life of the relevant assets, and recorded into the current-period profits and losses. If the government subsidies pertinent to incomes are used for compensating the related expenses or losses incurred to the Company, they shall be recorded into the current-period profits and losses; if the government subsidies pertinent to incomes are used for compensating the related future expenses or losses in the later period, the subsidies shall be recorded into the deferred income and shall be recorded into the current-period profits and losses during the period when the relevant expenses are recognized. The government subsidies measured at the nominal amount shall be

directly recorded into the current-period profits and losses.

Where it is necessary to refund any government subsidy which has been recognized, if there is a deferred income balance concerned, the book balance of the deferred income shall be offset against, but the excessive part shall be included in the current profits and losses; If there is no deferred income concerned to the government subsidy, the amount of refund shall be directly included in the current profits and losses.

(26) Income taxes

Income taxes include all types of domestic and oversea tax amounts based on the amounts of taxable income of the Company. When the Company obtains assets or bears liabilities, it recognizes their tax base according to the national tax laws and regulations. If the carrying amount of assets is greater than their tax base or if the carrying amount of liabilities is less than their tax base, the difference between the tax base and their carrying amount shall be treated as a taxable temporary difference; If the carrying amount of assets is less than their tax base or if the carrying amount of liabilities is greater than their tax base, the difference between the tax base and their carrying amount shall be treated as a deductible temporary difference.

1. Except for the deferred income tax liabilities arising from the following transactions, the Company shall recognize the deferred income tax liabilities arising from all taxable temporary differences:

- (1) The recognition of business reputation;
- (2) Recognition of assets or liabilities arising from the transaction that has the following characteristics at the same time: The transaction is not business combination; the accounting profits will not be affected, nor will the taxable amount (or the deductible loss) be affected.

Unless the Company can control the time of the reverse of taxable temporary differences related to the investments of subsidiary companies, associated enterprises and contractual enterprises and the temporary differences are unlikely

to be reversed in the predictable future, the Company shall recognize the corresponding deferred income tax liabilities.

2. The Company shall recognize the deferred income tax liabilities arising from a deductible temporary difference to the extent of the amount of the taxable income which it is most likely to obtain and which can be deducted from the deductible temporary difference, however, it shall not recognize the deferred income tax assets arising from the recognition of assets or liabilities during a transaction which is simultaneously featured by the following:

- (1) This transaction is not business combination; and
- (2) At the time of transaction, the accounting profits will not be affected, nor will the taxable amount (or the deductible loss) be affected.

On the balance sheet date, where there is any exact evidence showing that it is likely to acquire sufficient amount of taxable income tax in a future period to offset against the deductible temporary difference, the Company shall recognize the deferred income tax assets unrecognized in prior periods. If the deductible temporary differences related to the investments of subsidiary companies, associated enterprises and contractual enterprises are likely to be reversed in the expected future and are likely to acquire any amount of taxable income tax that may be used for making up the deductible temporary differences, the Company shall recognize the deferred income tax assets corresponding to the said differences.

3. On the balance sheet day, the current income tax liabilities (or assets) incurred in the current period or prior periods shall be measured by the Company in light of the expected payable (refundable) amount of income taxes according to the tax law; The deferred income tax assets and deferred income tax liabilities shall be measured at the tax rate applicable to the period during which the assets are expected to be recovered or the liabilities are expected to be settled.

In case the applicable tax rate changes, the Company shall remeasure the deferred income tax assets and deferred income tax liabilities which have been

recognized. Excluding the deferred income tax assets and deferred income tax liabilities arising from any transaction or event directly recognized as the owners' equity, the Company shall record the amount affected by tax rate change into the income tax expenses of the current period during which the change occurs.

The Company shall reexamine the carrying amount of deferred income tax assets on each balance sheet day. If it is unlikely to obtain sufficient taxable income taxes to offset the benefit of the deferred income tax assets, the carrying amount of the deferred income tax assets shall be written down. When it is probable to obtain sufficient taxable income taxes, such write-down amount shall be subsequently reversed.

The Company shall record the income taxes of the current period and deferred income taxes other than business combinations and transactions or events directly recognized in the owners' equity into the profit statement as income tax expenses or incomes.

(27) Leases

The term "lease" refers to an agreement under which the lessor conveys to the lessee in return for rent the right to use an asset for an agreed period of time. Leases consist of financing leases and operating leases.

1. Financing leases

(1) Where a lease satisfies one or more of the following criteria, it shall be recognized as a financing lease: The ownership of the leased asset is transferred to the lessee when the term of lease expires; the lessee has the option to buy the leased asset at a price which is expected to be far lower than the fair value of the leased asset at the date when the option becomes exercisable. Thus, on the lease beginning date, it can be reasonably determined that the option will be exercised; even if the ownership of the asset is not transferred, the lease term covers the major part (over 75% (included)) of the service life of the leased asset; in the case of the lessee, the present value of the minimum lease payments on the lease beginning date amounts to substantially all (over 90% (included)) of the fair value

of the leased asset on the lease beginning date; in the case of the lessor, the present value of the minimum lease receipts on the lease beginning date amounts to substantially all (over 90% (included)) of the fair value of the leased asset on the lease beginning date; and the leased assets are of a specialized nature that only the lessee can use them without making major modifications.

A lease that does not satisfy the above conditions shall be recognized as an operating lease.

(2) The fixed assets leased by financing lease shall be recorded into the account based on the lower of the fair value of leased assets on the lease beginning date and the present value of the minimum lease payments, and a depreciation of the said fixed assets shall be made in accordance with the depreciation policies for the depreciable assets owned by the lessee.

2. Operating leases

The rents paid by the lessee shall be recorded by the Company into the relevant asset costs or the profits and losses of the current period by using the straight-line method over each period of the lease term. The direct costs incurred from operating leases carried on by the Company shall be directly recorded into the profits and losses of the current period. The contingent rents involved in the operating lease agreement shall be recorded into the profits and losses of the current period in which they actually arise.

(28) Hedging

The Company designates main raw materials as a hedged item and forward contract as a hedging instrument to avoid the risks of changes in cash flows.

1. Recognition condition of hedging

(1) At the commencement of the hedging, the enterprise shall specify the hedging relationship formally (namely the relationship between the hedging instrument and the hedged item) and prepare a formal written document on the hedging relationship, risk management objectives and the strategies of hedging. This document shall at least specify the contents of hedging instrument, the hedged

item, the nature of the hedged risk and the method for the effectiveness assessment of the hedging and etc. The hedging shall be relevant to the designated specific identifiable risk, and will ultimately affect the profits and losses of the enterprise;

(2) The hedging expectation is highly efficient and meets the risk management strategy, which is confirmed for the hedging relationship by enterprise at the very beginning;

(3) For a cash flow hedging of forecast transaction, the forecast transaction shall be likely to occur and shall make the enterprise faced to the risk of changes in cash flow, which will ultimately affect the profits and losses;

(4) The effectiveness of hedging can be reliably measured;

(5) The Company shall continuously evaluate the effectiveness of hedging and ensure that this hedging is highly effective in accounting period in which the hedging relationship is specified.

2. Measurement of hedging

The hedging instrument is measured at its fair value on the date when the hedging contract is signed, and its subsequent measurement is done at its fair value. The hedging instrument with a positive fair value shall be recognized as other current assets, and the hedging instrument with a negative fair value shall be recognized as other current liabilities. Where a cash flow hedging meets the conditions for adopting the hedging accounting method, it shall be dealt with in accordance with the following provisions:

(1) In the profit or loss of the hedging instrument, the portion, which is attributed to the effective hedging shall be directly recognized as the owner's equity and shall be presented as a separate item. The amount of the portion of the effective hedging shall be confirmed in accordance with the lower of the accumulative profit or loss of the hedging instrument as of the commencement of hedging and the accumulative amount of changes in the present value of the estimated future cash flow of the hedged item as of the commencement of the hedging.

(2) In the profit or loss of the hedging instrument, the portion, which is attributed to the ineffective hedging (namely the other profit or loss after deducting the portion directly recognized as the owner's equity) shall be recorded into the profit and loss of the current period.

(3) The relevant profit or loss directly recognized in the owner's equity originally shall be shifted out during the same period in which this non-financial asset or non-financial liability affects the profit or loss of the enterprise and shall be recorded into the current profits and losses of the current period. However, when all or partial net loss expected by the enterprise to be directly recognized in the owner's equity originally can not be made up in the future accounting period, the portion which can not be made up shall be shifted out and shall be recorded into profits and losses of the current period.

3. Evaluation of effectiveness of hedging

The Company adopts ratio analysis to evaluate the effectiveness of hedging instrument, that is, the Company recognizes the effectiveness of hedging instrument by comparing the hedging instrument resulting from the hedged risk with the fair value of the hedged item or change in cash flow ratio. When a hedging satisfies the following two conditions simultaneously, it shall be recognized as being highly efficient:

(1) At the beginning and in subsequent periods of a hedging, this hedging expectation shall be highly effective in offsetting the changes in the fair value or cash flows caused by the hedged item during the specified periods;

(2) The hedging's actual offset results are within a range of 80% to 125%.

4. Conditions for terminating the fair value hedging accounting method

In case that hedging meets one of the following conditions, the Company will terminate use of fair value hedging accounting:

(1) The hedging instrument has expired or has been sold or exercised, or the relevant contract has been terminated.

(2) Where the hedging instrument has been extended or replaced by another hedging instrument and the extension or replacement is a composing part of the hedging strategy clearly stated on the Company's written document, it shall not be deemed that the hedging instrument has expired or the related contract has been terminated.

(3) This hedging does not match the conditions for using the hedging accounting method any more.

(4) The Company has cancelled specification of hedging relationship.

(29) Critical accounting estimates

The management needs to make judgments and estimates in preparation of financial statements, and these judgments and estimates will affect the statement amounts of revenues, expenses, assets and liabilities and disclosure thereof, as well as disclosure of the contingent liability on the balance sheet date. However, the result arising from uncertainty of these estimates may lead to material adjustments for the carrying amount of future affected assets or liabilities.

The Company regularly reviews aforesaid judgments, estimates and assumptions on a going concern basis. Where changes in accounting estimates influence only the current period of changes, the amount affected by changes shall be recognized in the current period of changes; where changes influence both the current period of changes and the future period, the amount affected by changes shall be recognized in the current period of changes and the future period.

On the balance sheet date, the Company needs to make judgments, estimates and assumptions for amount of financial statement items in the following important fields:

1. Classification of leases

The Company classifies leases into operating leases and financing leases in accordance with provisions of Accounting Standards for Business Enterprises No. 21 – Leases. In classification, the management needs to make analysis and judgment based on whether all the risks and rewards related to the ownership of

leased assets have been essentially transferred to the lessee or whether the Company has essentially assumed all the risks and rewards related to the ownership of leased assets.

2. Appropriation of bad debt provision

The Company adopts the allowance method to account the loss on bad debt according to the accounting policy of receivables. Impairment of accounts receivable is based on evaluation of collectability of accounts receivable. Identification of impairment of accounts receivable requires judgments and estimates made by the management. The difference between the actual result and the original estimate will affect the carrying amount of accounts receivable and appropriation or reversal of bad debt provision for accounts receivable in the period during which the estimate is changed.

3). Provision for obsolete stocks

The company measures inventories at the lower of the cost and net realizable value according to the inventory accounting policy. If the cost of inventories is higher than the net realizable value and the inventories are obsolete and slow moving ones, a provision for decline in value of inventories shall be made. The decline in value of inventories to the net realizable value is based on evaluation of inventories' salability and realizable value. Identification of the decline in value of inventories requires the management to obtain exact evidence and make judgments and estimates on the basis of considering factors such as purposes of holding inventories and influences of events after the balance sheet date. The difference between the actual result and the original estimate will affect the carrying amount of inventories and making or reversal of provision for decline in value of inventories in the period during which the estimate is changed.

4. Fair value of financial instruments

For the financial instruments which have no active trading market, the Company uses various valuation methods such as discount cash flow model analysis to determine their fair values. In valuation, the Company needs to estimate aspects

including the future cash flow, credit risk, market volatility and pertinency, and select a proper discount rate. These related hypotheses show uncertainty, and their changes will influence the fair value of a financial instrument.

5. Provision for non-financial and non-current asset impairment

On the balance sheet date, the Company judges whether the non-current assets other than financial assets may involve signs showing possible impairment. In addition to the impairment test conducted on an annual basis for the intangible assets with uncertain service life, when there is any sign showing impairment, such an asset shall also undergo an impairment test. For the non-current assets other than financial assets, if there is any sign showing that their carrying amount cannot be recovered, an impairment test shall be performed.

Where the carrying amount of an asset or asset group is higher than the recoverable amount, namely, the higher of the net amount got by reducing the disposal expenses from the fair value and the present value of the expected future cash flow, impairment has occurred.

The net amount got by reducing the disposal expenses from the fair value is recognized by referring to the sales agreement price of similar assets in a fair transaction or the observable market price and reducing the incremental cost directly attributable to disposal of this asset.

When the present value of the future cash flow is predicted, great judgments shall be made on this asset's (or asset group's) output, selling price, related operating cost and the discount rate used to calculate the present value. When estimating the recoverable amount, the Company adopts all the related data accessible, including the forecast about the output, selling price and related operating cost that is made according to the reasonable and supported hypotheses.

6. Depreciation and amortization

For the investment real estate, fixed assets and intangible assets, the company makes depreciation and amortization using the straight-line method in the service life after taking into account their salvage values. The Company regularly reviews

the service life so as to determine the amount of depreciation and amortization expenses to be recorded into every report period. The service life is determined by the Company according to the previous experience in similar assets and in combination with the expected technology update. If major changes occur in the previous estimate, the depreciation and amortization expenses will be adjusted in the future period.

7. Deferred income tax assets

Within the limit that sufficient taxable profit can be obtained very likely to deduct the loss, the Company will recognize the deferred income tax assets regarding all the unused tax losses. This requires the management of the Company to use a lot of judgments to estimate the time and amount of the future taxable profit that may be generated and combine the tax planning strategy to determine the amount of the deferred income tax assets that should be recognized.

8. Income tax

In the normal operating activities of the Company, the final tax treatment and calculation of some transactions are uncertain to some extent. Whether certain items can be charged before tax depends on examination and approval of the tax authority. If the final recognition results of these tax issues differ from the initially estimated amount, the difference will influence the current income tax and deferred income tax in the period when it is finally recognized.

9. Accrued liabilities

Based on the contract terms, present knowledge and historical experience, the Company estimates the expected contract loss, delayed delivery penalty and litigation loss and makes corresponding provision. In case that such a contingency has formed a current obligation and the fulfillment of this current obligation likely causes outflow of economic benefits from the Company, the Company shall recognize the contingency as an accrued liability according to the best estimate of the necessary expense to be paid for the performance of the current obligation. To a great extent the recognition and measurement of accrued liabilities depend on

judgments made by the management. In the judging process, the management shall evaluate the associated risks, uncertainty, and currency time value of such a contingency.

(30) Changes of accounting policies and accounting estimates and early error correction

1. Changes of accounting policies

There were no changes in accounting policies of the Company during the Report Period.

2. Changes of accounting estimates

There were no changes of accounting estimates in the Company during the period.

3. Early error correction

The Company was involved in no early error correction during the period.

VI. Taxes

(1) Main tax categories and tax rates of the Company

Category	Tax Base	Tax Rate
Added-value tax	Value added because of sales of commodities or rendering of services	17.00%, 13.00%, 11.00%, 6.00%, 5.00%, 3.00%
Business tax	Taxable turnover	3.00%, 5.00%
Urban maintenance & construction tax	Circulation taxes payable	5.00%, 7.00%
Educational surcharges	Circulation taxes payable	3.00%
Local education surcharge	Circulation taxes payable	2.00%
Embankment protection fee	Sales revenue	0.03%-0.10%
Business income tax	Taxable income	15.00%, 25.00%, 16.50%, 34.00%

Note: Hong Kong Gree Electric Appliances Sales Limited and Gree Electric Appliances (Brazil) Co., Ltd., the overseas subsidiary companies of the Company pay the corresponding taxes according to the local tax laws. Business income tax rates are 16.50% and 34.00% respectively.

(2) Business income tax rates of major tax payer enterprises subject to different tax rates

Taxpayer	Income tax rate	Taxpayer	Income tax rate
Gree Electric Appliances (Chongqing) Co., Ltd.	15.00%	Gree Electric Appliances (Hefei) Co., Ltd.	15.00%
Zhuhai Landa Compressor Co., Ltd.	15.00%	Hong Kong Gree Electric Appliances Sales Co., Ltd.	16.50%
Zhuhai Kaibang Motor Manufacture Co., Ltd.	15.00%	Gree Electric Appliances (Brazil) Co., Ltd.	34.00%
Gree Electric Appliances (Shijiazhuang) Co., Ltd.	15.00%	Gree Green Refrigeration Technology Center Co., Ltd. Of Zhuhai	15.00%
Zhuhai Gree Xinyuan Electronics Co., Ltd.	15.00%	Gree Electric Appliances (Zhengzhou) Co., Ltd.	15.00%
Gree Electric Appliances (Wuhan) Co., Ltd.	15.00%	Gree Electric Appliances (Wuhu) Co., Ltd.	15.00%

(3) Tax preferences and approval documents

1. The Company was registered in Zhuhai, Guangdong province, and has been enjoying the preferential policy for the high and new tech enterprises (High-tech Enterprise Certificate No. GR201444001043). The Company applied the income tax rate of 15.00%.

2. Deemed to be high and new tech enterprises, the following sub-subsidiaries of the Company have acquired high-tech enterprise certificates, and applied the enterprise income tax rate of 15.00% in 2016:

No.	Name of tax payer	Certificate number	Time for acquiring the certificate	Valid period
1	Zhuhai Landa Compressor Co., Ltd.	GR201444000002	10 October 2014	Three years
2	Hefei Landa Compressor Co., Ltd.	GF201434000075	2 July 2014	Three years
3	Zhengzhou Landa Compressor Co., Ltd.	GR201441000234	23 October 2014	Three years
4	Wuhan Landa Compressor Co., Ltd.	GR201442000567	14 October 2014	Three years
5	Zhuhai Gree Electrical Co., Ltd.	GR201544000739	10 October 2015	Three years
6	Gree Electric Enterprises (Ma'anshan) Ltd.	GR201434000348	2 July 2014	Three years
7	Zhuhai Kaibang Motor Manufacture Co., Ltd.	GR201544101531	10 October 2015	Three years
8	Hefei Kaibang Motor Manufacture Co., Ltd.	GF201434000014	2 July 2014	Three years
9	Henan Kaibang Motor Manufacture Co., Ltd.	GR201441000147	23 October 2014	Three years
10	Gree Electric Appliances (Hefei) Co., Ltd.	GR201434000153	2 July 2014	Three years
11	Zhuhai Gree Xinyuan Electronics Co., Ltd.	GR201644007287	December 9, 2016	Three years
12	Zhuhai Gree Daikin Precision Mold Co., Ltd.	GR201644004203	November 30, 2016	Three years

No.	Name of tax payer	Certificate number	Time for acquiring the certificate	Valid period
13	Gree Green Refrigeration Technology Center Co., Ltd. Of Zhuhai	GF201444000382	October 9, 2014	Three years
14	Gree Electric Appliances (Wuhan) Co., Ltd.	GR201642001340	December 13, 2016	Three years
15	Gree Electric Appliances (Shijiazhuang) Co., Ltd.	GR201613000193	November 2, 2016	Three years
16	Gree Electric Appliances (Zhengzhou) Co., Ltd.	GR201441000307	October 23, 2014	Three years
17	Gree Electric Appliances (Wuhu) Co., Ltd.	GR201434000562	July 2, 2014	Three years

3. The following sub-subsidiaries of the Company enjoy the country's western development policy, and applied the income tax rate of 15.00%.

No.	Name of tax payer	Preferential tax policy	Start time
1	Gree Electric Appliances (Chongqing) Co., Ltd.	Preferential tax policy of western development	January 1, 2008
2	Chongqing Landa Compressor Co., Ltd.	Preferential tax policy of western development	January 1, 2015
3	Chongqing Kaibang Motor Manufacture Co., Ltd.	Preferential tax policy of western development	January 1, 2013

VII. Notes and description of major items in consolidated financial statements

Unless specially indicated, the monetary unit of the data listed in this section shall be RMB Yuan. "Beginning of the period" and "beginning of the year" mean 1 January 2016; "end of the period" and "end of the year" mean 31 December 2016; "previous period" means the year of 2015; "current period" means the year of 2016.

(1) Monetary capital

Item	Amount at the end of the period	Amount at the beginning of the period
Cash	2,069,645.31	2,395,117.18
Bank deposits	54,348,628,591.21	39,951,097,932.43
Other monetary capital	6,108,277,792.95	7,687,087,609.64
Deposits in central bank	2,705,752,325.39	3,769,666,905.93
Deposits in other banks	32,448,402,376.61	37,409,550,995.35
Total	95,613,130,731.47	88,819,798,560.53
Including: Total amount deposited abroad	109,031,267.06	4,729,515,158.98

Note:

1. The invoicing and guarantee deposit in other monetary capital of the Company is RMB 6,077,539,766.88; the credit margin is RMB 30,738,026.07;

2. The reserve requirements on deposit in the Company's deposits in central bank are RMB 2,703,513,915.69.

3. The Company did not have any amount involving potential recovery risk at the end of the period.

(2) Derivative financial assets

Item	Balance at the end of the period	Beginning Balance
Derivative financial assets - forward foreign exchange settlement/sale	250,848,418.63	
Total	250,848,418.63	

(3) Notes receivable

1. Notes receivable are presented by category

Item	Amount at the end of the period	Amount at the beginning of the period
Banker's acceptance	29,878,639,384.77	14,879,805,537.96
Trade acceptance	84,716,093.68	
Total	29,963,355,478.45	14,879,805,537.96

2. Notes receivable which have been pledged but not yet due at the end of the period

Item	Pledged amount at the end of the period
Banker's acceptance	24,406,512,494.25
Total	24,406,512,494.25

3. Notes receivable which have been endorsed or discounted but not yet due at the end of the period

Item	Amount whose recognition is terminated at the end of the period	Amount whose recognition is not terminated at the end of the period
Banker's acceptance	42,426,151,663.20	
Total	42,426,151,663.20	

4. The Company had no notes carried forward to the accounts receivable due to incapability of performance by the drawer at the end of the period.

(4) Accounts receivable

1. The accounts receivable are disclosed by type

Type	Amount at the end of the period				
	Book balance		Bad debt provision		Carrying amount
	Amount	Percentage (%)	Amount	Percentage (%)	
Receivables with significant single amounts and single impairment provision appropriated	515,821,127.36	14.62	379,709,258.80	73.61	136,111,868.56
Accounts receivable with bad debt provision appropriated by aging combination	2,991,849,616.67	84.80	167,426,833.86	5.60	2,824,422,782.81
Other insignificant accounts receivable with single bad debt provision appropriated	20,392,776.82	0.58	20,392,776.82	100.00	
Total	3,528,063,520.85	100.00	567,528,869.48	16.09	2,960,534,651.37

Continued

Type	Amount at the beginning of the period				
	Book balance		Bad debt provision		Carrying amount
	Amount	Percentage (%)	Amount	Percentage (%)	
Receivables with significant single amounts and single impairment provision appropriated	455,090,253.61	13.44	335,028,479.96	73.62	120,061,773.65
Accounts receivable with bad debt provision appropriated by aging combination	2,907,834,967.26	85.85	148,684,628.98	5.11	2,759,150,338.28
Other insignificant accounts receivable with single bad debt provision appropriated	24,037,956.63	0.71	24,037,956.63	100.00	
Total	3,386,963,177.50	100.00	507,751,065.57	14.99	2,879,212,111.93

2. Accounts receivable with bad debt provision provided by aging analysis in the combinations

Aging	Amount at the end of the period		
	Accounts receivable	Bad debt provision	Percentage of appropriation (%)
Within 1 year	2,889,416,405.09	144,479,573.99	5.00
1 to 2 years	98,424,647.70	19,684,929.55	20.00

Aging	Amount at the end of the period		
	Accounts receivable	Bad debt provision	Percentage of appropriation (%)
2 to 3 years	1,492,467.12	746,233.56	50.00
Over 3 years	2,516,096.76	2,516,096.76	100.00
Total	2,991,849,616.67	167,426,833.86	5.60

3. Receivables with significant single amounts and single impairment provision appropriated

Name of debtor	Book balance	Bad debt provision	Percentage of appropriation (%)	Reason for appropriation
Customer	515,821,127.36	379,709,258.80	73.61	Insolvency
Total	515,821,127.36	379,709,258.80	73.61	

4. Other insignificant accounts receivable with single bad debt provision appropriated

Name of debtor	Book balance	Bad debt provision	Percentage of appropriation (%)	Reason for appropriation
Customer 1	13,458,727.43	13,458,727.43	100.00	Bankruptcy
Customer 2	4,715,115.32	4,715,115.32	100.00	Insolvency
Customer 3	1,466,529.62	1,466,529.62	100.00	Insolvency
Customer 4	444,592.97	444,592.97	100.00	Insolvency
Customer 5	307,811.48	307,811.48	100.00	Bankruptcy
Total	20,392,776.82	20,392,776.82	100.00	

5. The amount of accounts receivable bad debt provision appropriated by the Company in the current period was RMB59,173,500.09, and there was no bad debt provision reversed in the current period.

6. The Company's accounts receivable actually written off in this period was RMB8,077,488.07, and there was no important accounts receivable that was written off.

7. The aggregate balance amount of accounts receivable for the Company's top 5 debtors at the end of the year was RMB1,079,712,287.83, accounting for 30.60% of the total balance of accounts receivable at the end of the year, and the aggregate balance amount of bad debt provision appropriated accordingly at the end of the year was RMB407,903,816.82.

8. The Company had no accounts receivable that were stopped from recognition due to financial asset transfer in the current period.

9. The Company had no assets or liabilities formed by transfer of accounts receivable and its continuous involvement into them in the current period.

(5) Prepayments

1). The prepayments are listed by aging as follows:

Aging	Amount at the end of the period		Amount at the beginning of the period	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	1,801,709,353.49	99.27	809,311,758.91	95.45
1 to 2 years	8,874,382.78	0.49	29,420,687.55	3.47
2 to 3 years	1,223,829.65	0.07	2,743,640.94	0.32
Over 3 years	3,138,224.86	0.17	6,453,062.31	0.76
Total	1,814,945,790.78	100.00	847,929,149.71	100.00

2. At the end of the period, the Company had no prepayments whose aging exceeded one year and amount was important.

3. The Company's total prepayment balance of top 5 prepaying entities at the end of the year was RMB1,338,718,433.44, accounting for 73.76% of the prepayment balance at the end of the year.

(6) Interests receivable

1. Classification of interests receivable

Item	Balance at the end of the period	Beginning Balance
Interest on deposit	983,107,894.67	1,032,368,135.50
Loan interest	7,893,862.11	7,150,605.17
Interest of securities investment	54,540,806.65	70,257,709.10
Total	1,045,542,563.43	1,109,776,449.77

2. The Company had no overdue interests receivable in the current period.

(7) Other receivables

1. Other receivables are disclosed by type

Type	Amount at the end of the period				
	Book balance		Bad debt provision		Carrying amount
	Amount	Percentage (%)	Amount	Percentage (%)	
Other receivables with significant single amounts and single impairment provision appropriated					
Other receivable with bad debt provision appropriated by aging combination	287,515,010.46	100.00	42,530,855.79	14.79	244,984,154.67
Other insignificant receivables with single bad debt provision appropriated					
Total	287,515,010.46	100.00	42,530,855.79	14.79	244,984,154.67

Continued

Type	Amount at the beginning of the period				
	Book balance		Bad debt provision		Carrying amount
	Amount	Percentage (%)	Amount	Percentage (%)	
Other receivables with significant single amounts and single impairment provision appropriated					
Other receivable with bad debt provision appropriated by aging combination	295,812,685.59	100.00	41,796,042.59	14.13	254,016,643.00
Other insignificant receivables with single bad debt provision appropriated					
Total	295,812,685.59	100.00	41,796,042.59	14.13	254,016,643.00

2. Other receivables with bad debt provision appropriated by aging analysis in the combinations

Aging	Amount at the end of the period		
	Other receivables	Bad debt provision	Percentage of appropriation (%)
Within 1 year	243,235,448.07	12,161,522.52	5.00
1 to 2 years	10,931,010.76	2,186,202.18	20.00
2 to 3 years	10,330,841.12	5,165,420.58	50.00
Over 3 years	23,017,710.51	23,017,710.51	100.00
Total	287,515,010.46	42,530,855.79	14.79

3. The amount of bad debt provision appropriated by the Company in the current period was RMB688,536.07, and there was no bad debt provision reversed in the current period.

4. The amount of other receivables actually written off by the Company in the current period was RMB60,443.00, and there was no important accounts receivable that was written off.

5. Other receivables presented by the nature of money

Nature of money	Amount at the end of the period	Amount at the beginning of the period
Intercourse funds	218,000,294.66	222,155,797.44
Hedging fund	69,514,715.80	73,656,888.15
Total	287,515,010.46	295,812,685.59

6. The top 5 debtors of other receivables

Name of entity	Relationship with the Company	Amount	Aging	Percentage to total other receivables (%)	Bad debt provision appropriated
First	Non-related party	69,514,715.80	Within 1 year	24.18	3,475,735.79
Second	Non-related party	9,881,000.00	Within 1 year	3.44	494,050.00
Third	Non-related party	9,802,900.00	Within 1 year	3.41	490,145.00
Fourth	Non-related party	7,752,619.62	Within 1 year	2.70	387,630.98
Fifth	Non-related party	7,109,244.49	Within 1 year	2.47	355,462.22
Total		104,060,479.91		36.20	5,203,023.99

7. The Company had no other receivables involving government subsidies in the current period.

8. The Company had no other receivables that were stopped from recognition due to financial asset transfer in the current period.

9. The Company had no assets or liabilities formed by transfer of other receivables and its continuous involvement into them in the current period.

(8) Buying back the sale of financial assets

1. Presented by the category of financial assets

Category of subject matter	Balance at the end of the period	Beginning Balance
Bonds		1,000,000,000.00
Including: treasury bonds		1,000,000,000.00
Less: provision for impairment		
Carrying amount		1,000,000,000.00

2. Presented by the category of businesses

Item	Balance at the end of the period	Beginning Balance
Pledge-style reverse Repo		1,000,000,000.00
Total		1,000,000,000.00

3. Provided capital through the pledged repurchase was presented by category within the residual maturity

Term	Balance at the end of the period	Beginning Balance
Within 1 month		1,000,000,000.00
Total		1,000,000,000.00

(9) Inventories

1). Type of inventories

Item	Amount at the end of the period		
	Book balance	Provision for price fall	Carrying amount
Raw material	3,346,047,573.00	138,267,102.68	3,207,780,470.32
Goods in process	969,710,357.81		969,710,357.81
Finished goods	4,889,087,079.59	41,672,668.31	4,847,414,411.28
Total	9,204,845,010.40	179,939,770.99	9,024,905,239.41

Continued

Item	Amount at the beginning of the period		
	Book balance	Provision for price fall	Carrying amount
Raw material	3,779,129,197.57	112,001,486.87	3,667,127,710.70
Goods in process	1,292,887,741.96		1,292,887,741.96

Item	Amount at the beginning of the period		
	Book balance	Provision for price fall	Carrying amount
Finished goods	4,554,349,862.15	40,422,602.30	4,513,927,259.85
Total	9,626,366,801.68	152,424,089.17	9,473,942,712.51

2. Provision for obsolete stocks

Type of inventories	Amount at the beginning of the period	Increase in the current period		Decrease for the current period		Amount at the end of the period
		Amount of appropriation for the current period	Others	Reversed amount	Write-off amount	
Raw material	112,001,486.87	14,309,951.01	11,955,664.80			138,267,102.68
Finished goods	40,422,602.30	681,057.07	569,008.94			41,672,668.31
Total	152,424,089.17	14,991,008.08	12,524,673.74			179,939,770.99

Specific bases for making a provision for decline in value of inventories and reasons of reversing or writing off the provision for decline in value of inventories in the current period

Item	Specific basis for making a provision for decline in value of inventories	Reason of reversing the provision for decline in value of inventories in the current year	Reason of writing off the provision for decline in value of inventories in the current year
Raw material	The lower of the inventory cost and net realizable value		
Finished goods	The lower of the inventory cost and net realizable value		

3. The inventory balance at the end of the period did not contain capitalized amounts of borrowing costs.

4. The inventory balance at the end of the period did not involve finished but unsettled assets formed under construction contract.

(10) Other current assets

Item	Amount at the end of the period	Amount at the beginning of the period
Hedging instruments	19,564,070.50	43,205,378.75
Financing products	1,300,000,000.00	1,580,000,000.00
Input tax to be deducted and prepaid tax	672,972,432.93	61,628,100.79
Total	1,992,536,503.43	1,684,833,479.54

(11) Disbursement of loans and advances

1. Distribution of enterprises and individuals

Item	Amount at the end of the period	Amount at the beginning of the period
Disbursement of corporate loans and advances		
Including: (1) Loan	3,019,591,337.33	5,297,312,000.00
(2) Discount	1,839,344,548.42	2,777,807,263.38
Including: discount asset interest adjustment	-11,130,112.82	-24,891,213.22
Total disbursement of corporate loans and advances	4,858,935,885.75	8,075,119,263.38
Less: loan loss provision	121,751,649.96	202,500,261.92
Including: combined appropriation	121,751,649.96	202,500,261.92
Carrying amount of disbursement of corporate loans and advances	4,737,184,235.79	7,872,619,001.46

2. Changes in loss provision for loans

Item	Amount at the end of the period	Amount at the beginning of the period
Beginning Balance	202,500,261.92	165,867,755.21
Appropriation for the current year	-80,748,611.96	36,632,506.71
Balance at the end of the period	121,751,649.96	202,500,261.92

(12) Financial assets available for sale

1. Classification of financial assets available for sale

Item	Balance at the end of the period		
	Book balance	Provision for impairment	Carrying amount
Debt instrument available for sale	894,690,850.00		894,690,850.00
Including: amount measured at the fair value	894,690,850.00		894,690,850.00
Equity instrument available for sale	418,512,710.40	900,000.00	417,612,710.40
Including: amount measured at the fair value	417,612,710.40		417,612,710.40
Amount measured by cost	900,000.00	900,000.00	
Trust products	72,000,000.00		72,000,000.00
Total	1,385,203,560.40	900,000.00	1,384,303,560.40

Continued

Item	Beginning Balance		
	Book balance	Provision for impairment	Carrying amount
Debt instrument available for sale	926,838,050.00		926,838,050.00
Including: amount measured at	926,838,050.00		926,838,050.00

Item	Beginning Balance		
	Book balance	Provision for impairment	Carrying amount
the fair value			
Equity instrument available for sale	1,688,781,127.56	900,000.00	1,687,881,127.56
Including: amount measured at the fair value	1,687,881,127.56		1,687,881,127.56
Amount measured by cost	900,000.00	900,000.00	
Trust products	90,000,000.00		90,000,000.00
Total	2,705,619,177.56	900,000.00	2,704,719,177.56

2. Available-for-sale financial assets measured at the fair value at the end of the period

Classification of financial assets available for sale	Equity instrument available for sale	Debt instrument available for sale	Total
Equity instrument cost/Debt instrument amortization cost	617,323,352.86	869,544,485.48	1,486,867,838.34
Fair value	417,612,710.40	894,690,850.00	1,312,303,560.40
Amount change in the fair value cumulatively recorded into other comprehensive income	-282,610,139.11	25,146,364.52	-257,463,774.59
Impairment amount appropriated			

3. Available-for-sale financial assets measured at cost at the end of the period

Name of invested entities	Book balance				Provision for impairment				Shareholding ratio in the invested entity (%)	Cash dividend for the current period
	Amount at the beginning of the period	Increase in the current period	Decrease for the current period	Amount at the end of the period	Amount at the beginning of the period	Increase in the current period	Decrease for the current period	Amount at the end of the period		
Zhuhai Dasheng Co. Ltd.	900,000.00			900,000.00	900,000.00			900,000.00	3.13	
Total	900,000.00			900,000.00	900,000.00			900,000.00		

4. Changes in impairment of available-for-sale financial assets in the Report Period

Classification of financial assets available for sale	Equity instrument available for sale	Debt instrument available for sale	Total
Balance of impairment appropriated at the beginning of the period	900,000.00		900,000.00
Appropriation for the current period			
Decrease for the current period			
Balance of impairment appropriated at the end of the period	900,000.00		900,000.00

5. The Company had no dramatic decrease or persistent decrease in the closing fair value of equity instrument available for sale in the current period.

(13) Long-term equity investments

Name of invested entities	Beginning Balance		Increase/Decrease in the current period								Balance at the end of the period	Balance of provision for impairment at the end of the period
	Original value	Provision for impairment	Additional investment	Disinvestment	Investment profits/losses recognized under the equity method	Adjustment of other comprehensive income	Changes in other equities	Cash dividends or profits declared to distribute	Appropriated provision for impairment	Others		
1. Partnership												
Songyuan Food Group Co., Ltd.	60,891,468.90				4,234,163.53						65,125,632.43	
Subtotal	60,891,468.90				4,234,163.53						65,125,632.43	
2. Joint venture												
(Vietnam) Gree Electric Appliances, Inc.	1,940,009.35	1,940,009.35									1,940,009.35	1,940,009.35
Liaowang All Media Communication Co., Ltd.	22,423,869.04				3,851,569.67						26,275,438.71	
Beijing Gree Technology Co., Ltd.	1,252,032.71				291,384.83						1,543,417.54	
Chongqing Pargo Mechanical Equipment Co., Ltd.	10,891,816.90				-523,735.65						10,368,081.25	
GREE VOLINCO (HONG KONG) LIMITED			419,538.00		181,063.58						600,601.58	
Subtotal	36,507,728.00	1,940,009.35	419,538.00		3,800,282.43						40,727,548.43	1,940,009.35
Total	97,399,196.90	1,940,009.35	419,538.00		8,034,445.96						105,853,180.86	1,940,009.35

(14) Investment real estate

1. Information of investment real estate

Item	Houses and buildings	Total
1. Total of original carrying amount		
1. Beginning balance	574,204,838.52	574,204,838.52
2. Increased amount in the current period	127,410,609.25	127,410,609.25
Including: amount transferred into construction in progress	127,410,609.25	127,410,609.25
3. Decreased amount in the current period	121,243.33	121,243.33
Including: amount transferred into fixed assets	121,243.33	121,243.33
4. Balance at the end of the period	701,494,204.44	701,494,204.44
2. Accumulated depreciation and accumulated amortization		
1. Beginning balance	82,663,988.86	82,663,988.86
2. Increased amount in the current period	21,099,340.73	21,099,340.73
Including: appropriation or amortization	21,099,340.73	21,099,340.73
3. Decreased amount in the current period	5,759.10	5,759.10
Including: amount transferred into fixed assets	5,759.10	5,759.10
4. Balance at the end of the period	103,757,570.49	103,757,570.49
3. Provision for impairment		
4. Carrying amount		
1. Carrying amount at the end of the period	597,736,633.95	597,736,633.95
2. Carrying amount at the beginning of the period	491,540,849.66	491,540,849.66

2. The original value of the investment real estate of which the certificate of title has not yet obtained by the Company was RMB148,424,506.45 at the end of the period, and there was no flaw in property rights.

(15) Fixed assets

1. Information of fixed assets

Item	Houses and buildings	Machinery equipment	Transportation equipment	Electronic equipment	Other equipments	Total
1. Total of original carrying amount:						
1. Beginning balance	11,023,730,601.04	9,134,149,525.49	598,887,765.65	650,098,351.71	316,050,673.13	21,722,916,917.02
2. Increased amount in the current period	2,072,952,725.78	1,749,920,708.73	43,004,494.37	122,165,231.73	81,861,388.34	4,069,904,548.95
Including: (1) Procurement		1,515,673,405.53	43,004,494.37	122,165,231.73	81,861,388.34	1,762,704,519.97
(2) Amount transferred into construction in progress	2,072,831,482.45	234,247,303.20				2,307,078,785.65
(3) Amount transferred into investment real estate	121,243.33					121,243.33
3. Decreased amount in the current period		178,733,755.29	22,835,247.51	15,000,334.61	7,333,598.06	223,902,935.47
Including: Disposal or scrap		178,733,755.29	22,835,247.51	15,000,334.61	7,333,598.06	223,902,935.47
4. Balance at the end of the period	13,096,683,326.82	10,705,336,478.93	619,057,012.51	757,263,248.83	390,578,463.41	25,568,918,530.50
2. Accumulated depreciation						
1. Beginning balance	1,815,042,931.58	3,503,123,791.52	320,585,140.19	438,485,978.44	194,943,254.02	6,272,181,095.75
2. Increased amount in the current period	428,659,700.70	972,280,174.28	90,086,202.79	145,002,091.84	77,523,516.52	1,713,551,686.13
Including: (1) Appropriation	428,653,941.60	972,280,174.28	90,086,202.79	145,002,091.84	77,523,516.52	1,713,545,927.03
(2) Amount transferred into investment real estate	5,759.10					5,759.10
3. Decreased amount in the current period		99,680,429.97	16,757,644.35	2,719,194.99	3,092,185.20	122,249,454.51
Including: Disposal or scrap		99,680,429.97	16,757,644.35	2,719,194.99	3,092,185.20	122,249,454.51
4. Balance at the end of the period	2,243,702,632.28	4,375,723,535.83	393,913,698.63	580,768,875.29	269,374,585.34	7,863,483,327.37
3. Provision for impairment						
1. Beginning balance	13,995,429.77	4,462,623.00		124,245.35	340,445.95	18,922,744.07
2. Increased amount in the current period		4,861,077.55	8,282.39	24,475.49	10,171.84	4,904,007.27
Including: appropriation		4,861,077.55	8,282.39	24,475.49	10,171.84	4,904,007.27
3. Decreased amount in the current period		24,768.57			22,257.70	47,026.27
Including: Disposal or scrap		24,768.57			22,257.70	47,026.27
4. Balance at the end of the period	13,995,429.77	9,298,931.98	8,282.39	148,720.84	328,360.09	23,779,725.07
4. Carrying amount						
1. Carrying amount at the end of the period	10,838,985,264.77	6,320,314,011.12	225,135,031.49	176,345,652.70	120,875,517.98	17,681,655,478.06
2. Carrying amount at the beginning of the period	9,194,692,239.69	5,626,563,110.97	278,302,625.46	211,488,127.92	120,766,973.16	15,431,813,077.20

Note: The depreciation appropriated in the current period was RMB1,713,545,927.03, and the original price of construction in progress transferred into fixed assets during the period was RMB2,307,078,785.65. As of December 31, 2016, the original value of houses and buildings of which the certificate of title has not yet obtained by the Company is RMB8,773,913,735.29.

2. The Company had no temporary idle fixed assets in the current period.
3. The Company had no fixed assets leased in through financing leases.
4. The Company had no fixed assets leased out through operating leases.

(16) Construction in progress

1. Information of construction in progress

Item	Amount at the end of the period			Amount at the beginning of the period		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Chongqing Gree project	2,615.28		2,615.28	536,450,543.91		536,450,543.91
Wuhu Gree project	19,094,736.70		19,094,736.70	532,806,043.38		532,806,043.38
Zhengzhou Gree Phase I project	8,730,392.91		8,730,392.91	286,394,999.36		286,394,999.36
Shijiazhuang Gree project	15,648,723.23		15,648,723.23	121,878,738.99		121,878,738.99
Changsha HVAC project	117,034,936.05		117,034,936.05	281,421,364.14		281,421,364.14
Wuhan Gree project	33,638,875.33		33,638,875.33	117,494,691.58		117,494,691.58
Landa compressor project	109,077,729.01		109,077,729.01	37,684,587.53		37,684,587.53
Gree HQ project	92,157,312.16		92,157,312.16	45,748,249.58		45,748,249.58
Gree TOSOT (Suqian) project	77,697,574.40		77,697,574.40	250,800.00		250,800.00
Wuhu Precision Manufacturing project	59,725,831.97		59,725,831.97	36,339,251.23		36,339,251.23
Others	48,735,029.80		48,735,029.80	48,368,560.32		48,368,560.32
Total	581,543,756.84		581,543,756.84	2,044,837,830.02		2,044,837,830.02

2. Changes in construction projects in progress

Item Name	Amount at the beginning of the period	Increase in the current period	Amount transferred into fixed assets	Amount transferred into investment real estate	Amount at the end of the period	Amount of capitalization of interests	Including: Amount of capitalization of interests for the current period	Interest capitalization rate for the current period (%)	Capital Source of Investment
Chongqing Gree project	536,450,543.91	42,144,491.26	578,592,419.89		2,615.28				Raised independently
Wuhu Gree project	532,806,043.38		489,409,901.27	24,301,405.41	19,094,736.70				Raised independently
Zhengzhou Gree Phase I project	286,394,999.36	42,908,975.78	218,068,244.74	102,505,337.49	8,730,392.91				Raised independently
Shijiazhuang Gree project	121,878,738.99	37,770,954.12	144,000,969.88		15,648,723.23				Raised independently
Changsha HVAC project	281,421,364.14	230,168,988.98	394,555,417.07		117,034,936.05				Raised independently
Wuhan Gree project	117,494,691.58	121,104,755.30	204,626,178.41	334,393.14	33,638,875.33				Raised independently
Landa compressor project	37,684,587.53	110,936,130.12	39,542,988.64		109,077,729.01				Raised independently
Gree HQ project	45,748,249.58	61,901,439.29	15,492,376.71		92,157,312.16				Raised independently
Gree TOSOT (Suqian) project	250,800.00	77,446,774.40			77,697,574.40				Raised independently
Wuhu Precision Manufacturing project	36,339,251.23	127,493,407.24	104,106,826.50		59,725,831.97				Raised independently
Others	48,368,560.32	119,319,405.23	118,683,462.54	269,473.21	48,735,029.80				Raised independently
Total	2,044,837,830.02	971,195,321.72	2,307,078,785.65	127,410,609.25	581,543,756.84				Raised independently

3. The Company had no impairment of construction in progress in the current period.

(17) Intangible assets

Item	Land use rights	Patent rights and others	Total
1. Total of original carrying amount			
1. Beginning balance	2,945,239,569.13	18,899,842.05	2,964,139,411.18
2. Increased amount in the current period	772,205,744.28	969,474.81	773,175,219.09
Including: Procurement	772,205,744.28	969,474.81	773,175,219.09
3. Decreased amount in the current period	1,367,530.52		1,367,530.52
Including: Disposal	1,367,530.52		1,367,530.52
4. Balance at the end of the period	3,716,077,782.89	19,869,316.86	3,735,947,099.75
2. Accumulated amortization			
1. Beginning balance	297,811,763.91	10,183,835.53	307,995,599.44
2. Increased amount in the current period	70,871,084.89	2,436,385.33	73,307,470.22
Including: appropriation	70,871,084.89	2,436,385.33	73,307,470.22
3. Decreased amount in the current period	632,254.63		632,254.63
Including: Disposal	632,254.63		632,254.63
4. Balance at the end of the period	368,050,594.17	12,620,220.86	380,670,815.03
3. Provision for impairment			
4. Carrying amount			
1. Carrying amount at the end of the period	3,348,027,188.72	7,249,096.00	3,355,276,284.72
2. Carrying amount at the beginning of the period	2,647,427,805.22	8,716,006.52	2,656,143,811.74

(18) Deferred income tax assets/Deferred income tax liabilities

1. Deferred income tax assets not offset

Item	Balance at the end of the period		Beginning Balance	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Assets depreciation reserves	827,413,296.99	132,246,754.17	410,412,835.71	77,110,236.61
Deductible loss	456,836,817.78	114,209,204.47	301,321,074.64	75,330,268.67
Accrued expenses	57,983,419,537.57	8,697,537,604.97	51,189,425,884.98	7,678,526,424.69
Payroll payable	414,478,017.73	62,171,702.65	715,736,768.61	107,674,163.51
Amortization of assets	1,084,532,006.00	163,007,525.36	1,050,783,076.81	157,740,989.92
Others	3,295,065,226.21	498,544,360.53	4,402,472,094.43	667,994,052.87
Total	64,061,744,902.28	9,667,717,152.15	58,070,151,735.18	8,764,376,136.27

2. Deferred income tax liabilities not offset

Item	Balance at the end of the period		Beginning Balance	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Changes in fair value of financial assets available for sale	25,146,364.52	6,286,591.13	52,755,526.90	13,188,881.73
Changes in fair value of derivative financial assets	288,444,183.59	43,830,564.01		
Unrealized exchange gain and loss	219,749,465.07	36,258,661.19		
Interests receivable	1,045,542,563.43	192,010,519.27	1,109,776,449.77	222,911,701.49
Others	10,682,559.16	1,623,075.76	48,702,885.64	8,035,976.13
Total	1,589,565,135.77	280,009,411.36	1,211,234,862.31	244,136,559.35

3. Deferred income tax assets or liabilities listed by net amount after offsetting:
none

4. Breakdown of deductible temporary differences or deductible losses of deferred income tax assets not recognized

Item	Amount at the end of the period	Amount at the beginning of the period
Deductible temporary differences	618,551,183.95	414,210,775.76
Deductible loss	53,024,670.60	51,266,242.49
Total	671,575,854.55	465,477,018.25

5. The deductible losses of deferred income tax assets not recognized will become due in the following years:

Year	Amount at the end of the period	Amount at the beginning of the period
2017	40,241,925.02	1,640,204.26
2018	7,462,548.70	40,241,925.02
2019	1,050,034.77	7,462,548.70
2020	871,529.74	1,050,034.77
2021	3,398,632.37	871,529.74
Total	53,024,670.60	51,266,242.49

(19) Other non-current assets

Item	Amount at the end of the period	Amount at the beginning of the period
Advance payment for the project	9,662,883.09	13,936,886.60
Advance payment for equipment	1,183,323,428.17	643,063,213.53
Advance payment of land transfer fee	118,604,000.00	
Total	1,311,590,311.26	657,000,100.13

(20) Short-term borrowings

1. Classification of short-term borrowings:

Item	Amount at the end of the period	Amount at the beginning of the period
Guaranteed loan	825,378,407.00	1,328,471,206.03
Borrowing on credit	9,875,703,238.32	4,948,188,930.00
Total	10,701,081,645.32	6,276,660,136.03

2. There was no short-term borrowing that has been overdue but not yet repaid in the current period.

(21) Borrowings from central bank

Item	Amount at the beginning of the period	Increase in the current period	Decrease for the current period	Amount at the end of the period
Bills rediscounted	8,000,000.00	14,833,543.30	18,559,543.30	4,274,000.00
Total	8,000,000.00	14,833,543.30	18,559,543.30	4,274,000.00

(22) Deposits from customers and interbank

Item	Amount at the end of the period	Amount at the beginning of the period
Current deposits	24,465,859.45	60,747,235.82
Time deposits	80,776,000.00	80,865,000.00
Draft deposits	40,000,000.00	425,000,000.00
Total	145,241,859.45	566,612,235.82

(23) Derivative financial liabilities

Item	Balance at the end of the period	Beginning Balance
Derivative financial liabilities - forward foreign exchange settlement/sale	394,763,490.33	1,189,028,366.37
Total	394,763,490.33	1,189,028,366.37

(24) Notes payable

Item	Amount at the end of the period	Amount at the beginning of the period
Banker's acceptance bill	9,127,336,849.68	7,427,635,753.74
Total	9,127,336,849.68	7,427,635,753.74

Note: There were no due and unpaid notes payable at the end of the period.

(25) Accounts payable

1. Classification

Item	Amount at the end of the period	Amount at the beginning of the period
Within 1 year	29,234,118,164.73	24,430,253,525.99
1 to 2 years	239,381,969.92	285,936,716.79
2 to 3 years	30,764,375.53	26,375,396.94

Item	Amount at the end of the period	Amount at the beginning of the period
Over 3 years	37,202,350.92	51,702,732.75
Total	29,541,466,861.10	24,794,268,372.47

2. There were no important accounts payable with aging exceeding 1 year at the end of the period.

(26) Advance received from customers

1. Classification

Item	Amount at the end of the period	Amount at the beginning of the period
Loans	10,021,885,515.93	7,619,598,042.86
Total	10,021,885,515.93	7,619,598,042.86

2. There was no advance received from customers with aging exceeding 1 year at the end of the period.

3. There were no accounts receivable in advance corresponding to any settled and uncompleted construction contract project at the end of the period.

(27) Payroll payable

1. Presentation by category

Item	Beginning Balance	Increase in the current period	Decrease for the current period	Balance at the end of the period
1. Short-term wages and salaries	1,697,113,495.90	5,359,621,409.33	5,354,216,468.60	1,702,518,436.63
2. Separation benefits - defined contribution plan	169,109.61	402,134,238.26	401,872,357.44	430,990.43
Total	1,697,282,605.51	5,761,755,647.59	5,756,088,826.04	1,702,949,427.06

2. Short-term wages and salaries

Item	Beginning Balance	Increase in the current period	Decrease for the current period	Balance at the end of the period
1. Wages, bonuses, subsidies and allowances	1,308,427,557.99	4,557,980,643.63	4,629,378,402.56	1,237,029,799.06
2. Employee welfares		379,895,340.15	379,895,340.15	
3. Social insurance premiums	74,006.71	166,263,912.76	166,261,396.73	76,522.74
Including: Medical insurance premium	67,252.73	138,544,493.43	138,542,054.94	69,691.22
Industrial injury insurance premium	1,896.95	13,676,392.80	13,676,467.34	1,822.41
Birth insurance premium	4,857.03	14,043,026.53	14,042,874.45	5,009.11
4. Housing accumulation funds	585,200.38	108,636,772.87	108,691,049.42	530,923.83

Item	Beginning Balance	Increase in the current period	Decrease for the current period	Balance at the end of the period
5. Labor union expenditures and employee education funds	388,026,730.82	146,844,739.92	69,990,279.74	464,881,191.00
Total	1,697,113,495.90	5,359,621,409.33	5,354,216,468.60	1,702,518,436.63

3. Separation benefits - defined contribution plan

Item	Beginning Balance	Increase in the current period	Decrease for the current period	Balance at the end of the period
1. Basic endowment insurance premium	146,442.07	380,594,249.18	380,322,934.26	417,756.99
2. Unemployment insurance premium	22,667.54	21,539,989.08	21,549,423.18	13,233.44
Total	169,109.61	402,134,238.26	401,872,357.44	430,990.43

(28) Taxes payable

Item	Balance at the end of the period	Beginning Balance
Added-value tax	972,091,939.14	679,065,489.72
Business income tax	1,756,176,018.77	1,945,548,593.78
Others	398,034,796.38	353,187,397.05
Total	3,126,302,754.29	2,977,801,480.55

(29) Interests payable

Item	Amount at the end of the period	Amount at the beginning of the period
Loan interest	40,686,738.58	45,942,872.26
Interest on customer bank deposits	1,095,238.67	2,443,837.49
Total	41,781,977.25	48,386,709.75

Note: There was no overdue and unpaid interest at the end of the period.

(30) Dividends payable

Name of entity	Amount at the end of the period	Amount at the beginning of the period
Corporate shareholder	87,129,929.69	105,031.73
Public shareholder	602,881.87	602,881.87
Total	87,732,811.56	707,913.60

(31) Other payables

1. Other payables presented by the nature of money

Item	Balance at the end of the period	Beginning Balance
Intercourse funds	1,881,107,200.55	2,098,888,616.86
Deposit	341,506,774.27	508,713,319.35
Total	2,222,613,974.82	2,607,601,936.21

2. Other important payables with aging exceeding 1 year

Name of entity	Balance at the end of the period	Aging	Cause of failing to repay or carry over
Entity 1	187,342,963.94	2 - 3 years	Unsettled
Total	187,342,963.94		

(32) Non-current liabilities due within one year

Item	Amount at the end of the period	Amount at the beginning of the period
Long-term borrowings due within one year		2,403,745,557.37
Including: Long-term pledge loans due within one year		2,403,745,557.37
Total		2,403,745,557.37

(33) Other current liabilities

Item	Amount at the end of the period	Amount at the beginning of the period
Installation and repair costs	1,458,677,991.64	1,687,646,974.96
Sales rebate	58,219,962,218.02	53,049,708,823.35
Fair value of hedging instruments		43,442,850.00
Others	80,208,362.28	227,053,219.17
Total	59,758,848,571.94	55,007,851,867.48

(34) Long-term payroll payable

1. Long-term payroll payable

Item	Amount at the end of the period	Amount at the beginning of the period
Defined benefit plan	117,732,064.00	127,518,492.00
Total	117,732,064.00	127,518,492.00

2. Changes in the defined benefit plan

Item	Amount for the current period	Amount for the previous period
1. Beginning balance	127,518,492.00	106,716,248.00
2. Defined benefit cost recorded in the current profits and losses	-13,931,648.00	7,022,449.00
1) Service cost of the current period	2,028,468.00	3,053,868.00
2. Past service cost	-20,082,414.00	
3) Net interest	4,122,298.00	3,969,581.00
3. Defined benefit cost recorded in other comprehensive income	8,412,589.00	17,952,049.00
Including: actuarial gains (losses represented by "-")	8,412,589.00	17,952,049.00
4. Other changes	-4,267,369.00	-4,172,254.00
Including: paid benefits (payment represented by "-")	-4,267,369.00	-4,172,254.00
5. Balance at the end of the period	117,732,064.00	127,518,492.00

3. Net liabilities (net assets) of the defined benefit plan

Item	Amount for the current period	Amount for the previous period
1. Beginning balance	127,518,492.00	106,716,248.00
2. Defined benefit cost recorded in the current profits and losses	-13,931,648.00	7,022,449.00
3. Defined benefit cost recorded in other comprehensive income	8,412,589.00	17,952,049.00
4. Other changes (payment represented by "-")	-4,267,369.00	-4,172,254.00
5. Balance at the end of the period	117,732,064.00	127,518,492.00

4. Notes for the defined benefit plan:

(1) Contents and associated risks of the defined benefit plan, and its influences on the Company's future cash flow, time and uncertainty

The Company's defined benefit plan is a supplementary post-retirement pension plan for some retirees, early retirees and serving officers after normal retirement. The present obligation value of this defined benefit plan was recognized by Towers-Watson actuarial company using the projected unit credit method on December 31, 2016. This defined benefit plan didn't involve big amount, so it didn't lead to significant influence on the future cash flow the Company.

(2) Significant actuarial assumptions and sensitivity analysis results of the defined benefit plan

According to requirements of the Accounting Standards for Business Enterprises No. 9 - Employee Compensation, the discount rate adopted by the Company at the time of discount is recognized by the market yields of high-quality corporate bonds in the treasury bonds or active market that match the obligatory term and currency of the defined benefit plan on the balance sheet date; the annual growth rates and annual separation rates of all benefits are based on the actual measurement data of the Company; the death rate is recognized by referring to the experience life table for insurance business of China Life Insurance (Group) Company.

Sensitivity analysis of discount rate:

Sensitivity analysis of discount rate	Influence on the amount at the end of the period
Influence on the present obligation value of defined welfare benefit by increase of one percentage point	-9,881,172.00
Influence on the present obligation value of defined welfare benefit by decrease of one percentage point	12,619,915.00

Sensitivity analysis of discount rate	Influence on the amount at the end of the period
Influence on the service cost by increase of one percentage point	-311,141.00
Influence on the service cost by decrease of one percentage point	329,177.00

(35) Deferred income

Item	Beginning Balance	Increase in the current period	Decrease for the current period	Balance at the end of the period
Government subsidies	134,571,708.03	71,343,966.78	33,834,630.06	172,081,044.75
Total	134,571,708.03	71,343,966.78	33,834,630.06	172,081,044.75

Items involving government subsidies:

Item	Beginning Balance	Amount of subsidies added in the current period	Amount recorded into non-operating revenue in the current period	Change (Increase: +; Decrease: -)	Balance at the end of the period	Pertinent to assets/Pertinent to incomes
Environmental protection upgrade project	89,226,025.30	2,598,666.78	29,529,174.05		62,295,518.03	Pertinent to incomes
Scientific research project of refrigerating field	40,287,575.04	68,245,300.00	3,981,283.17		104,551,591.87	Pertinent to incomes
Others	5,058,107.69	500,000.00	324,172.84		5,233,934.85	Pertinent to incomes
Total	134,571,708.03	71,343,966.78	33,834,630.06		172,081,044.75	

(36) Equity

Item	Amount at the beginning of the period	Increase/Decrease for the period (+, -)					Amount at the end of the period
		New Issue	Bonus Issue	Stock Converted from Reserve	Others	Subtotal	
Total number of stocks	6,015,730,878.00						6,015,730,878.00

(37) Capital reserves

Item	Amount at the beginning of the period	Increase in the current period	Decrease for the current period	Amount at the end of the period
Capital (equity) premium	106,499,089.83			106,499,089.83
Other capital reserves	79,451,536.88		2,550,000.00	76,901,536.88
Total	185,950,626.71		2,550,000.00	183,400,626.71

(38) Other comprehensive income

Item	Beginning Balance	Amount for the current period					Balance at the end of the period
		Amount incurred before income tax in the current period	Less: Amount recognized into other comprehensive income in previous period and transferred to the current profits and losses	Less: Income tax expenses	Amount attributable to the parent company after tax	Amount attributable to minority shareholders after tax	
1. Other comprehensive income not to be reclassified to profit or loss in subsequent periods	-17,831,799.00	-8,412,589.00			-8,412,589.00		-26,244,388.00
Including: Changes due to recalculating and redefining net liabilities and net assets of the benefit plan	-17,831,799.00	-8,412,589.00			-8,412,589.00		-26,244,388.00
Shares enjoyed in other comprehensive income not to be reclassified to profit or loss in the invested entity under the equity method							
2. Other comprehensive income to be reclassified to profit or loss in subsequent periods	-107,096,727.03	-123,145,151.18	-124,270,264.68	47,182,000.82	-43,830,898.58	-2,225,988.74	-150,927,625.61
Including: Shares enjoyed in other comprehensive income to be reclassified to profit or loss in the invested entity under the equity method							
Gains and losses from changes in fair value of financial assets available for sale	-198,347,090.96	-117,730,422.98	-87,343,842.18	39,270,108.32	-67,430,700.38	-2,225,988.74	-265,777,791.34
Gains and losses from held-to-maturity investments reclassified as financial assets available for sale							
Effective part of cash flow hedging gains and losses	-36,926,422.50	15,819,527.50	-36,926,422.50	7,911,892.50	44,834,057.50		7,907,635.00
Difference arising from translation of financial statements in foreign currency	128,176,786.43	-21,234,255.70			-21,234,255.70		106,942,530.73
Total	-124,928,526.03	-131,557,740.18	-124,270,264.68	47,182,000.82	-52,243,487.58	-2,225,988.74	-177,172,013.61

(39) Surplus reserve

Item	Amount at the beginning of the period	Increase in the current period	Decrease for the current period	Amount at the end of the period
Statutory surplus reserve	2,530,583,291.14			2,530,583,291.14
Discretionary surplus reserve	969,088,265.45			969,088,265.45
Total	3,499,671,556.59			3,499,671,556.59

(40) General risk provisions

Item	Amount at the beginning of the period	Increase in the current period	Decrease for the current period	Amount at the end of the period
General risk provisions	207,764,066.72	59,606,573.65		267,370,640.37
Total	207,764,066.72	59,606,573.65		267,370,640.37

(41) Undistributed profit

Item	Amount for the current period	Amount for the previous period	Extraction or distribution of dividends
Undistributed profit at the end of previous year before adjustment	37,737,187,489.78	34,841,323,981.28	
Total amount of adjusted undistributed profit at the beginning of the year (profit increase adjusted expressed with "+" and profit decrease adjusted expressed with "-")			
Undistributed profit at the beginning of the year after adjustment	37,737,187,489.78	34,841,323,981.28	
Add: Net profit attributable to owners of parent company for the current period	15,420,964,990.94	12,532,442,817.66	
Less: Appropriation of statutory surplus reserve		541,582,992.16	
Appropriation of general risk provisions	59,606,573.65	71,400,000.00	
Ordinary stock dividends payable	9,023,596,317.00	9,023,596,317.00	Cash dividend RMB15 distributed per 10 shares
Others			
Undistributed profit at the end of the period	44,074,949,590.07	37,737,187,489.78	

(42) Operating revenues and operating costs

1). Operating revenues and operating costs

Item	Amount for the current period		Amount for the previous period	
	Revenue	Cost	Revenue	Cost
Main business	93,187,780,602.40	58,696,494,773.92	87,930,981,568.34	57,397,354,027.10
Other businesses	15,114,784,691.30	14,189,146,443.08	9,814,155,625.82	8,619,999,717.99
Total	108,302,565,293.70	72,885,641,217.00	97,745,137,194.16	66,017,353,745.09

2). Main business (classified by industry)

Item	Amount for the current period		Amount for the previous period	
	Revenue	Cost	Revenue	Cost
Household appliances manufacturing	93,187,780,602.40	58,696,494,773.92	87,930,981,568.34	57,397,354,027.10
Total	93,187,780,602.40	58,696,494,773.92	87,930,981,568.34	57,397,354,027.10

3). Main business (classified by product)

Name of product	Amount for the current period		Amount for the previous period	
	Operating incomes	Operating Cost	Operating incomes	Operating Cost
Air Conditioner	88,085,431,144.00	54,139,594,914.83	83,717,936,071.67	53,581,503,247.77
Household Appliances	1,717,749,799.40	1,337,954,114.57	1,522,676,680.86	1,209,460,671.25
Others	3,384,599,659.00	3,218,945,744.52	2,690,368,815.81	2,606,390,108.08
Total	93,187,780,602.40	58,696,494,773.92	87,930,981,568.34	57,397,354,027.10

4). Main business (classified by region)

Name of region	Amount for the current period		Amount for the previous period	
	Operating incomes	Operating Cost	Operating incomes	Operating Cost
Domestic	76,937,875,361.69	45,233,448,281.99	74,596,089,512.78	46,279,216,061.59
Overseas	16,249,905,240.71	13,463,046,491.93	13,334,892,055.56	11,118,137,965.51
Total	93,187,780,602.40	58,696,494,773.92	87,930,981,568.34	57,397,354,027.10

(43) Interest revenue and interest expense

Item	Amount for the current period	Amount for the previous period
Interest revenue	1,809,581,651.68	2,816,215,388.45
Including: interest revenue from deposits in other banks	1,317,476,875.61	1,641,482,866.81
Interest revenue from loans and advances	459,317,481.07	1,154,283,006.27
Others	32,787,295.00	20,449,515.37
Interest expense	93,317,462.31	652,352,307.92
Including: expense from transactions with financial institutions	87,683,940.13	636,765,738.01
Others	5,633,522.18	15,586,569.91
Net interest revenue	1,716,264,189.37	2,163,863,080.53

(44) Taxes and surcharges

Item	Amount for the current period	Amount for the previous period
Urban maintenance & construction tax	504,887,574.65	389,355,259.75
Educational surcharges	364,366,416.83	287,028,585.33
Waste electrical appliance treatment fund	187,111,127.52	

Item	Amount for the current period	Amount for the previous period
House property tax	118,635,319.27	
Land use tax	96,475,027.51	
Commodity circulation tax and industrial product tax of Brazil	66,690,910.38	24,182,343.52
Others	92,237,870.79	51,328,011.35
Total	1,430,404,246.95	751,894,199.95

(45) Sales expense

Item	Amount for the current period	Amount for the previous period
Sales expense	16,477,265,963.04	15,506,341,694.21
Total	16,477,265,963.04	15,506,341,694.21

(46) Overhead expense

Item	Amount for the current period	Amount for the previous period
Overhead Expense	5,488,955,551.20	5,048,746,635.48
Total	5,488,955,551.20	5,048,746,635.48

(47) Financial expense

Item	Amount for the current period	Amount for the previous period
Interest expense	310,546,323.57	477,371,585.41
Less: Interest revenue	1,483,937,707.71	1,163,270,340.63
Exchange gain and loss	-3,702,265,763.57	-1,269,372,081.56
Bank charges	25,583,325.41	22,348,829.52
Interest charges for defined welfare benefit obligations	4,122,298.00	3,969,581.00
Others	404,926.26	155,176.08
Total	-4,845,546,598.04	-1,928,797,250.18

(48) Asset impairment loss

Item	Amount for the current period	Amount for the previous period
Loss on bad debt	59,862,036.16	10,140,979.51
Inventory falling price loss	14,991,008.08	39,544,476.54
Fixed asset impairment loss	4,904,007.27	
Loan loss	-80,748,611.96	36,632,506.71
Total	-991,560.45	86,317,962.76

(49) Incomes from changes in fair value

Sources of incomes from changes in fair value	Amount for the current period	Amount for the previous period
Derivative financial instruments	1,093,332,134.65	-1,010,322,499.17
Total	1,093,332,134.65	-1,010,322,499.17

(50) Investment income

Item	Amount for the current period	Amount for the previous period
Long-term equity investment income measured by equity method	8,034,445.96	3,246,089.30
Investment income from disposal of long-term equity investment		
Investment income from derivative financial instruments	-2,499,880,308.06	-31,834,830.97
Investment income from held-to-maturity investment		
Investment income from financial assets available for sale in the holding period	106,026,836.37	69,975,774.52
Investment income from disposal of financial assets available for sale	118,210,455.91	
Investment income from financing products	46,252,245.27	55,267,887.10
Total	-2,221,356,324.55	96,654,919.95

(51) Non-operating revenue

Item	Amount for the current period	Amount for the previous period	Amount recorded into the current non-recurring profit and loss
Gains from disposal of non-current assets	2,838,642.05	1,039,883.33	2,838,642.05
Including: Gains from disposal of fixed assets	1,443,342.07	1,039,883.33	1,443,342.07
Gains from disposal of intangible assets	1,395,299.98		1,395,299.98
Government subsidies	1,059,429,776.56	1,363,726,411.04	960,287,886.56
Others	33,966,355.62	39,525,365.48	33,966,355.62
Total	1,096,234,774.23	1,404,291,659.85	997,092,884.23

Including the schedule of government subsidies:

Item	Amount for the current period	Amount for the previous period	Pertinent to assets/Pertinent to incomes
Financial rewards	560,811,066.20	1,129,948,692.58	Pertinent to incomes
Capital allowance for development projects	434,422,081.17	200,437,312.96	Pertinent to incomes
Technological innovation subsidies income	47,135,783.17	15,818,285.71	Pertinent to incomes
Others	17,060,846.02	17,522,119.79	Pertinent to incomes
Total	1,059,429,776.56	1,363,726,411.04	

(52) Non-operating expenses

Item	Amount for the current period	Amount for the previous period	Amount recorded into the current non-recurring profit and loss
Total losses from disposal of non-current assets	15,083,762.45	9,118,859.43	15,083,762.45
Including: Losses from disposal of fixed assets	15,083,762.45	9,118,859.43	15,083,762.45
Other expenses	5,658,770.90	1,930,318.93	5,658,770.90
Total	20,742,533.35	11,049,178.36	20,742,533.35

(53) Income tax expenses

1. Classification

Item	Amount for the current period	Amount for the previous period
Income tax expenses of the current period	3,828,860,539.58	2,829,504,601.40
Deferred income tax expenses	-822,305,366.85	-543,817,759.59
Total	3,006,555,172.73	2,285,686,841.81

2. Adjustment process of accounting profits and income tax expenses

Item	Amount for the current period
Total profit	18,531,190,076.60
Income tax expenses calculated by the statutory/applicable tax rate	2,779,678,511.49
Impact by different tax rates applicable to subsidiaries	138,283,354.85
Impact by non-deductible costs, expenses and losses	6,273,466.01
Impact by deductible temporary differences or deductible losses of deferred income tax assets not recognized in the current period	57,804,056.12
Others	24,515,784.26
Income tax expenses	3,006,555,172.73

(54) Notes to cash flow statement

1). Other cash receipts relating to operating activities

Item	Amount for the current period	Amount for the previous period
Government subsidies	904,422,050.73	1,401,723,859.34
Interest revenue	1,429,898,563.90	1,225,637,912.76
Project funds advanced		1,141,778,481.72
Others	604,505,599.02	913,499,942.27
Total	2,938,826,213.65	4,682,640,196.09

2). Other cash payments relating to operating activities

Item	Amount for the current period	Amount for the previous period
Cash repayments for selling expenses	5,377,555,062.31	4,825,484,308.95
Cash repayments for overhead expenses	1,570,776,084.61	1,018,131,336.10
Net increase in margin of bill pledge	531,713,129.29	2,723,201,655.00
Returned project funds advanced	254,456,006.00	1,368,170,206.45
Other expenses	637,024,568.93	500,197,577.40
Total	8,371,524,851.14	10,435,185,083.90

3). Other cash receipts relating to investing activities

Item	Amount for the current period	Amount for the previous period
Receipts from forward foreign exchange settlement and sales		143,435,881.62
Call option amount	6,500,000.00	
Total	6,500,000.00	143,435,881.62

4). Other cash payments relating to investing activities

Item	Amount for the current period	Amount for the previous period
Payments from forward foreign exchange settlement and sales	2,433,948,388.57	175,286,430.99
Net increase in time deposits	15,479,979,000.00	
Total	17,913,927,388.57	175,286,430.99

5). Other cash receipts relating to financing activities

Item	Amount for the current period	Amount for the previous period
Net decrease in margin of loan pledge	2,110,522,945.98	1,257,485,012.71
Total	2,110,522,945.98	1,257,485,012.71

(55) Supplementary information about cash flow statement

1). Supplementary information about cash flow statement

Item	Amount for the current period	Amount for the previous period
1. Reconciliation of net profit to cash flows from operating activities:		
Net profits	15,524,634,903.87	12,623,732,620.22
Add: Assets depreciation reserves	-991,560.45	86,317,962.76
Fixed assets depreciation, oil and gas assets accumulated depreciation, productive biological assets accumulated depreciation	1,734,645,267.76	1,244,603,332.20
Amortization of intangible assets	73,307,470.22	58,942,276.28
Amortization of long-term deferred expenses	8,722,728.06	14,181,491.53
Losses on disposal of fixed assets, intangible assets and other long-term assets (incomes expressed with "-")	12,245,120.40	8,078,976.10

Item	Amount for the current period	Amount for the previous period
Losses on disposal of fixed assets (incomes expressed with “-”)		
Losses from changes in fair value (incomes expressed with “-”)	-1,093,332,134.65	1,010,322,499.17
Financial expenses (incomes expressed with “-”)	-3,245,961,681.45	-728,541,278.89
Investment losses (incomes expressed with “-”)	2,221,356,324.55	-96,654,919.95
Decrease in deferred income tax assets (increase expressed with “-”)	-909,857,443.38	-526,223,837.16
Increase in deferred income tax liabilities (decrease expressed with “-”)	87,552,076.53	-17,593,922.42
Decrease of inventories (increase expressed with “-”)	421,521,791.28	-902,221,722.06
Decrease in operating receivables (increase expressed with “-”)	-5,230,038,952.26	34,387,642,523.89
Increase in operating payables (decrease expressed with “-”)	4,723,681,135.75	-1,111,512,782.02
Others	532,467,060.69	-1,672,691,391.97
Net cash flows from operating activities	14,859,952,106.92	44,378,381,827.68
2. Major investing and financing activities not involving cash receipts and payment:		
Conversion of debt into capital		
Convertible bonds expiring within one year		
Fixed assets acquired under finance leases		
3. Net changes in cash and cash equivalents:		
Ending balance of cash	71,321,360,022.83	77,365,016,845.22
Less: Beginning balance of cash	77,365,016,845.22	43,506,471,113.09
Add: Ending balance of cash equivalents		
Less: Beginning balance of cash equivalents		
Net increase in cash and cash equivalents	-6,043,656,822.39	33,858,545,732.13

Note: “Others” includes RMB 501,348,103.22 net increase of bank’s acceptance bills, RMB 1,064,180,189.98 net decrease of legal deposit reserved and RMB30,365,026.07 net increase of credit margin.

2. There was no net cash paid for acquisition of subsidiaries in the period.
3. There was no net cash received for disposal of subsidiaries in the period.
- 4). Composition of cash and cash equivalents

Item	Amount at the end of the period	Amount at the beginning of the period
1. Cash	71,321,360,022.83	77,365,016,845.22
Including: Cash on hand	2,069,645.31	2,395,117.18
Bank deposit for payment at any time	38,868,649,591.21	39,951,097,932.43
Deposit in the central bank for payment	2,238,409.70	1,972,800.26

Item	Amount at the end of the period	Amount at the beginning of the period
Deposits in other banks	32,448,402,376.61	37,409,550,995.35
2. Cash equivalents		
Including: Bond investments maturing within three months		
3. Ending balance of cash and cash equivalents	71,321,360,022.83	77,365,016,845.22

(56) Assets with restricted ownerships or use rights

Item	Amount	Cause of restriction
Monetary capital	8,811,791,708.64	Pledged and legal deposit reserved
Bills receivable	24,406,512,494.25	Pledged
Total	33,218,304,202.89	

(57) Monetary items of foreign currencies

1. Monetary items of foreign currencies:

Item	Balance in foreign currency at the end of period	Exchange rate for conversion	Balance of RMB converted at the end of period
Monetary capital:			41,933,924,181.19
Wherein: USD	6,033,116,042.54	6.9370	41,851,725,987.13
Euro	1,861,586.31	7.3068	13,602,238.85
HKD	16,028,418.45	0.8945	14,337,580.59
JPY	2,788,414.87	0.0596	166,164.48
BRL	25,331,176.05	2.1354	54,092,193.34
Singapore Dollar	3.50	4.7995	16.80
Brunei dollar	46.90	4.8216	226.13
Rupiah	4,000.00	0.0516	206.40
Accounts receivable:			2,617,312,846.01
Wherein: USD	356,739,468.26	6.9370	2,474,701,691.32
Euro	2,461,754.65	7.3068	17,987,548.91
HKD	35,956,833.64	0.8945	32,163,747.26
BRL	43,298,613.15	2.1354	92,459,858.52
Prepaid accounts:			84,258,637.14
Wherein: USD	7,156,202.84	6.9370	49,642,579.10
Euro	2,845,943.18	7.3068	20,794,737.63
HKD	12,018,489.54	0.8945	10,750,659.08
JPY	678,017.63	0.0596	40,403.76
Pounds	11,901.08	8.5094	101,271.05
Swiss franc	430,803.00	6.7989	2,928,986.52
Other receivables:			11,366,660.05
Wherein: USD	1,342,007.58	6.9370	9,309,506.58
Euro	9,716.65	7.3068	70,997.62

Item	Balance in foreign currency at the end of period	Exchange rate for conversion	Balance of RMB converted at the end of period
HKD	1,904,753.65	0.8945	1,703,821.19
Pounds	9,010.00	8.5094	76,669.69
BRL	96,312.15	2.1354	205,664.97
Short-term borrowing:			10,528,978,600.00
Wherein: USD	1,517,800,000.00	6.9370	10,528,978,600.00
Accounts payable:			852,692,239.65
Wherein: USD	40,038,311.05	6.9370	277,745,763.75
Euro	3,991,912.52	7.3068	29,168,106.40
HKD	10,969,087.11	0.8945	9,811,958.11
JPY	375,692,170.00	0.0596	22,387,878.51
Pounds	4,201.80	8.5094	35,754.80
BRL	240,490,202.34	2.1354	513,542,778.08
Advance received from customers:			297,549,906.60
Wherein: USD	29,896,816.85	6.9370	207,394,218.47
Euro	2,285,938.44	7.3068	16,702,895.00
HKD	20,154,838.86	0.8945	18,028,704.91
JPY	930,074,547.41	0.0596	55,424,088.22
Other payables:			179,698,938.47
Wherein: USD	24,983,405.85	6.9370	173,309,886.38
Euro	207,867.86	7.3068	1,518,848.88
HKD	4,862,487.36	0.8945	4,349,543.57
JPY	410,696.19	0.0596	24,473.80
BRL	232,362.01	2.1354	496,185.84

VIII. Change in the consolidation scope

(1) Business combination not involving enterprises under common control

There was no business combination not involving enterprises under common control in the current period.

(2) Business combination involving enterprises under common control

There was no business combination involving enterprises under common control in the current period.

(3) Counter purchase

Counter purchase did not occur in the current period.

(4) Changes in the consolidation scope

1. Establishment of subsidiaries

Company Name	Equity acquisition mode	Time point of equity acquisition	Amount of subscribed capital contribution (ten thousand Yuan)	Amount of paid-in capital contribution (ten thousand Yuan)	Ratio of contribution (%)	Net assets of the end of the period (ten thousand Yuan)	Net profit of the period (ten thousand Yuan)
Gree Precision Mold (Wuhan) Co., Ltd.	Establishment	January 2016	8,000.00	8,000.00	100.00	9,250.70	1,250.70
Zhuhai Gree Precision Mold Co., Ltd.	Establishment	January 2016	10,000.00	10,000.00	100.00	10,729.95	729.95
Zhuhai Gree New Material Co., Ltd.	Establishment	March 2016	3,000.00	3,000.00	100.00	3,003.19	3.19
Zhuhai Gree Energy Environment Technology Co., Ltd.	Establishment	May 2016	20,000.00	20,000.00	100.00	19,693.35	-306.65
Gree Electric Appliances (Hangzhou) Co., Ltd.	Establishment	April 2016	30,000.00	30,000.00	100.00	29,983.76	-16.24

2. Disposal of subsidiaries

The Company was not involved in disposal of subsidiaries in the current period.

3. Changes in the consolidation scope arising from other causes

The Company was not involved in changes in the consolidation scope arising from other causes in the current period.

IX. Equity in other subjects

(1) Equity in subsidiaries

1. Composition of the enterprise group

Serial Number	Name	Main location of operation	Place of registration	Nature of business	Shareholding ratio (%)		Voting right percentage (%)	Acquisition mode
					Direct	Indirect		
1	Gree Electric Appliances (Hefei) Co., Ltd.	Hefei City	Hefei City	Commercial manufacture	100.00		100.00	Establishment
2	Gree Electric Appliances (Chongqing) Co., Ltd.	Chongqing City	Chongqing City	Commercial manufacture	97.00		97.00	Establishment
3	Gree Electric Appliances (Wuhu) Co., Ltd.	Wuhu City	Wuhu City	Commercial manufacture	100.00		100.00	Establishment
4	Gree Electric Appliances (Wuhan) Co., Ltd.	Wuhan City	Wuhan City	Commercial manufacture	100.00		100.00	Establishment
5	Gree Electric Appliances (Zhengzhou) Co., Ltd.	Zhengzhou City	Zhengzhou City	Commercial manufacture	100.00		100.00	Establishment

Serial Number	Name	Main location of operation	Place of registration	Nature of business	Shareholding ratio (%)		Voting right percentage (%)	Acquisition mode
					Direct	Indirect		
6	Gree Electric Appliances (Shijiazhuang) Co., Ltd.	Shijiazhuang City	Shijiazhuang City	Commercial manufacture	100.00		100.00	Business combination not involving enterprises under common control
7	Gree Electric Appliances (Brazil) Co., Ltd.	Manaus, Brazil	Manaus, Brazil	Commercial manufacture	100.00		100.00	Establishment
8	Zhuhai Gree Group Finance Company Limited	Zhuhai City	Zhuhai City	Finance	88.31	0.94	89.25	Business combination involving enterprises under common control
9	Zhuhai Hengqin GREE business factoring Co., Ltd.	Zhuhai City	Zhuhai City	Others	100.00		100.00	Establishment
10	Zhuhai Landa Compressor Co., Ltd.	Zhuhai City	Zhuhai City	Commercial manufacture	100.00		100.00	Business combination involving enterprises under common control
11	Hefei Landa Compressor Co., Ltd.	Hefei City	Hefei City	Commercial manufacture	100.00		100.00	Establishment
12	Zhengzhou Landa Compressor Co., Ltd.	Zhengzhou City	Zhengzhou City	Commercial manufacture	100.00		100.00	Establishment
13	Chongqing Landa Compressor Co., Ltd.	Chongqing City	Chongqing City	Commercial manufacture	100.00		100.00	Establishment
14	Wuhan Landa Compressor Co., Ltd.	Wuhan City	Wuhan City	Commercial manufacture	100.00		100.00	Establishment
15	Zhuhai Meilingda Refrigeration Technology Co., Ltd.	Zhuhai City	Zhuhai City	Commercial manufacture	100.00		100.00	Business combination involving enterprises under common control
16	Zhuhai Meiling General Motors Co., Ltd.	Zhuhai City	Zhuhai City	Commercial manufacture	100.00		100.00	Business combination involving enterprises under common control
17	Zhuhai Kaibang Motor Manufacture Co., Ltd.	Zhuhai City	Zhuhai City	Commercial manufacture	100.00		100.00	Business combination not involving enterprises under common control
18	Hefei Kaibang Motor Manufacture Co., Ltd.	Hefei City	Hefei City	Commercial manufacture	100.00		100.00	Establishment
19	Henan Kaibang Motor Manufacture Co., Ltd.	Zhengzhou City	Zhengzhou City	Commercial manufacture	100.00		100.00	Establishment
20	Chongqing Kaibang Motor Manufacture Co., Ltd.	Chongqing City	Chongqing City	Commercial manufacture	100.00		100.00	Establishment

Serial Number	Name	Main location of operation	Place of registration	Nature of business	Shareholding ratio (%)		Voting right percentage (%)	Acquisition mode
					Direct	Indirect		
21	Zhuhai Gree Electrical Co., Ltd.	Zhuhai City	Zhuhai City	Commercial manufacture	100.00		100.00	Business combination involving enterprises under common control
22	Gree Electric Enterprises (Ma'anshan) Ltd.	Ma'anshan City	Ma'anshan City	Commercial manufacture	100.00		100.00	Business combination involving enterprises under common control
23	Gree Electrician (Meishan) Co., Ltd.	Meishan City	Meishan City	Commercial manufacture	100.00		100.00	Establishment
24	GREE (Zhongshan) Small Home Appliances Co.	Zhongshan City	Zhongshan City	Commercial manufacture	100.00		100.00	Establishment
25	Gree (Shijiazhuang) Small Home Appliances Co., Ltd.	Shijiazhuang City	Shijiazhuang City	Commercial manufacture	100.00		100.00	Establishment
26	Gree Green Refrigeration Technology Center Co., Ltd. Of Zhuhai	Zhuhai City	Zhuhai City	Technical research and development	100.00		100.00	Establishment
27	Zhengzhou Gree Green Resources Recycling Co., Ltd	Zhengzhou City	Zhengzhou City	Commercial manufacture	100.00		100.00	Establishment
28	Shijiazhuang Green Resources Recycling Co., Ltd.	Shijiazhuang City	Shijiazhuang City	Commercial manufacture	100.00		100.00	Establishment
29	Hunan Green Resources Recycling Co., Ltd	Ningxiang County	Ningxiang County	Commercial manufacture	100.00		100.00	Establishment
30	Tianjin Green Resources Recycling Co., Ltd.	Tianjin City	Tianjin City	Commercial manufacture	100.00		100.00	Establishment
31	Wuhu Green Resources Recycling Co., Ltd.	Wuhu City	Wuhu City	Commercial manufacture	100.00		100.00	Establishment
32	Zhuhai Gree Dakin Device Co., Ltd.	Zhuhai City	Zhuhai City	Commercial manufacture	51.00		51.00	Establishment
33	Zhuhai Gree Daikin Precision Mold Co., Ltd.	Zhuhai City	Zhuhai City	Commercial manufacture	51.00		51.00	Establishment
34	Wuhu Precision Manufacturing Co., Ltd.	Wuhu City	Wuhu City	Commercial manufacture	100.00		100.00	Establishment
35	Zhuhai Ligao Precision Manufacturing Co., Ltd.	Zhuhai City	Zhuhai City	Commercial manufacture	100.00		100.00	Establishment
36	Zhuhai Gree TOSOT Life Electric Appliances Co., Ltd.	Zhuhai City	Zhuhai City	Commercial manufacture	100.00		100.00	Establishment
37	Gree TOSOT (Suqian) Home Appliances Co., Ltd.	Suqian City	Suqian City	Commercial manufacture	100.00		100.00	Establishment
38	Zhuhai HVAC Equipment Co., Ltd.	Zhuhai City	Zhuhai City	Commercial manufacture	100.00		100.00	Establishment
39	Changsha Gree HVAC Equipment Co., Ltd.	Changsha City	Changsha City	Commercial manufacture	100.00		100.00	Establishment
40	Gree HVAC Equipment (Wuhan) Co., Ltd.	Wuhan City	Wuhan City	Commercial manufacture	100.00		100.00	Establishment

Serial Number	Name	Main location of operation	Place of registration	Nature of business	Shareholding ratio (%)		Voting right percentage (%)	Acquisition mode
					Direct	Indirect		
41	Zhuhai IVP Information Technology Co., Ltd.	Zhuhai City	Zhuhai City	IT	100.00		100.00	Establishment
42	Zhuhai Gree Xinyuan Electronics Co., Ltd.	Zhuhai City	Zhuhai City	Commercial manufacture	100.00		100.00	Business combination involving enterprises under common control
43	Hong Kong Gree Electric Appliances Sales Co., Ltd.	Kowloon, Hong Kong	Kowloon, Hong Kong	Sales	100.00		100.00	Business combination not involving enterprises under common control
44	Zhuhai Gree Electric Appliances Sales Co., Ltd.	Zhuhai City	Zhuhai City	Sales	100.00		100.00	Establishment
45	Brazil United Electric Appliances Industry and Commerce Co., Ltd.	Sao Paulo, Brazil	Sao Paulo, Brazil	Sales	100.00		100.00	Establishment
46	Shanghai GREE Air Conditioners Sales Co., Ltd.	Shanghai City	Shanghai City	Sales	90.00	9.70	99.70	Establishment
47	Gree (USA) Sales Co., Ltd.	California, USA	California, USA	Sales	51.00		51.00	Establishment
48	Zhuhai GREE Intelligent Equipment Co., Ltd.	Zhuhai City	Zhuhai City	Commercial manufacture	100.00		100.00	Establishment
49	GREE Intelligent Equipment (Wuhan) Co., Ltd.	Wuhan City	Wuhan City	Commercial manufacture	100.00		100.00	Establishment
50	Zhuhai GREE Intelligent Equipment Technology Research Institute Co., Ltd.	Zhuhai City	Zhuhai City	Commercial manufacture	100.00		100.00	Establishment
51	Gree Precision Mold (Wuhan) Co., Ltd.	Wuhan City	Wuhan City	Commercial manufacture	100.00		100.00	Establishment
52	Zhuhai Gree Precision Mold Co., Ltd.	Zhuhai City	Zhuhai City	Commercial manufacture	100.00		100.00	Establishment
53	Zhuhai Gree New Material Co., Ltd.	Zhuhai City	Zhuhai City	Commercial manufacture	100.00		100.00	Establishment
54	Zhuhai Gree Energy Environment Technology Co., Ltd.	Zhuhai City	Zhuhai City	Commercial manufacture	100.00		100.00	Establishment
55	Gree Electric Appliances (Hangzhou) Co., Ltd.	Hangzhou City	Hangzhou City	Commercial manufacture	100.00		100.00	Establishment

Note: The Company directly holds 90.00% of total stocks of Shanghai Gree Air Conditioners Sales Co., Ltd., and Gree Electric Appliances (Chongqing) Co., Ltd. as the subsidiary of the Company holds its remaining 9.70% stocks, so the Company holds its 99.70% stocks in the direct and indirect ways.

The Company directly holds 88.31% of total stocks of Zhuhai Gree Group Finance Company Limited, and Zhuhai Gree Electrical Co., Ltd. and Zhuhai Gree Xinyuan Electronics Co., Ltd. as the wholly-owned subsidiaries of the Company

respectively hold its 0.47% stocks, so the Company holds its 89.25% stocks in the direct and indirect ways.

Gree (USA) Sales Co., Ltd., a sub-subsidiary company of the Company was not incorporated in the consolidation scope from 2014 due to restriction on transfer of funds.

2. Important non-wholly owned subsidiaries

Name	Shareholding ratio of minority shareholders (%)	Voting right percentage of minority shareholders (%)	Profits or losses attributable to minority shareholders in the current period	Dividends declared to distribute to minority shareholders in the current period	Equity balance of minority shareholders at the end of the period
Gree Electric Appliances (Chongqing) Co., Ltd.	3.00	3.00	14,857,268.94	87,024,897.96	48,117,770.91
Zhuhai Gree Group Finance Company Limited	10.75	10.75	60,811,016.64		429,075,026.61

3. Main financial information of important non-wholly owned subsidiaries

(1) Financial status

Name	Balance at the end of the period			
	Current assets	Non-current assets	Current liabilities	Non-current liabilities
Gree Electric Appliances (Chongqing) Co., Ltd.	2,889,634,545.84	1,261,548,033.46	2,543,701,911.83	3,554,970.57
Zhuhai Gree Group Finance Company Limited	35,511,283,801.20	11,770,097,736.78	43,194,419,559.68	95,566,381.92

Continued

Name	Beginning Balance			
	Current assets	Non-current assets	Current liabilities	Non-current liabilities
Gree Electric Appliances (Chongqing) Co., Ltd.	4,267,831,515.11	1,228,196,742.01	1,485,186,099.71	1,328,826.45
Zhuhai Gree Group Finance Company Limited	44,319,401,521.88	9,834,481,659.64	50,554,233,985.97	153,230,603.09

(2) Operating results

Name	Amount for the current period			
	Operating incomes	Net profits	Total comprehensive income	Cash flows from operating activities
Gree Electric Appliances (Chongqing) Co., Ltd.	6,003,558,290.41	495,242,297.87	495,242,297.87	64,403,152.96
Zhuhai Gree Group Finance Company Limited	1,806,178,786.46	565,683,875.70	544,977,003.92	- 5,377,361,048.61

Continued

Name	Amount for the previous period			
	Operating incomes	Net profits	Total comprehensive income	Cash flows from operating activities
Gree Electric Appliances (Chongqing) Co., Ltd.	6,668,782,311.95	367,278,130.36	367,278,130.36	487,964,532.02
Zhuhai Gree Group Finance Company Limited	2,852,036,700.04	592,829,933.87	620,298,930.28	15,342,532,527.17

(2) Equities in associated enterprises or contractual enterprises

1. Important associated enterprises or contractual enterprises

Name of associated enterprise or contractual enterprise	Main location of operation	Place of registration	Nature of business	Shareholding ratio (%)		Voting right percentage (%)
				Direct	Indirect	
Songyuan Food Group Co., Ltd.	Songyuan City	Songyuan City	Food manufacture	50.00		50.00

2. Main financial information of important contractual enterprises

Item	Balance at the end of the period/Amount for the current period	Balance at the beginning of the period/Amount for the previous period
Current assets	407,574,846.75	288,769,751.43
Including: cash and cash equivalents	23,020,793.05	20,090,818.97
Non-current assets	75,961,459.15	55,741,214.24
Total assets	483,536,305.90	344,510,965.67
Current liabilities	320,766,972.07	196,337,103.69
Non-current liabilities	16,249,370.16	13,546,800.00
Total liabilities	337,016,342.23	209,883,903.69
Minority equity	11,843,831.45	8,475,401.38
Equity attributable to the shareholders of the parent company	134,676,132.22	126,151,660.60

Item	Balance at the end of the period/Amount for the current period	Balance at the beginning of the period/Amount for the previous period
Share of net assets calculated by the shareholding ratio	67,338,066.11	63,075,830.30
Operating incomes	317,020,789.86	219,398,899.40
Financial expense	1,104,901.12	3,133,133.84
Income tax expenses	2,917,430.30	1,205,151.39
Net profits	9,337,295.16	8,468,327.05
Net profit attributable to the parent company	8,468,327.05	6,328,722.88
Total comprehensive income attributable to the parent company	8,468,327.05	6,328,722.88

3. The Company has no important associated enterprises.

X. Risk associated with financial instruments

Main financial instruments of the Company include monetary capital, derivative financial assets, notes receivable, interests receivable, loans, receivables, buying back the sale of financial assets, financial assets available for sale, other financial liabilities (e.g., payables) arising from operation, etc. These financial instruments aim to provide funds for operation of the Company.

The financial instruments of the Company may lead to the main risks of credit risks, liquidity risks and market risks.

Set out below are changes in the Company's financial instruments at the beginning and end of the period:

Item	Financial assets	
	Amount at the end of the period	Amount at the beginning of the period
Monetary capital	95,613,130,731.47	88,819,798,560.53
Derivative financial assets	250,848,418.63	
Bills receivable	29,963,355,478.45	14,879,805,537.96
Accounts receivable	2,960,534,651.37	2,879,212,111.93
Interests receivable	1,045,542,563.43	1,109,776,449.77
Other receivables	244,984,154.67	254,016,643.00
Buying back the sale of financial assets		1,000,000,000.00
Disbursement of loans and advances	4,737,184,235.79	7,872,619,001.46
Available-for-sale financial assets	1,384,303,560.40	2,704,719,177.56
Other current assets	1,992,536,503.43	1,684,833,479.54

Item	Financial assets	
	Amount at the end of the period	Amount at the beginning of the period
Total	138,192,420,297.64	121,204,780,961.75

Continued

Item	Financial liabilities	
	Amount at the end of the period	Amount at the beginning of the period
Short-term borrowing	10,701,081,645.32	6,276,660,136.03
Borrowings from the central bank	4,274,000.00	8,000,000.00
Deposits from customers and interbank	145,241,859.45	566,612,235.82
Derivative financial liabilities	394,763,490.33	1,189,028,366.37
Bills payable	9,127,336,849.68	7,427,635,753.74
Accounts payable	29,541,466,861.10	24,794,268,372.47
Interests payable	41,781,977.25	48,386,709.75
Other payables	2,222,613,974.82	2,607,601,936.21
Non-current liabilities due within one year		2,403,745,557.37
Other current liabilities	59,758,848,571.94	55,007,851,867.48
Total	111,937,409,229.89	100,329,790,935.24

(1) Credit risks

Credit risks refer to financial losses suffered by one party to the financial instrument due to the other party's inability to fulfill obligations.

The Company will have transactions with recognized customers with a good reputation only. According to the policy of the Company, all the customers who require the credit form for transactions shall undergo credit review. Besides, the Company implements continuous monitoring on the balance of accounts receivable to ensure that the Company is not confronted with the major risk of bad debts.

Financial assets of the Company include monetary capital, accounts receivable, etc. The credit risks of these financial assets come from nonperformance of the transaction counterparty, and the maximum risk exposure is equal to the carrying amount of these instruments. Trade terms between the Company and customers focus on advances, banker's acceptance bill or the mode of pay on delivery, assisted by deal on credit.

The monetary capital is deposited in state-owned financial institutions with a higher credit rating, minimizing the risk; all the notes receivable are banker's acceptance bills, and the risk exposure is rather small. The carrying amount of interests receivable, accounts receivable, prepayments and other receivables in the consolidated balance sheet is the highest credit risk with which the Company may be confronted. As of the end of the report period, the total of the Company's accounts receivable and other receivables accounted for 1.76% (which was 1.94% at the end of the previous year) of the total assets, and the Company was not confronted with any major credit risk within one year due to the above amounts. For the Company's credit risk exposures arising from the accounts receivable and other receivables, refer to the disclosed information in "7 (4) Accounts receivable, (7) Other receivables".

(2) Liquidity risks

Liquidity risks refer to risks of fund shortage generated when the enterprise performs the obligation to settle accounts by cash payment or other financial assets.

As indicated by changes in the Company's financial instruments at the beginning and end of the period, the proportion of the Company's "Financial assets" to "Financial liabilities" at the end of the report period is 1.23, which shows that the Company has adequate liquidity and the risk in shortage of liquidity is low.

(3) Market risks

Market risks refer to fluctuation risks of the fair value or future cash flow of financial instrument due to changes in the market price, including exchange rate risk and interest rate risk.

1. Exchange rate risk

For presented amounts in RMB converted from foreign currency financial assets and foreign currency financial liabilities held by the Company as of 31 December 2016, see the "Note 7 (57) Monetary items of foreign currencies".

The Company will minimize the exchange risk by carrying out the forward exchange transaction business and controlling the scale of foreign currency assets and liabilities according to changes in the market exchange rate.

2. Interest rate risks

Interest rate risk refers to the fluctuation risk of the fair value or future cash flow of financial instruments due to changes in the market rate of interest.

Set out below are the Company's liabilities with interests as of December 31, 2016:

Report item	Amount	Interest rate range	Remarks
Short-term borrowing	10,701,081,645.32	1.00%-5.80%	Floating interest rate
Borrowings from the central bank	4,274,000.00	1.875%	Fixed interest rate
Deposits from customers and interbank	145,241,859.45	0.42%-4.25%	Floating interest rate

XI. Fair value

(1) Fair values of assets and liabilities at the end of period that are measured at the fair value

Item	Fair value at the end of period			
	Measurement of the fair value at the first layer	Measurement of the fair value at the second layer	Measurement of the fair value at the third layer	Total
Continuous fair value measurement				
(1) Financial assets available for sale	1,312,303,560.40			1,312,303,560.40
1. Equity instrument investment	417,612,710.40			417,612,710.40
2. Debt instrument investment	894,690,850.00			894,690,850.00
(2) Derivative financial assets	250,848,418.63			250,848,418.63
(3) Derivative financial liabilities	394,763,490.33			394,763,490.33

(2) Determination basis for the market price of continuous and non-continuous fair value measurement items at the first layer

The Company's continuous fair value measurement items at the first layer focus on the held derivative financial instruments with an active market, all of which can obtain the quoted price unadjusted for the same assets or liabilities in the active market.

XII. Related parties and related transaction

(1) Parent company of the Company

Name	Incidence relation	Enterprise type	Place of registration	Corporate representative	Nature of business	Registered capital
Zhuhai Gree Group Co., Ltd.	Parent company	Wholly state-owned enterprise	Zhuhai	Zhou Lewei	Investment and asset management	RMB 800 million

Continued

Name	Shareholding ratio of parent company to the Company (%)	Percentage of voting rights of parent company to the Company (%)	Ultimate controlling party of the Company	Unified social credit code/business license cod
Zhuhai Gree Group Co., Ltd.	18.22	18.22	Zhuhai Municipal State-owned Assets Supervision and Administration Commission	914404001925371865

(2) Subsidiaries of the Company

For details, see the Company's equities in subsidiaries provided in Notes 9 (1).

(3) Joint venture and partnership of the Company

For details about the Company's important contractual enterprises and associated enterprises, see the Company's equities in contractual arrangements and associated enterprises provided in Notes 9 (2).

(4) Other related parties of the Company

Related party	Relationship with the Company	Unified social credit code/business license cod
Hebei Shengshi Xinxing Gree Trading Co., Ltd.	The company in which the Company's director serves as general manager	91130104578233484U
Zhejiang Shengshi Xinxing Gree Trading Co., Ltd.	The company in which the Company's director serves as general manager	91330104574384699W
Henan Shengshi Xinxing Gree Trading Co., Ltd.	The company in which the Company's supervisor serves as general manager	914101005792072538
Zhuhai Gree Magneto-Electric Co., Ltd.	Holding subsidiary of the parent company	440400400033940
Zhuhai Gree Island Investment Co. Ltd.	Grandson company of holding subsidiary of the parent company	91440400698148911E
Zhuhai Gree Zhiye Co., Ltd.	Holding subsidiary of the parent company	91440400192551084D
Zhuhai Gree Meida Technology Co., Ltd.	Grandson company of holding subsidiary of the parent company	91440400551665906L
Zhuhai Jianan Group Co., Ltd.	Holding subsidiary of the parent company	91440400192528511L

Related party	Relationship with the Company	Unified social credit code/business license cod
Zhuhai Gree New Technology Development Co., Ltd.	Holding subsidiary of the parent company	440400000039750
Zhuhai Gree Service Co., Ltd.	Wholly-owned subsidiary of the parent company	91440400192555907E
Zhuhai Xima Pearl New Media Co., Ltd.	An enterprise for which the Chairman of the Company acts as a director	91440400MA4UJCE825
Zhuhai Yinlong New Energy Co., Ltd.	An enterprise where the Chairman of the Company holds more than 5% of its shares	914404006981977566
Hebei Yinlong New Energy Co., Ltd.	A subsidiary of an enterprise where the Chairman of the Company holds more than 5% of its shares	91130481052675755J
Shijiazhuang Zhongbo Automobile Co., Ltd.	A subsidiary of an enterprise where the Chairman of the Company holds more than 5% of its shares	91130123728816635P
Zhuhai Yinlong Electric Appliance Co., Ltd.	A subsidiary of an enterprise where the Chairman of the Company holds more than 5% of its shares	91440400566684800M
Altairnano Inc.	A subsidiary of an enterprise where the Chairman of the Company holds more than 5% of its shares	91130481596827470T
Zhuhai Guangtong Automobile Co., Ltd.	A subsidiary of an enterprise where the Chairman of the Company holds more than 5% of its shares	91440400708129467A

(5) Related transactions

(1) Purchase of commodities/receiving of services

Related party	Type of related transactions	Contents of related transactions	Amount for the current period	Amount for the previous period
Hebei Shengshi Xinxing Gree Trading Co., Ltd.	Bill margin deposit	Interest expense	60,928.57	
Zhejiang Shengshi Xinxing Gree Trading Co., Ltd.	Bill margin deposit	Interest expense	747,290.08	710,591.75
Henan Shengshi Xinxing Gree Trading Co., Ltd.	Bill margin deposit	Interest expense	167.63	150,953.97
Songyuan Food Group Co., Ltd.	Deposit-taking	Interest expense	16,289.16	
Zhuhai Gree Magneto-Electric Co., Ltd.	Deposit-taking	Interest expense	37.38	205.28
Zhuhai Gree Island Investment Co. Ltd.	Deposit-taking	Interest expense	2,201.45	101.26
Zhuhai Gree Zhiye Co., Ltd.	Deposit-taking	Interest expense	23.01	22.87
Zhuhai Gree Meida Technology Co., Ltd.	Deposit-taking	Interest expense	5,051.25	

Related party	Type of related transactions	Contents of related transactions	Amount for the current period	Amount for the previous period
Zhuhai Jianan Group Co., Ltd.	Deposit-taking	Interest expense	235.13	
Zhuhai Gree Group Co., Ltd.	Deposit-taking	Interest expense	43,286.97	1,598,588.12
Zhuhai Gree Service Co., Ltd.	Deposit-taking	Interest expense	57,130.01	103,541.89
Zhuhai Gree Meida Technology Co., Ltd.	Materials procurement	Fittings	99,506.00	
Beijing Gree Technology Co., Ltd.	Materials procurement	Fittings	15,391,683.84	19,670,398.04
Zhuhai Gree New Technology Development Co., Ltd.	Materials procurement	Fittings	22,500.00	
Zhuhai Jianan Group Co., Ltd.	Purchase of services	Infrastructure project	60,260,151.24	10,877,679.83
Liaowang All Media Communication Co., Ltd.	Service sourcing	Publicity and advertising fee	9,480,148.47	
Chongqing Pargo Mechanical Equipment Co., Ltd.	Materials procurement	Fittings	9,424,113.00	
Total			95,610,743.19	33,112,083.01

2. Sales of commodities/rendering of services

Related party	Type of related transactions	Contents of related transactions	Amount for the current period	Amount for the previous period
Hebei Shengshi Xinxing Gree Trading Co., Ltd.	Loan	Interest revenue	73,954,466.93	13,314,704.27
Zhejiang Shengshi Xinxing Gree Trading Co., Ltd.	Loan	Interest revenue	36,743,189.58	5,196,069.01
Henan Shengshi Xinxing Gree Trading Co., Ltd.	Loan	Interest revenue	7,019,809.06	9,859,319.77
Songyuan Food Group Co., Ltd.	Loan	Interest revenue	1,131,000.00	
Hebei Shengshi Xinxing Gree Trading Co., Ltd.	Sales of commodities	Sales revenue	2,426,277,876.40	2,671,040,237.44
Zhejiang Shengshi Xinxing Gree Trading Co., Ltd.	Sales of commodities	Sales revenue	4,318,366,377.22	5,231,798,174.85
Henan Shengshi Xinxing Gree Trading Co., Ltd.	Sales of commodities	Sales revenue	5,228,133,544.67	6,447,701,610.96
Altairnano Inc.	Sales of commodities/ international factoring	Sales/ international factoring income	140,163,417.09	
Hebei Yinlong New Energy Co., Ltd.	Sales of commodities/ international factoring	Sales/international factoring income	375,065,512.13	
Shijiazhuang Zhongbo Automobile Co., Ltd.	Sales of commodities/ international factoring	Sales/ international factoring income	352,389,421.47	

Related party	Type of related transactions	Contents of related transactions	Amount for the current period	Amount for the previous period
Zhuhai Yinlong Electric Appliance Co., Ltd.	Sales of commodities/ international factoring	Sales/ international factoring income	440,049,319.68	
Zhuhai Yinlong New Energy Co., Ltd.	Sales of commodities/ international factoring	Sales/ international factoring income	497,553,383.40	
Zhuhai Guangtong Automobile Co., Ltd.	Sales of commodities/ international factoring	Sales/ international factoring income	438,999,878.82	
Zhuhai Xima Pearl New Media Co., Ltd.	Sales of commodities	Sales revenue	2,006,407.36	
Total:			14,337,853,603.81	14,378,910,116.30

3. The Company was not involved in associated trusteeship management/contracting or entrusted management/contracting-out in the current period.

4. The Company was not involved in associated lease in the current period.

5. The Company was not involved in associated guarantee in the current period.

6. Fund borrowing of related party

Related party	Borrowing/ lending	Loan amount	Start date	Date due	Description
Zhejiang Shengshi Xinxing Gree Trading Co., Ltd.	Lending	2,133,500,000.00	22 January 2016 to 30 June 2016	22 July 2016 to 17 June 2017	Buyer's credit
Hebei Shengshi Xinxing Gree Trading Co., Ltd.	Lending	2,300,000,000.00	17 March 2016 to 27 October 2016	17 September 2016 to 27 October 2017	Buyer's credit
Altairnano Inc.	Lending	8,949,967.50	September 22, 2016		Factoring service principal
Hebei Yinlong New Energy Co., Ltd.	Lending	50,917,000.00	September 18, 2016		Factoring service principal
Shijiazhuang Zhongbo Automobile Co., Ltd.	Lending	6,980,915.10	September 8, 2016		Factoring service principal
Zhuhai Yinlong Electric Appliance Co., Ltd.	Lending	115,008,471.17	August 24, 2016		Factoring service principal
Zhuhai Yinlong New Energy Co., Ltd.	Lending	182,027,397.52	May 31, 2016		Factoring service principal
Zhuhai Guangtong Automobile Co., Ltd.	Lending	137,858,372.08	August 24, 2016		Factoring service principal

7. Remunerations for key management

Item	Amount for the current period	Amount for the previous period
Total remuneration actually received from the Company (before tax) within the report period	20,605,141.50	23,205,065.00

(6) Accounts receivable and payable by related parties

1. Items receivable

Item Name	Related party	Balance at the end of the period		Beginning Balance	
		Book balance	Provision for impairment	Book balance	Provision for impairment
Disbursement of loans and advances	Zhejiang Shengshi Xinxing Gree Trading Co., Ltd.	333,000,000.00	8,325,000.00		
	Hebei Shengshi Xinxing Gree Trading Co., Ltd.	1,645,000,000.00	41,125,000.00		
Bills receivable	Hebei Shengshi Xinxing Gree Trading Co., Ltd.	1,757,710,624.00		350,000,000.00	
	Henan Shengshi Xinxing Gree Trading Co., Ltd.	2,487,000,000.00		1,735,856,740.65	
	Zhejiang Shengshi Xinxing Gree Trading Co., Ltd.	294,190,332.90		921,084,690.00	
Prepaid accounts	Zhuhai Guangtong Automobile Co., Ltd.	1,921,596.00			

2. Items payable

Item Name	Related party	Amount at the end of the period	Amount at the beginning of the period
		Book balance	Book balance
Customer deposit	Zhuhai Gree Zhiye Co., Ltd.	5,403.59	5,380.58
	Zhuhai Gree Magneto-Electric Co., Ltd.	8,776.04	8,735.40
	Zhuhai Gree Island Investment Co. Ltd.	787,115.44	42,004.84
	Zhuhai Jianan Group Co., Ltd.	435.90	
	Zhuhai Gree Meida Technology Co., Ltd.	1,046,464.17	
	Hebei Shengshi Xinxing Gree Trading Co., Ltd.	139,581.61	23,434.74
	Zhejiang Shengshi Xinxing Gree Trading Co., Ltd.	20,124.00	210,048,073.21
	Zhuhai Gree Group Co., Ltd.	189,660.16	52,070,790.24
	Zhuhai Gree Service Co., Ltd.	2,352,126.54	2,902,445.42
	Henan Shengshi Xinxing Gree Trading Co., Ltd.	6,558.89	1,417.33
Accounts payable	Zhuhai Gree Meida Technology Co.,	3,913.50	

Item Name	Related party	Amount at the end of the period	Amount at the beginning of the period
		Book balance	Book balance
	Ltd.		
	Beijing Gree Technology Co., Ltd.	15,391,683.84	4,263,831.21
Advance received from customers	Hebei Shengshi Xinxing Gree Trading Co., Ltd.	729,581,825.37	265,591,592.37
	Zhejiang Shengshi Xinxing Gree Trading Co., Ltd.	329,346,785.60	29,565,963.03
	Henan Shengshi Xinxing Gree Trading Co., Ltd.	3,152,874,976.57	479,197,575.37
	Hebei Yinlong New Energy Co., Ltd.	193,008,018.00	
Interests payable	Zhuhai Gree Group Co., Ltd.	877.59	2,320.30
	Zhuhai Gree Zhiye Co., Ltd.	0.69	0.69
	Zhuhai Gree Magneto-Electric Co., Ltd.	1.13	4.39
	Zhuhai Gree Island Investment Co. Ltd.	101.04	5.39
	Zhuhai Jianan Group Co., Ltd.	0.06	
	Zhuhai Gree Meida Technology Co., Ltd.	134.30	
	Hebei Shengshi Xinxing Gree Trading Co., Ltd.	17.91	3.01
	Zhejiang Shengshi Xinxing Gree Trading Co., Ltd.	1,755.40	140,006.17

XIII. Share-based payments

The Company had no share-based payments in the current period.

XIV. Commitments

As of December 31, 2016, the Company had no significant commitments to be disclosed.

XV. Contingencies

On 12 September, 2013, the Company initiated and gained permission of the US Consumer Product Safety Commission (CPSC) and Health Canada to recall dehumidifiers sold in the US and Canada. The Company has accrued sufficient expenses based on the estimated loss. The recalling work for U.S. and Canada has been basically completed as of the approval date of the report.

MJC (GREE USA, INC.), a shareholder of United States Gree Ltd. (GREE USA INC) sued the Company and its subsidiary Hong Kong Gree Electric Appliances Co., Ltd. (HK GREE ELECTRIC APPLIANCES), seeking USD0.15 billion compensation for

MJC'S loss. The Company should pay a compensation of USD42.5 million according to the first-instance judgment of the court on 2 June, 2015, and the Company has applied for appeal regarding this judgment result. An amicable settlement was reached as of 31 December 2016.

XVI. Events after the balance sheet date

According to the resolution passed at the twelfth meeting of the tenth session of the Board of Directors of the Company, the profit distribution plan of the Company for the year 2016 is as follows: calculated by total stock capital of the Company equivalent to 6,015,730,878 stocks, all directors will be distributed a cash of RMB18.00 (tax included) per 10 stocks, with the total amount of cashes to be distributed in such a way up to RMB10,828,315,580.40 and the balance to be carried forward to the next year. This distribution preplan still needs to be approved by the general meeting of shareholders.

XVII. Other Important Events

None.

XVIII. Notes to main items of financial statements of the parent company

(1) Accounts receivable

1. The accounts receivable are disclosed by type

Type	Balance at the end of the period				Carrying amount
	Book balance		Bad debt provision		
	Amount	Percentage (%)	Amount	Percentage (%)	
Receivables with significant single amounts and single impairment provision appropriated					
Accounts receivable with impairment provision appropriated by combination	1,065,828,407.54	99.99	36,205,434.95	3.40	1,029,622,972.59
Including: aging combination	708,422,824.33	66.46	36,205,434.95	5.11	672,217,389.38
Consolidation scope combination	357,405,583.21	33.53			357,405,583.21

Type	Balance at the end of the period				
	Book balance		Bad debt provision		Carrying amount
	Amount	Percentage (%)	Amount	Percentage (%)	
Other insignificant accounts receivable with single bad debt provision appropriated	6,626,237.91	0.01	6,626,237.91	100.00	
Total	1,072,454,645.45	100.00	42,831,672.86	3.99	1,029,622,972.59

Continued

Type	Beginning Balance				
	Book balance		Bad debt provision		Carrying amount
	Amount	Percentage (%)	Amount	Percentage (%)	
Receivables with significant single amounts and single impairment provision appropriated					
Accounts receivable with impairment provision appropriated by combination	3,448,181,921.97	99.86	32,076,772.24	0.93	3,416,105,149.73
Including: aging combination	617,539,971.74	17.88	32,076,772.24	5.19	585,463,199.50
Consolidation scope combination	2,830,641,950.23	81.98			2,830,641,950.23
Other insignificant accounts receivable with single bad debt provision appropriated	4,715,115.32	0.14	4,715,115.32	100.00	
Total	3,452,897,037.29	100.00	36,791,887.56	1.07	3,416,105,149.73

2. Accounts receivable with bad debt provision provided by aging analysis in the combinations

Aging	Amount at the end of the period		
	Accounts receivable	Bad debt provision	Percentage of appropriation (%)
Within 1 year	705,734,211.53	35,286,710.58	5.00
1 - 2 years	2,212,360.54	442,472.11	20.00
2 - 3 years			
Over 3 years	476,252.26	476,252.26	100.00
Total	708,422,824.33	36,205,434.95	5.11

3. Accounts receivable with insignificant amounts but an independent impairment

test conducted at the end of the period

Contents of accounts receivable	Book balance	Bad debt amount	Percentage of appropriation (%)	Cause
Customer 1	4,715,115.32	4,715,115.32	100.00	Insolvency
Customer 2	1,466,529.62	1,466,529.62	100.00	Insolvency
Customer 3	444,592.97	444,592.97	100.00	Insolvency
Total	6,626,237.91	6,626,237.91	100.00	

4. The amount of bad debt provision appropriated by the Company in the current period was RMB6,039,785.30, and there was no bad debt provision reversed in the current period.

5. There were no accounts receivable actually written off within the Report Period.

6. Top 5 debtors in the balance of accounts receivable at the end of the period

Name of entity	Relationship with the Company	Amount	Years	Percentage to total accounts receivable (%)	Bad debt provision appropriated
First	Related party	234,820,955.37	Within 1 year	21.90	
Second	Non-related party	165,273,582.05	Within 1 year	15.41	8,263,679.10
Third	Related party	122,584,627.84	Within 1 year	11.43	
Fourth	Non-related party	78,388,872.23	Within 1 year	7.31	3,919,443.61
Fifth	Non-related party	62,117,494.65	Within 1 year	5.79	3,105,874.73
Total		663,185,532.14	Within 1 year	61.84	15,288,997.44

7. The Company had no accounts receivable that were stopped from recognition due to financial asset transfer in the current period.

8. The Company had no assets or liabilities formed by transfer of accounts receivable and its continuous involvement into them.

(2) Other receivables

1. Other receivables are disclosed by type

Type	Balance at the end of the period				Carrying amount
	Book balance		Bad debt provision		
	Amount	Percentage (%)	Amount	Percentage (%)	
Other receivables with significant single amounts and single impairment provision appropriated					
Other receivables with impairment provision appropriated by combination	858,883,497.54	100.00	10,708,129.65	1.25	848,175,367.89
Including: aging combination	146,077,865.11	17.01	10,708,129.65	7.33	135,369,735.46
Consolidation scope combination	712,805,632.43	82.99			712,805,632.43
Other insignificant receivables with single bad debt provision appropriated					
Total	858,883,497.54	100.00	10,708,129.65	1.25	848,175,367.89

Continued

Type	Beginning Balance				Carrying amount
	Book balance		Bad debt provision		
	Amount	Percentage (%)	Amount	Percentage (%)	
Other receivables with significant single amounts and single impairment provision appropriated					
Other receivables with impairment provision appropriated by combination	581,971,236.58	100.00	7,349,235.79	1.26	574,622,000.79
Including: aging combination	118,505,911.90	20.36	7,349,235.79	6.20	111,156,676.11
Consolidation scope combination	463,465,324.68	79.64			463,465,324.68
Other insignificant receivables with single bad debt provision appropriated					
Total	581,971,236.58	100.00	7,349,235.79	1.26	574,622,000.79

2. Other receivables with bad debt provision provided by aging analysis in the combinations

Aging	Amount at the end of the period		
	Other receivables	Bad debt provision	Percentage of appropriation (%)
Within 1 year	138,708,558.08	6,935,427.91	5.00
1 to 2 years	575,711.59	115,142.32	20.00
2 to 3 years	6,272,072.05	3,136,036.03	50.00
Over 3 years	521,523.39	521,523.39	100.00
Total	146,077,865.11	10,708,129.65	7.33

3. The amount of bad debt provision appropriated by the Company in the current period was RMB3,388,893.86, and there was no bad debt provision reversed in the current period.

4. The amount of other receivables written off by the Company in the current period was RMB30,000.00.

5. Other receivables presented by the nature of money

Nature of money	Book balance at the end of the period	Book balance at the beginning of the period
Intercourse funds	789,368,781.74	508,314,348.43
Hedging fund	69,514,715.80	73,656,888.15
Total	858,883,497.54	581,971,236.58

6. Top 5 debtors in the balance of other receivables at the end of the period

Name of entity	Relationship with the Company	Amount	Aging	Percentage to total other receivables (%)	Bad debt provision appropriated
First	Related party	186,587,737.59	Within 1 year	21.72	
Second	Related party	181,618,708.26	Within 1 year	21.15	
Third	Related party	140,661,273.17	Within 1 year	16.38	
Fourth	Non-related party	69,514,715.80	Within 1 year	8.09	3,475,735.79
Fifth	Related party	62,976,000.00	Within 1 year	7.33	
Total		641,358,434.82		74.67	3,475,735.79

(3) Long-term equity investment

1. Long-term equity investment classification

Item	Beginning Balance	Increase in the current period	Decrease for the current period	Balance at the end of the period
Investment in subsidiaries	6,759,419,886.99	850,000,000.00		7,609,419,886.99
Investment in contractual enterprises	60,891,468.90	4,234,163.53		65,125,632.43
Investment in associated enterprises	36,507,728.00	4,219,820.43		40,727,548.43
Subtotal	6,856,819,083.89	858,453,983.96		7,715,273,067.85
Minus: Provision for impairment of long-term equity investment	1,940,009.35			1,940,009.35
Total	6,854,879,074.54	858,453,983.96		7,713,333,058.50

2. Details of investment in subsidiaries

Name of invested entities	Accounting method	Investment cost	Beginning Balance	Increase/decrease	Balance at the end of the period	Shareholding ratio in the invested entity (%)	Percentage of voting rights in the invested entity (%)	Provision for impairment	Appropriation of provision for impairment for the current period	Cash dividend
Gree Electric Appliances (Brazil) Co., Ltd.	Cost method	130,239,414.36	130,239,414.36		130,239,414.36	100.00	100.00			
Gree Electric Appliances (Chongqing) Co., Ltd.	Cost method	223,100,000.00	223,100,000.00		223,100,000.00	97.00	97.00			2,813,805,033.97
Shanghai GREE Air Conditioners Sales Co., Ltd	Cost method	1,800,000.00	1,800,000.00		1,800,000.00	99.70	99.70			
Zhuhai Gree Group Finance Company Limited	Cost method	1,400,371,239.99	1,400,371,239.99		1,400,371,239.99	89.25	89.25			
Zhuhai Gree Electrical Co., Ltd.	Cost method	184,680,359.95	184,680,359.95		184,680,359.95	100.00	100.00			
Zhuhai Landa Compressor Co., Ltd.	Cost method	968,225,519.93	968,225,519.93		968,225,519.93	100.00	100.00			
Zhuhai Gree Xinyuan Electronics Co., Ltd.	Cost method	54,290,096.61	54,290,096.61		54,290,096.61	100.00	100.00			
Zhuhai Gree TOSOT Life Electric Appliances Co., Ltd.	Cost method	30,000,000.00	30,000,000.00		30,000,000.00	100.00	100.00			
Zhuhai Kaibang Motor Manufacture Co., Ltd.	Cost method	83,860,929.67	83,860,929.67		83,860,929.67	100.00	100.00			
Gree Electric Appliances (Hefei) Co., Ltd.	Cost method	505,370,626.10	505,370,626.10		505,370,626.10	100.00	100.00			
Hong Kong Gree Electric Appliances Sales Co., Ltd.	Cost method	472,879.08	472,879.08		472,879.08	100.00	100.00			
Zhuhai Gree Electric Appliances Sales Co., Ltd.	Cost method	5,000,000.00	5,000,000.00		5,000,000.00	100.00	100.00			

Name of invested entities	Accounting method	Investment cost	Beginning Balance	Increase/decrease	Balance at the end of the period	Shareholding ratio in the invested entity (%)	Percentage of voting rights in the invested entity (%)	Provision for impairment	Appropriation of provision for impairment for the current period	Cash dividend
Zhuhai Gree Dakin Device Co., Ltd.	Cost method	283,117,574.47	283,117,574.47		283,117,574.47	51.00	51.00			
Zhuhai Gree Daikin Precision Mold Co., Ltd.	Cost method	201,911,186.86	201,911,186.86		201,911,186.86	51.00	51.00			
GREE (Zhongshan) Small Home Appliances Co.	Cost method	30,000,000.00	30,000,000.00		30,000,000.00	100.00	100.00			
Gree Green Refrigeration Technology Center Co., Ltd. Of Zhuhai	Cost method	676,040,000.00	676,040,000.00		676,040,000.00	100.00	100.00			
Zhuhai HVAC Equipment Co., Ltd.	Cost method	100,000,000.00	100,000,000.00		100,000,000.00	100.00	100.00			
Gree Electric Appliances (Wuhan) Co., Ltd.	Cost method	510,000,000.00	510,000,000.00		510,000,000.00	100.00	100.00			1,237,168,070.90
Gree Electric Appliances (Zhengzhou) Co., Ltd.	Cost method	720,000,000.00	720,000,000.00		720,000,000.00	100.00	100.00			
Zhengzhou Gree Green Resources Recycling Co., Ltd	Cost method	5,000,000.00	5,000,000.00		5,000,000.00	100.00	100.00			
Hunan Green Resources Recycling Co., Ltd	Cost method	5,000,000.00	5,000,000.00		5,000,000.00	100.00	100.00			
Wuhu Green Resources Recycling Co., Ltd.	Cost method	2,000,000.00	2,000,000.00		2,000,000.00	100.00	100.00			
Gree (Shijiazhuang) Small Home Appliances Co., Ltd.	Cost method	10,000,000.00	10,000,000.00		10,000,000.00	100.00	100.00			

Name of invested entities	Accounting method	Investment cost	Beginning Balance	Increase/decrease	Balance at the end of the period	Shareholding ratio in the invested entity (%)	Percentage of voting rights in the invested entity (%)	Provision for impairment	Appropriation of provision for impairment for the current period	Cash dividend
Gree Electric Appliances (Wuhu) Co., Ltd.	Cost method	20,000,000.00	20,000,000.00		20,000,000.00	100.00	100.00			
Shijiazhuang Green Resources Recycling Co., Ltd.	Cost method	5,000,000.00	5,000,000.00		5,000,000.00	100.00	100.00			
Gree Electric Appliances (Shijiazhuang) Co., Ltd.	Cost method	98,940,059.97	98,940,059.97		98,940,059.97	100.00	100.00			677,650,338.60
Tianjin Green Resources Recycling Co., Ltd.	Cost method	5,000,000.00	5,000,000.00		5,000,000.00	100.00	100.00			
Zhuhai Ligao Precision Manufacturing Co., Ltd.	Cost method	30,000,000.00	30,000,000.00		30,000,000.00	100.00	100.00			
Changsha Gree HVAC Equipment Co., Ltd.	Cost method	50,000,000.00	50,000,000.00		50,000,000.00	100.00	100.00			
Zhuhai IVP Information Technology Co., Ltd.	Cost method	100,000,000.00	100,000,000.00		100,000,000.00	100.00	100.00			
Gree TOSOT (Suqian) Home Appliances Co., Ltd.	Cost method	140,000,000.00	140,000,000.00		140,000,000.00	100.00	100.00			
Wuhu Precision Manufacturing Co., Ltd.	Cost method	30,000,000.00	30,000,000.00		30,000,000.00	100.00	100.00			
Zhuhai Gree New Material Co., Ltd.	Cost method	30,000,000.00		30,000,000.00	30,000,000.00	100.00	100.00			
Zhuhai GREE Intelligent Equipment Co., Ltd.	Cost method	100,000,000.00	100,000,000.00		100,000,000.00	100.00	100.00			
Zhuhai Hengqin GREE business factoring Co., Ltd.	Cost method	50,000,000.00	50,000,000.00	50,000,000.00	100,000,000.00	100.00	100.00			

Name of invested entities	Accounting method	Investment cost	Beginning Balance	Increase/decrease	Balance at the end of the period	Shareholding ratio in the invested entity (%)	Percentage of voting rights in the invested entity (%)	Provision for impairment	Appropriation of provision for impairment for the current period	Cash dividend
Zhuhai Gree Precision Mold Co., Ltd.	Cost method	100,000,000.00		100,000,000.00	100,000,000.00	100.00	100.00			
Gree Precision Mold (Wuhan) Co., Ltd.	Cost method	80,000,000.00		80,000,000.00	80,000,000.00	100.00	100.00			
Zhuhai GREE Intelligent Equipment Technology Research Institute Co., Ltd.	Cost method	50,000,000.00		50,000,000.00	50,000,000.00	100.00	100.00			
Zhuhai Gree Energy Environment Technology Co., Ltd.	Cost method	200,000,000.00		200,000,000.00	200,000,000.00	100.00	100.00			
Gree HVAC Equipment (Wuhan) Co., Ltd.	Cost method	40,000,000.00		40,000,000.00	40,000,000.00	100.00	100.00			
Gree Electric Appliances (Hangzhou) Co., Ltd.	Cost method	300,000,000.00		300,000,000.00	300,000,000.00	100.00	100.00			
Total		7,559,419,886.99	6,759,419,886.99	850,000,000.00	7,609,419,886.99					4,728,623,443.47

3. Details of investment in associated and contractual enterprises

Name of invested entities	Beginning Balance		Increase/Decrease in the current period								Balance at the end of the period	Balance of provision for impairment at the end of the period
	Original value	Provision for impairment	Additional investment	Disinvestment	Investment profits/losses recognized under the equity method	Adjustment of other comprehensive income	Changes in other equities	Cash dividends or profits declared to distribute	Appropriated provision for impairment	Others		
1. Partnership												
Songyuan Food Group Co., Ltd.	60,891,468.90				4,234,163.53						65,125,632.43	
Subtotal	60,891,468.90				4,234,163.53						65,125,632.43	
2. Joint venture												
(Vietnam) Gree Electric Appliances, Inc.	1,940,009.35	1,940,009.35									1,940,009.35	1,940,009.35
Beijing Gree Technology Co., Ltd.	1,252,032.71				291,384.83						1,543,417.54	
Liaowang All Media Communication Co., Ltd.	22,423,869.04				3,851,569.67						26,275,438.71	
Chongqing Pargo Mechanical Equipment Co., Ltd.	10,891,816.90				-523,735.65						10,368,081.25	
GREE VOLINCO (HONG KONG) LIMITED			419,538.00		181,063.58						600,601.58	
Subtotal	36,507,728.00	1,940,009.35	419,538.00		3,800,282.43						40,727,548.43	1,940,009.35
Total	97,399,196.90	1,940,009.35	419,538.00		8,034,445.96						105,853,180.86	1,940,009.35

(4) Operating revenues and operating costs

Item	Amount for the current period		Amount for the previous period	
	Revenue	Cost	Revenue	Cost
Main business	88,506,006,087.61	62,704,978,589.70	84,687,595,777.18	63,586,529,934.73
Other businesses	11,690,016,898.63	11,452,513,666.53	8,916,145,362.57	8,428,141,722.16
Total	100,196,022,986.24	74,157,492,256.23	93,603,741,139.75	72,014,671,656.89

(5) Investment income

Item	Amount for the current period	Amount for the previous period
Long-term equity investment income measured by cost method	4,728,623,443.47	24,756,274.91
Long-term equity investment income measured by equity method	8,034,445.96	3,246,089.30
Investment income from disposal of derivative financial assets	-1,603,282,165.02	143,435,881.55
Total	3,133,375,724.41	171,438,245.76

XIX. Supplementary information

(1) Schedule of non-recurring profit and loss for the year

Item	Amount	Description
Profit and loss from disposal of non-current assets	-12,245,120.40	Profit and loss from disposal of fixed/intangible assets
Governmental subsidies recorded into the current gains and losses (excluding the governmental subsidies closely relating to the business of the enterprise and enjoyed by a fixed quota or a fixed amount in accordance with the state policies)	960,287,886.56	Financial rewards, technological innovation subsidies and development project grants, etc.
Gains and losses of the fair value change of the derivative financial instruments held by the Company, investment income from disposal of the derivative financial instruments, held-to-maturity investments and financial assets available for sale, except for the effective hedging	-1,136,058,635.86	Investment income, gains and losses from changes in fair value

Item	Amount	Description
business in relation to the normal operation of the Company		
Reversal of impairment provision for the accounts receivable for which an independent impairment test is conducted	5,556,302.40	
Non-operating incomes and expenditures other than the above items	28,307,584.72	
Total non-recurring profit and loss	-154,151,982.58	
Less: Influence amount of income tax	17,078,192.05	
Net non-recurring profit and loss	-171,230,174.63	
Including: non-recurring profit and loss attributable to owners of the parent company	-179,555,454.27	
Non-recurring profit and loss attributable to minority shareholders	8,325,279.64	

(2) Calculating process of basic earnings per share and diluted earnings per share

1) Basic earnings per share

Item	Serial Number	Amount for the current period	Amount for the previous period
Total stocks at the beginning of the period	a	6,015,730,878.00	3,007,865,439.00
The increased stocks by capitalization of capital reserves or distribution of stock dividend during the report period	b		3,007,865,439.00
The increased stocks by issuance of new stocks or debt-equity swap during the report period	c		
The number of months from the next month after increase of stocks to the end of the report period	d		
The number of months of the report period	e	12	12
The decreased stocks by repurchase during the report period	f		
The number of months from the next month after decrease of stocks to the end of the report period	g		
The number of shrunk stocks during the report period	h		

Item		Serial Number	Amount for the current period	Amount for the previous period
The weighted average number of outstanding ordinary shares		$i=a+b+cx+d\div e-fxg\div e-h$	6,015,730,878.00	6,015,730,878.00
Net profit attributable to shareholders of ordinary stocks of the Company		j	15,420,964,990.94	12,532,442,817.66
Net profit attributable to shareholders of ordinary stocks of the Company after deduction of non-recurring profit and loss		k	15,600,520,445.21	12,313,582,570.49
Basic earnings per share	Calculate according to the net profit attributable to shareholders of ordinary stocks of the Company	$l=j\div i$	2.56	2.08
	Calculate according to the net profit attributable to shareholders of ordinary stocks of the Company after deduction of non-recurring profit and loss	$m=k\div i$	2.59	2.05

2) Diluted earnings per share

Item	Serial Number	Amount for the current period	Amount for the previous period
Total stocks at the beginning of the period	a	6,015,730,878.00	3,007,865,439.00
The increased stocks by capitalization of capital reserves or distribution of stock dividend during the report period	b		3,007,865,439.00
The increased stocks by issuance of new stocks or debt-equity swap during the report period	c		
The number of months from the next month after increase of stocks to the end of the report period	d		
The number of months of the report period	e	12	12
The decreased stocks by repurchase during the report period	f		
The number of months from the next month after decrease of stocks to the end of the report period	g		
The number of shrunk stocks during the report period	h		

Item		Serial Number	Amount for the current period	Amount for the previous period
The weighted average number of outstanding ordinary shares		$i=a+b+cx$ $d\div e-$ $fxg\div e-h$	6,015,730,878.00	6,015,730,878.00
The weighted average number of increased ordinary shares by warrants, stock option and convertible bonds		j		
Net profit attributable to shareholders of ordinary stocks of the Company		k	15,420,964,990.94	12,532,442,817.66
Net profit attributable to shareholders of ordinary stocks of the Company after deduction of non-recurring profit and loss		l	15,600,520,445.21	12,313,582,570.49
Diluted earnings per share	Calculate according to the net profit attributable to shareholders of ordinary stocks of the Company	$m=k\div(i+j)$	2.56	2.08
	Calculate according to the net profit attributable to shareholders of ordinary stocks of the Company after deduction of non-recurring profit and loss	$n=l\div(i+j)$	2.59	2.05

3) Rate of return on net assets and earnings per share

Profit during the report period	Weighted average return on net assets	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to shareholders of ordinary stocks of the Company	30.41%	2.56	2.56
Net profit attributable to shareholders of ordinary stocks of the Company after deduction of non-recurring profit and loss	30.77%	2.59	2.59

Section XI Index of Documents

(1) The accounting statements signed and sealed by Dong Mingzhu, the Company's legal representative, Wang Jingdong, responsible person in charge of accounting work and Liao Jianxiong, in-charge person of accounting institution.

(2) The original audit report sealed by China Audit Union Power Certified Public Accountants Co., Ltd. and signed and sealed by certified public accountants Wang Bing and He Li.

(3) Originals and original drafts of all the Company's documents and announcements published on the newspapers designated by CSRC and on www.cninfo.com.cn within the Report Period.

GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI

Legal representative: Dong Mingzhu

27 April, 2017