

**GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI**

# **Annual Report 2015**

**April 2016**

## **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 directors personally attended the meeting of the Board of Directors in respect of deliberation of the Report.**

**The 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 15 (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 CORP.
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 2015 to 31 December 2015

## 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	<a href="http://www.gree.com.cn">http://www.gree.com.cn</a>		
Email	gree@gree.com.cn		

### II. Contacts and contact information

	Board Secretary	Securities Affairs Representative
Name	Wang Jingdong	Yang Yongxing
Address	Jinji West Road, Qianshan, Zhuhai City, Guangdong Province	Jinji West Road, Qianshan, Zhuhai City, Guangdong Province
Tel	0756-8669232	0756-8669232
Fax	0756-8622581	0756-8622581
Email	gree0651@cn.gree.com	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 CPAs Co., Ltd (LLP) . (Special General Partnership)
Office Address	No. 169 Donghu Road, Wuchang District, Wuhan City
Names of Accountants as Signatories	Wangbing, Lu Maoan

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

Applicable  Inapplicable

### 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

Item	2015	2014	Increase/ Decrease over the previous year	2013
Operating Revenue (Yuan)	97,745,137,194.16	137,750,358,395.70	-29.04%	118,627,948,208.59
Net profit attributable to shareholders of listed Company (Yuan)	12,532,442,817.66	14,155,167,229.36	-11.46%	10,870,068,311.47
Net profit attributable to shareholders of listed Company less non-recurring gains and losses (Yuan)	12,313,582,570.49	14,144,950,462.04	-12.95%	8,907,238,576.98
Net cash flow generated from operating activities (Yuan)	44,378,381,827.68	18,939,165,507.73	134.32%	12,969,837,129.83

Basic earnings per share (Yuan per Share)	2.08	2.35	-11.49%	1.81
Diluted earnings per share(Yuan per Share)	2.08	2.35	-11.49%	1.81
Weighted average return on net assets (%)	27.31%	35.23%	-7.92%	35.77%
Item	At the end of 2015	At the end of 2014	Increase/ Decrease over the previous year	At the end of 2013
Total asset (Yuan)	161,698,016,315.06	156,230,948,479.8 8	3.50%	133,719,278,987.4 0
Net asset attributable to shareholders of listed Company (Yuan)	47,521,376,091.77	44,152,654,824.68	7.63%	34,489,886,750.23

## 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 income	24,503,900,149.25	25,607,282,231.71	31,411,681,643.31	16,222,273,169.89
Net profit attributable to shareholders of listed company	2,775,358,656.61	2,945,395,014.27	4,231,967,784.45	2,579,721,362.33
Net profit attributable to shareholders of listed companies after deduction of non-recurring profit and loss	2,655,357,773.33	2,557,877,622.16	4,562,236,380.83	2,538,110,794.17
Net cash flows from operating activities	23,158,828,378.12	6,597,411,449.23	7,219,125,176.77	7,403,016,823.56

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 2015	Amount in 2014	Amount in 2013
Gains and losses from disposal of non-current assets (including the provision for asset impairment write-off part)	-8,078,976.10	-13,604,321.23	-1,760,280.69
Government subsidies recorded into the current profits 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)	1,160,736,574.04	681,875,856.67	660,482,277.34
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	-916,913,668.52	-653,382,850.98	1,705,045,054.92
Non-operating incomes and expenditures other than the above items	37,595,046.55	-5,068,130.68	-29,808,150.26
Minus: Influence amount of income tax	44,984,019.01	-4,880,796.83	367,611,287.10
Influence amount of minority equity (after tax)	9,494,709.79	4,484,583.29	3,517,879.72
Total	218,860,247.17	10,216,767.32	1,962,829,734.49

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

Gree is an international electrical appliance enterprise that integrates R&D, production, sales and service by following the business philosophy of "Gree, the Master of Core Technology" and aiming to the development objective of "Creating a Century Enterprise". It leads the process of "Made in China" by relying on its outstanding product quality, leading technical R&D capability, and unique marketing mode. Currently, GREE runs several home appliance brands including GREE and TOSOT, covering a wide range of products such as GREE residential air conditioners, central air conditioners, air source water heaters, and TOSOT home appliances.

In May 2015, Gree vigorously joined the group of Fortune Global 500 top enterprises. It ranked No.385 in Forbes Global 2000 List and No.1 among global household appliance enterprises.

As a large manufacturer of electrical appliances focusing on air-conditioning products, Gree is committed to providing global consumers with technically advanced and high-quality air conditioning products. Currently, GREE has built 9 production bases in Zhuhai, Chongqing, Hefei, Zhengzhou, Wuhan, Shijiazhuang, Wuhu, Brazil and Pakistan with more than 70,000 employees. Now GREE has developed residential and commercial air conditioners of more than 12,700 models in 400 series of 20 categories to meet requirements of different consumers. Moreover, GREE has independently developed a series of highly innovative and pioneering products including the magnetic suspension inverter centrifugal compressor and chiller, photovoltaic direct-driven inverter centrifugal chiller, two-stage inverter compressor, rare-earth-free inverter compressor, R290 eco-friendly refrigerant air conditioner, 1Hz inverter air conditioner, multi-functional floor heating central air conditioner, PMSM inverter centrifugal chiller, and ultra-low temperature digital VRF unit.

#### 2. Industry Overview

In 2015, the global economic growth dropped to the lowest point in the recent six years.

The lower growth rate of international trade, sharp decline in the price of bulk commodities, and fiercer turmoils in the international financial market imposed a direct impact on China's economy. When the economic size becomes larger, it is more difficult to achieve a growth. Under this context, China's national economy has maintained an increase of 6.9% in GDP, which reached RMB67.7 trillion in 2015 and ranked high among major economic entities in the world. The air conditioning industry realized rapid promotion for development in 2014 and became stable in 2015.

According to the statistics of ChinaIOL.com, due to the downward pressure on the overall economy, a total of 103.85 million sets of household air conditioners were produced in 2015, indicating a decrease of 12%, and a total of 106.6 million sets were sold, indicating a decrease of 8.6% in comparison with the statistics last year. Among residential air conditioners, the total sales volume of inverter air conditions with grade-1 energy efficiency was 730,000 sets, indicating a year-on-year growth of 623.1%. This benefited from the introduction of nearly ten industrial policies on energy conservation and environmental protection issued by China in 2015. In addition to the increasingly significant intelligent feature of residential air conditioners, factors such as energy efficiency, energy conservation and environmental protection of products have become key conditions for brands to keep a foothold in the market.

According to the statistics of aircon.com.cn, the overall capacity of China's central air conditioner market in 2015 was about RMB66 billion, indicating a decrease of 9.6% over 2014. Although the growth rate of residential central air conditions declined over previous years, it still kept an annual growth rate of 13.3%. In terms of concentration of brands, the market share of authoritative brands further increased in 2015. Under the situation of tripartite confrontation of "China, US and Japan", national brands represented by Gree became a powerful camp in China's central air conditioner market.

In 2015, we were at the end of the "12th Five-Year Plan" and China's economy had experienced severe challenges while facing a major opportunity of historical transition. Premier Li Keqiang concluded in the government work report of 2016 that the national economy remained in a reasonable range in 2015 and ranked top among the world's major economic entities. The high-tech industry and equipment manufacturing industry grew

faster than most industries. China's household appliance industry represented by Gree has begun to deploy its intelligent equipment manufacturing businesses and extend their business scope to the upstream business of air conditioner manufacturing, and has achieved remarkable results.

In 2015, the Internet upsurge tended to enter a calm status and the "Made in China 2025" strategy was written into the government work report, indicating that the basic role of the real economy was re-valued. With the start of the "Internet +" program in an all-round way, more manufacturing industries developed extensive integration and cooperation with the Internet industry and achieved effective results. The CCID Consulting data of 2016 showed that the market scale of smart home in 2015 reached RMB300 billion, indicating a year-on-year growth of 31.4%. Among the smart home products, air purifiers and water purifiers are highly automated, so their intelligent process was relatively faster, with a penetration rate of about 50%. The intelligent process of small household appliances, air conditioners, washing machines, and refrigerators was still in the exploratory stage, with the penetration rate as 20%, 15%, 10%, and 5% respectively.

In 2015, a part of the marketing quota of China's household appliance industry shifted from physical stores to online stores. Domestic household appliance enterprises realized extensive cooperation with existing e-commerce channels in succession, while most of them launched their own e-commerce platforms. According to the "2015 China Online Purchase Analysis Report", the B2C online purchase market of household appliances (including mobile terminal products) in 2015 reached RMB300.7 billion, indicating an increase of 49%, of which, large household appliances accounted for RMB86.2 billion (RMB19.5 billion for air conditions and RMB15.1 billion for refrigerators), indicating an increase of 45%; small household appliances accounted for RMB46.5 billion, indicating an increase of 50%. The sustainable growth of the online purchase market of household appliances brought vitality to the household appliance market which grew sluggishly.

The "13th Five-Year Plan" has begun with further promotion of the "Made in China 2025" strategy, and the international strategic framework of "One Belt and One Road" was being implemented. China's household appliance industry should seize the historic opportunity brought by the world's technological and industrial revolutions. Manufacturing enterprises

should accelerate innovation and intensify application of big data, cloud computing, Internet of things and other advanced technologies, so as to promote deep transformation of enterprises from low-end manufacturing to high-end smart manufacturing.

Meanwhile, China's household appliance industry should lay more emphasis on the Internet and actively promote in-depth cooperation between household appliance enterprises and mobile Internet services, so as to increase penetration of smart home into users' traditional life and achieve sustainable growth of household appliance online stores. Some experts predicted that a smart home upsurge will be stirred up in 2016 by C2B customization, and China's household appliance industry will become promising in this area.

## II. Significant Changes in Major Assets

Applicable  Not applicable

## III. Core Competence Analysis

### 1. Strategic target keeping pace with time

The Company implemented the automated production strategy in 2012 and formally established a smart equipment R&D team in January 2013. After painstaking development for years, the team was publicly unveiled at the Advanced Equipment Manufacturing Industry Investment & Trade Fair on 22 August, 2015. In September 2015, Zhuhai Gree Intelligent Equipment Co., Ltd. was registered and started operation independently. In 2015, Zhuhai Gree Intelligent Equipment Co., Ltd. output 2000 pieces (sets) of smart equipment, with the output value exceeding RMB500 million. The Company was listed in Guangdong Backbone Robot Enterprises (the first batch).

The Company attached great importance to cooperation with other relevant enterprises. In addition to deep cooperation with JD for promotion on December 12th to realize comprehensive deployment of Gree online sales channels, the Company also signed a strategic cooperation agreement with the China Aerospace Science and Industry Corporation (CASIC) in November 2015. In the future, the Company and CASIC will make combined efforts by leveraging their respective strengths in strategies, technologies, and

services to achieve the bilateral and multilateral collaborative sharing and win-win goal.

At the end of 2015, foundation stones were laid for Gree intelligent electrical appliance industry park invested by the Company in Hangzhou Dajiangdong Industrial Cluster. This project is the Company's first production base in the Yangtze River Delta region, and will be used to produce residential and commercial air conditioners and other smart electric appliances.

## 2. Technical innovation

In 2015, the Company won a number of major national and provincial awards. The "National Key Lab for Energy-saving Operation of Air-conditioning Equipment and System" was accredited as a national key lab. From then on, Gree became the industry's first and only one enterprise with a complete innovation chain - "basic research (national key lab) - engineering (National Engineering Research Center) - industrialization (National Enterprise Technology Research Center)", which has been recognized by the national competent authorities. In addition, Gree was recognized as the national industrial design center. The projects of "Two-stage High-efficiency Permanent Magnet Synchronous Inverter Centrifugal Chiller" and "Study and Formulation of the National Standard" *Low Ambient Temperature Air Source Heat Pump VRF (Air Conditioning) Units* were respectively awarded the first prize and second prize of Science and Technology Award by Chinese Association of Refrigeration. In 2015, the Company won the gold award of China Appearance Design, two China Excellent Patent Awards, three gold prizes of Guangdong Patent Award, seven Guangdong Excellent Patent Awards, and two Guangdong Inventor Awards. The total number of patents winning awards ranked first in all the application enterprises. Due to its remarkable performance, Gree was selected as "The World's Intellectual Property Advocate" by a U.K. intellectual property magazine. Zhuhai Gree Energy-saving & Environmentally-friendly Refrigeration Technology Research Center Co., Ltd. was appraised as an intellectual property demonstration unit in Guangdong province, and the Company's Technology Management Department was appraised as "China Outstanding IPR Management Team" by China Intellectual Property Magazine.

By the end of 2015, the Company became a large manufacturing enterprise that owned 5 subsidiaries, namely, Landa Compressor, Gree Electrical, Kaibang Motor, Xinyuan

Electronics, and Intelligent Equipment, 7 research institutes (respectively for the refrigeration technology, Motor technology, household appliance technology, intelligent equipment technology, new energy environmental technology, health-related technology, and communication technology), 52 research centers, and nearly 700 laboratories. As of 31 December, 2015, the Company has applied for 20116 patents and has been granted 11924 patents, among which, 7043 invention patents were applied for, and 937 invention patents were granted. In 2015, about 22 patents were developed on average on a daily basis, twice of that of 2014.

For technical standard management, Gree takes national and international standards as the minimum requirements and regards consumer demands as the highest standards. Gree pursues perfection in R&D based on profound knowledge. In 2015, Gree participated in formulation and revision of 30 national and international standards, including 3 foreign standards (18 items of WTO TBT notification feedback opinions), 14 national standards, 11 industrial standards, and 5 regional and other standards. Among them, 21 standards are specific for air conditioners and 9 standards are specific for home appliances. The industrial standards "Refrigeration Unit for Refrigerated Container" and "Chiller with High Water Outlet Temperature" guided by Gree were officially released. Standards including "VRF Air Conditioner", "Energy Efficiency Requirements for Chiller", "Standards for Flammable Refrigerants", "Standards for Heat Pump Water Heaters (Machines)" had a great impact on the Company's products. In 2015, 17 national and industrial standards guided by Gree won the Standard Strategy Awards of Guangdong Province and Zhuhai City.

Gree's product testing laboratories have been certified and recognized by domestic and international certification authorities including CNAS, CCC, AHRI, TUV, UL, CSA, ITS, VDE, SGS and ATDC.

In 2015, the president of AHRI personally presented the certificate of "Outstanding Achievement for U.S. AHRI Certification" to Gree. Our products have kept a pass rate of 100% for three consecutive years in the spot checks conducted by U.S. AHRI. This shows that the quality and technologies of Gree products have been internationally recognized, powerfully proving the technical level and quality of our related products.

In 2015, our laboratory obtained the accredited qualification of wireless testing laboratory

granted by international authoritative testing and certification bodies such as SGS and ITS, and the certificate of "Comprehensive Strategic Partner for Smart Home Product Evaluation, Testing, and Certification" issued by SGS. This further strengthened our professional and authoritative level in the smart home, product certification, and testing areas, which played an important role for us to provide more safe and environmentally friendly smart products and enhance the market influence of our products.

### 3. Corporate culture and management innovation

Gree's management policy of "Be Fair, Be Open, Be Dedicated" is an excellent model of "maintaining fairness and justice" at the corporate management level. The Company utilizes rules and regulations to create a space for fair development and a sharing platform for construction of an enterprise where everybody works hard and enjoys a promising future. It was this management policy that enabled Gree to maintain fairness and therefore acquire the ability to implement correct strategic decisions, the vitality for stimulating technological innovations, the driving force for creating first-class products and services, and the charm of establishing harmonious labor relations.

In terms of quality management, Gree pursued the idea of "Using the most stupid way to make the best air conditioners", as the saying goes in Gree: "The mercy in quality management is the brutality to consumers". Gree implemented strict quality control in all processes including product design, procurement, production, packaging, transport, installation, and service. To be specific, "the proposal by five parties, demonstration at three levels, and review by four units" is required for the design and R&D process. Each new product must undergo more than one hundred verifications and long-term tests under various simulated harsh environments. The Incoming Materials Inspection Factory should conduct "careful selection" for outsourced and purchased parts. Rational allocation and standard management are required for the production processes and operations. A scientific information-based system is adopted to show the status of product quality. The "bans of the president" and "Eight Prohibitions Policy" are introduced to perform strict control on quality.

Gree's constant innovation practices in corporate culture and management are a key factor that enables Gree to become the world's largest air conditioner manufacturer and vendor,



maintain a leading position in global air-conditioning technologies, and continue to lead development of the air-conditioning industry worldwide. Excellent corporate culture and corporate management methods ensure sustainable and healthy development of the Company.

#### 4. Brand innovation

On 22 September, 2015, the Company held "Chinese Brands in Action" - China Manufacturing Summit Forum and Press Conference in Zhuhai as one of the organizers. Gree put forward the initiative of "6 approvals and 6 objections" together with more than 20 domestic enterprises and industry representatives. As an industry leader, Gree proposed that Chinese brands should constantly strive to become stronger and take a share in the global market relying on their own precision manufacturing and business integrity. On the same day, the Company issued three new products including Gree Painting Era, air purifier with zero material consumption and magnetic suspension inverter centrifugal chiller, causing huge repercussions across the country and achieving good brand communication effects.

In 2015, the Company won a number of industry awards by virtue of its outstanding brand communication and management, e.g., "2015 China Top 500 Enterprise with the Most Powerful Brand Culture Influence", "2015 China 10 Top Most Valuable Brands with Brand Culture Influence", xinhuanet "2015 China Band with Most Powerful Influence in the World" of <http://www.xinhuanet.com/>, "2015 Best PR Award" and other brand communication awards.

#### 5. Talent training innovation

In 2015, the Company had a new understanding and strategic planning of talent cultivation innovation. A total of 1,500 college students were recruited into the Company in five batches, and most of them came from "Project 211" universities, achieving the largest number ever.

In terms of personnel system construction, Gree laid an emphasis on iron-fisted execution of rules and regulations. Those who violated any laws or regulations were seriously punished. Last year, the Company made great efforts to create substantial material conditions and mental stimulation for employees and provide higher wages and benefits



than peers. In addition, a variety of training and education opportunities were provided to employees, especially college students and technicians. The Company valued the spirit of working in earnest. Employees were encouraged to tell the truth, do solid work, stick to principles and be dedicated to work.

New employees recruited in 2015 have moved to Gree Hong Lok Yuen Phase II which was completed in 2014. The "one bedroom for one employee" plan was basically achieved for general staff. In addition, the Company provided "transitional housing" for married employees who have not purchased a house. In this way, young employees can enjoy a more decent life and work more contentedly.

#### 6. Production management innovation

A major feature of Gree's production innovation is automation-orientated transformation. In 2011, the Company formulated the development strategy of automation. To meet development requirements of automation, the Company established Gree Intelligent Equipment Co., Ltd. In recent years, the Company has continuously accelerated transformation to automation and mechanization, built unattended and digital factories, and improved the independent R&D and production capabilities of automation equipment. The automation equipment independently developed by Gree not only improved the efficiency and effectiveness of the Company, but also laid a solid foundation for Gree to become the best equipment provider in the world.

## Section IV Discussion and Analysis of the Management

### I. Overview

#### 1. General description

In 2015, under the ideological guidance of "Transformation, Breakthrough, and Innovation", all staff members of the Company worked hard and overcame difficulties to pursue constant innovations in terms of technological innovation, marketing and internal management, improved product quality continuously, and optimized the product structure. When the overall growth rate of the household appliance industry declined in 2015, the Company entered the key phase for adjustment and transformation. In 2015, the total sales revenue was RMB100.564 billion, indicating a decrease of 28.17%; the net profit attributable to shareholders of listed company was RMB12.532 billion, indicating a decrease of 11.46% over the previous year. However, the Company focused on the transformation and product upgrade. Due to the improved internal management, strict control on expenses and costs, and relatively stable raw material prices, the Company's profitability has been further improved. The net profit margin in 2015 was 12.55%, an increase of 2.37% over 10.18% of 2014. The Company's profitability has come out in front in the industry for many years.

In 2015, Gree was listed in Fortune Global 500 top enterprises. It ranked No.385 among Forbes Global 2000 enterprises and No.1 among global household appliance enterprises. Besides, Gree was awarded "China's Export Quality and Safety Demonstration Enterprise" again by AQSIQ and obtained the appliance industry's first CCC onsite testing laboratory certificate issued by China Quality Certification Center (CQC). This proved Gree's industry-leading laboratory resource and quality. The "National Key Lab for Energy-saving Operation of Air-conditioning Equipment and System" was listed among the third batch of national key laboratories approved by the Ministry of Science and Technology. The "Mega-kilowatt Nuclear Power Water-cooled Centrifugal Chiller (fixed frequency)" independently developed by Gree was identified by the expert group as "world

leading", creating a precedent for China's self-owned brands; Gree's project of "R&D of Novel Efficient Reluctance Motor and Its Application in Inverter Compressor and Air Conditioner" won the grand prize of Guangdong Science and Technology Award, which was the supreme technology award in Guangdong, and the project of "Two-stage High-efficiency Permanent Magnet Synchronous Inverter Centrifugal Chiller" won the first prize of Guangdong Scientific and Technological Progress Award. Gree products have been awarded a number of industry awards including the Gold Award of China Appearance Design, China Appliance Award, and Rock Awards. For international awards, Gree photovoltaic direct-driven inverter centrifugal chiller was granted the International Achievement Award of the Year by U.K. RAC Cooling Industry Awards. At the end of 2015, the "Two-stage Enthalpy-adding Inverter Compressor-based Air Source Heat Pump Technology" was recommended as one of China's top ten energy-saving technologies to IPEEC and was awarded by IPEEC the title of "Double Ten-Best".

## 2. Key work of the Company in 2015

(1) Increasing investment in R&D, sustaining innovation in products, and improving product quality and competitiveness

For household products:

Gree Painting Era split wall-mounted air conditioners and Gree Seashell floor standing type are the representative works of artistic design for key new household products completed by Gree in 2015. The Gree Painting Era has received a total of 11 patents. Its body thickness is only 11.2 cm, and the panel can be customized. It can be equipped with a photovoltaic drive. The indoor unit adopts dual centrifugal ducts in the top and bottom air supply mode. The parallel connection of two centrifugal ducts not only raises the maximum air volume, but also achieves vertical cooling and horizontal heating, keeping people far from the sickness caused by traditional heating and cooling mode.

The Gree Seashell series air conditioners integrate the advantages of intelligence, comfort, energy conservation, and health and adopt the shell shape. By means of real-time turbulent fluctuation control on the internal fan, left&right swing motor, and up&down air guide motor, the Gree Seashell series can make changes in characteristic parameters such as fan speed, air flow direction, frequency, and turbulence intensity to

simulate the air flow effect of coastal area. This allows users to experience the fresh and cool wind at home. The Gree Seashell series are equipped with the two-stage enthalpy-adding dual valve control system, which implements powerful cooling and heating in the temperature range of  $-30^{\circ}\text{C}$  to  $54^{\circ}\text{C}$ . In addition, the panoramic swing mode is adopted for air supply, allowing comfort with more energy saved.

The Admiral series air conditioners provide smart temperature control and adjustment functions. The system can make a quick judgment based on the existing environmental conditions and user requirements to ensure that the ambient temperature meets the user's requirement. The Admiral series tackle the challenging bi-color injection molding technology, turning the Company into the only one domestic company that can apply genuine bi-color injection molding except South Korea's Samsung air conditioner products. In addition, Gree became the only one in the household air conditioning industry that owns manufacturing conditions of parts specific for R32 refrigerant, including pipelines, evaporators, condensers, and compressors.

The residential central air conditioner GMV Star series 18.0 KW VRF outdoor units with side air supply implement more even air distribution for the heat exchanger, without any dead angle of heat exchange. The driver of the GMV Star series outdoor unit is cooled by the refrigerant, reducing the difficulty in structural design and improving cooling effect for the driver module. Gree has applied for multiple patents for this.

For commercial products:

In August 2015, the "Mega-kilowatt Nuclear Power Water-cooled Centrifugal Chiller (fixed frequency)" independently developed by Gree was identified by the expert group as "world leading", creating a precedent for China's enterprises in nuclear power large centrifugal units. It also proved the significantly improved stability, reliability, and service life of domestic central air conditioners. At the end of the year, the China Nuclear Power Engineering Co., Ltd. and Gree held a procurement contract signing ceremony for this unit. As Gree's first nuclear power project order, it indicated that the Company's large units had officially entered the nuclear power market.

The two-stage fixed-frequency centrifugal chiller adopts the two-stage compression re-inflation technology. Energy efficiency of the whole series reaches national grade 1 or

higher and was certified by AHRI. The onboard startup cabinet ensures a more compact unit structure and saves floor space. The user-side wiring process is simple; the high cooling power section of the two-stage fixed-frequency centrifugal chiller adopts independent dual-system design, and the independent operation strategy for dual compressors can effectively improve the partial load capacity of the unit. In addition, multiple noise reduction technologies are adopted to reduce noise and vibration during unit operation.

The high-efficiency heat pump water-cooled screw chiller uses environmentally friendly refrigerant R134a to save more energy. The unit can reliably and safely operate under low temperature and allow high temperature water outflow. The high-efficiency heat pump water-cooled screw chiller can be widely applied in areas where ground water, buried pipes, surface water, and water ring are used as a heat source and provide cooling, heating and domestic hot water up to 60°C to office buildings, hospitals, schools, and shopping malls.

The tri-pipe temperature and humidity balance system (bedroom, bathroom, and kitchen) adopts the pioneering reheating and dehumidifying VRF system with dual four-way valves for the outdoor unit + double electronic expansion design for dual heat exchangers of the indoor unit. Four modes including fresh, automatic dehumidification, drying, and absence are added. The industry's first-innovated reheating mode, fluorine lack control, and dual heat exchanger defrosting control are adopted. The outdoor unit uses the efficient DC inverter compressor technology, and intelligent temperature control technology for powerful cooling/heating function to bring the indoor temperature to the preset value rapidly.

The GMV ES DC inverter VRF units (GMV-504W/A, GMV-560W/A and GMV-615W/A) have 14 core patents. They use the energy-efficient DC inverter compressor to carry 29 indoor units at the same time, creating a new era of comfortable and energy-efficient air conditioner. The GMV ES DC inverter VRF unit adopts the novel four-fold condenser, refrigerant cooling module for cooling, and optimized design for mode and position of the drive refrigerant cooling module, achieving the IPLV of 7.2. In addition, it adopts the CAN network VRF unit communication technology, enabling fast communication response,

automatic addressing, and no-polarity free wiring.

The parallel screw series utilize the screw compressors specific for refrigeration independently developed by Gree. The separate cooling system design for the motor enables higher energy efficiency under low temperature conditions. The efficient multi-stage oil separator improves the oil separation efficiency and reduces the oil filling amount for the system. The frame-type parallel screw series enables a compact structure and high interoperability. An intelligent control system is equipped to support both manual control and automatic control and is connected to the remote intelligent service center to provide worry-free after-sales service.

Home appliances:

Three-piece kitchen suit

Smoke exhaust ventilator: The European style smoke exhaust ventilator is equipped with a high-efficiency DC inverter motor, enabling grade-1 energy efficiency and saving electricity by 30%. The patented dual-side air intake system brings a high air volume of 18 m<sup>3</sup>/min which enables the ventilator to take away all cooking fume. The novel low-noise air duct system is used to lower noises as low as 50 dB. The all-304 stainless body design ensures its soundness and durability. The ventilator is shut down after a delay of 3 minutes to take away residual cooking fume. In addition to almost all the powerful features of the European style, the side-suction smoke exhaust ventilator provides unique design of curved smoke deflectors, which increase the smoke guiding amount.

TOSOT gas stoves are equipped with a high-efficiency combustion system with thermal efficiency up to 63%. The high-purity copper burner which is ablation resistant and durable can be removed so that users can clean it easily. The embedded large-size (760 mmx450 mm) panel of the gas stoves is made of 304 stainless steel. TOSOT gas stoves are designed in such a way to enable both embedded use and desktop use.

Embedded disinfection cabinet: The unique design of intelligent variable-power high-temperature disinfection mode saves time and energy by 20%. The upper & lower independent dual-mode technology enables separate disinfection of high temperature and low temperature. The inner tube face is designed with a 45°inclination angle to enable even disinfection. The user-friendly transparent window and drawer design makes users

know the work status at a glance. The novel high-power carbon heating tube enables more rapid heating and prolongs the service life.

IH rice cooker: The advanced IH electromagnetic technology is adopted to implement all-round heating to the entire interior pot, which adopts the 3 mm thick copper composite heat transfer tank (4001C)/two-layer composite inner pot (4001Ca). The thermal conductivity of the copper tank is almost twice of the aluminum one. Gree's first-innovated "three-stage smart heat preservation" enables users to keep temperature of the rice at the high temperature step, keep freshness of the rice at the medium temperature step, and finally keep the taste of the rice at the low temperature step. The three temperature steps run in a circulatory way to ensure the best taste of the rice. The bottom wire spool is structured in "6 magnetic stripes + copper wire" to enable higher thermal efficiency. Users can make an appointment for up to 24 hours. The rice species selection function is provided to adopt a proper cooking method for different rice species. The IH rice cooker also provides the pot check function to prevent heating when no pot is provided, allowing high safety.

Full-color electric pressure cooker: The pioneering colored peach-shape design brings obvious advantages over the general appearance (round or square) and toneless colors of common electric pressure cookers. It adopts the first-innovated single-slit design for the pot lid and enclosure and supports two modes (electric pressure cooker + rice cooker). The control display interface is displayed in a hidden transparent way. The control panel is seamlessly integrated with the enclosure. The dual-enclosure design ensures better heat preservation when bringing higher safety and reliability. It applies the SCR stepless power adjustment technology which allows for stable and precise control on the heating power. Users can simmer foods with low power so that nutritional ingredients are fully released and soups taste more delicious. The first-innovated intelligent air leakage protection function in the industry provides real-time detection and automatic protection for air leakage caused by lack of seals or damaged seal. The low-power method for boiling point recognition solves the boiling point recognition problem for temperature-control pressure cookers at different altitudes. The creative automatic temperature drop mode for the pressure preservation stage controls the temperature rise, prevents air blowing during air

discharge and shortens the cooking time. The 8-stage pressure regulation and three-mode option enable users to select a proper mode according to their preferences. The optimized structural design allows replacement of the conductive film by the touch spring, thus saving more costs in comparison with other products in the market that use conductive film.

(2) Strengthening technology development based on consumers' demands and strengthening R&D of smart home products

Gree adheres to the philosophy of "Gree Changes Life by Technologies" and strengthens R&D of smart home products in new ways of thinking. By fully leveraging the integrated wiring technology, network communication technology, and automatic control technology, Gree smart ecological home system integrates household appliances to build an efficient energy management system of environmental protection and a comprehensive home service integration system. Ultimately, it can provide a smart and ecological living environment with enhanced energy efficiency, security, comfort, and artistic level. Currently, Gree has built an "e+e" smart green home system which takes the Gree intelligent APP carried by Gree's router and mobile phone as the control center to realize interoperability. Gree has gradually established four smart green home systems: smart energy system, smart air system, smart water system, and smart food system, which are supplemented with smart lights, curtains, and infrared door control to conduct smart regulation. The above achievements are presented in Gree smart green home experience pavilion on 2016 Home Decoration Expo.

On the basis of the environmental devices, Gree takes energy management as the core to link smart devices and take photovoltaic solar energy as an energy source of the whole system. This greatly reduces the overall energy consumption of the home system so that the environmentally friendly and energy intensive smart home system can be successfully applied to homes of common people.

(3) Developing and organizing new energy and nuclear power refrigeration equipment  
Among new energy refrigeration products, the photovoltaic direct-driven inverter centrifugal system uses the advanced dynamic intelligent load tracking MPPT technology. Four core innovative technologies, including the PAWM staggered modulation based



high-power permanent magnet synchronous motor high-speed drive technology, all DC grid-connection technology, photovoltaic microgrid, and HVAC group control integrated power generation and consumption management technology, combine the photovoltaic power generation system, inverter centrifugal unit system, integrated power generation and consumption management system (integrated photovoltaic microgrid and HVAC group control) in a perfect manner.

For the pursuit of perfect technology and quality level of nuclear power products, Gree sets up the nuclear power project office to monitor and regulate operation of the nuclear power system and constantly improve the management quality to further enhance the brand influence. On 8 August, 2015, the "Mega-kilowatt Nuclear Power Water-cooled Centrifugal Chiller " independently developed by Gree was identified by the nuclear power and refrigeration experts as "world leading". By adopting advanced design and manufacturing technologies and the computer control system, the unit combines multiple advantages such as high reliability, high energy efficiency, stable operation, and wide regulation range. It creates a precedent for application of large water-cooled centrifugal chillers to the nuclear power field, making a contribution to gradual localization of China's nuclear power devices.

#### (4) Green products

In 2015, to actively respond to national policies and development ideas including "Made in China 2025", "Innovation-driven, quality first, green development, structural optimization, and talent-orientation" and "Innovation, coordination, green development, openingness, and sharing" proposed by the 13th five-year plan, multiple central air conditioning units containing Gree's numerous independent R&D core technologies are applied to the field: In January, Gree photovoltaic direct-driven inverter VRF won the bidding of the green energy building upgrade project of Shanghai Jiao Tong University. In June, Gree got the first order of the domestic R290 environmentally-friendly refrigerant air conditioner project from Shenzhen University, promoting the environmental protection progress of the air conditioning industry. In the same month, Gree permanent magnet synchronous inverter centrifugal chiller won the bidding of the Great Hall of the People project among competition with many international brands. Gree photovoltaic direct-driven inverter

centrifugal chiller won the bidding of Tehran University's air conditioner project and obtained the first overseas order. In December, Gree magnetic suspension air conditioning units were installed in some stations of Wuhan Metro line 3 and all of them operated smoothly.

In the 2015 Energy-saving Electromechanical Equipment (Products) Recommendation List and "Star of Energy Efficiency" product list issued by the MIIT in November, Gree had a total of 35 products selected and became the one with the most selected energy-saving products among household appliance enterprises. Gree's effort made focusing on energy-saving and technological innovative has made a contribution to the country's commitment to lower the carbon emission intensity in 2020 by 40% -50% over that in 2005.

(5) Cooperating with branded e-business suppliers to exert force for online and offline development

Gree has established an e-business team and launched its official e-business channel "Gree Mall" at the end of 2014. In 2015, Gree cooperated with experienced e-business platforms such as JD, Tmall, Suning and Gome to speed up its overall e-business development with joint efforts. Several years ago, most of 27 sales companies subordinate to Gree successively established a regional e-business platform of Gree or settled in third-party e-business platforms such as JD, Tmall and Suning, so as to utilize e-business channels and accelerate growth by combining online and offline sales.

In 2015, the sales volume of Gree on Tmall accounted for nearly 50% of the share of all air conditioner brands. In the first two hours during the "November 11" promotion in 2015, Gree's sales volume at Tmall flagship store easily surpassed that in 2014 as the sales champion of air conditioning products on that day. The final turnover of such promotion achieved nearly RMB300 million. During the promotion on 12 December, 2015, Gree made in-depth cooperation with JD to provide quality products and services to consumers at preferential prices and achieved impressive brand influence and sales volume.

After "Gree Mall" was formally launched, products for sales will become increasingly complete and available regions will be expanded step by step, while the original regional e-business platforms of Gree sales companies still keep operating in cooperation with the

e-business platform of Gree Headquarters to realize complementation. It has grown into a comprehensive multi-brand and multi-category platform with Gree as the main brand.

## II. Analysis on principal businesses

### 1. Overview

See the description in "Overview" of "Discussion and Analysis of the Management".

### 2. Revenue and cost

#### (1) Composition of operating income

Unit: RMB

Item	2015		2014		Year-on-year Increase or Decrease
	Amount	Proportion in Operating Income	Amount	Proportion in Operating Income	
Total operating income	97,745,137,194.16	100%	137,750,358,395.70	100%	-29.04%
Categorized by industry					
Household appliance manufacturing	87,930,981,568.34	89.96%	122,745,036,614.31	89.11%	0.85%
Other businesses	9,814,155,625.82	10.04%	15,005,321,781.39	10.89%	-0.85%
Categorized by product					
Air conditioners	83,717,936,071.67	85.65%	118,719,140,613.15	86.18%	-0.53%
Home appliances	1,522,676,680.86	1.56%	1,786,123,170.24	1.30%	0.26%
Others	2,690,368,815.81	2.75%	2,239,772,830.92	1.63%	1.12%
Categorized by region					
Domestic	74,596,089,512.78	76.32%	108,934,550,640.47	79.08%	-2.76%
Overseas	13,334,892,055.56	13.64%	13,810,485,973.84	10.03%	3.61%

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

√ Applicable □ Not applicable

Unit: RMB

	Operating incomes	Operating Cost	Gross Profit	Increase or Decrease of	Increase or Decrease of	Increase or Decrease of

			Margin	Operating Income over Last Year	Operating Cost over Last Year	Gross Profit Margin over Last Year
Categorized by industry						
Household appliance manufacturing	87,930,981,568.34	57,397,354,027.10	34.72%	-28.36%	-23.20%	-4.38%
Categorized by product						
Air conditioners	83,717,936,071.67	53,581,503,247.77	36.00%	-29.48%	-25.03%	-3.80%
Categorized by region						
Domestic	74,596,089,512.78	46,279,216,061.59	37.96%	-31.52%	-27.29%	-3.61%
Overseas	13,334,892,055.56	11,118,137,965.51	16.62%	-3.44%	0.28%	-3.09%

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: RMB

Industry Category	Item	2015		2014		Year-on-year Increase or Decrease
		Amount	Proportion to Operating Cost	Amount	Proportion to Operating Cost	
Household appliance manufacturing	Raw material	49,475,367,352.33	86.20%	65,276,720,863.83	87.34%	-1.14%
	Labor wage	2,857,770,151.94	4.98%	3,231,410,467.98	4.32%	0.66%
	Depreciation	718,107,626.91	1.25%	698,292,252.30	0.93%	0.32%
	Energy	530,054,999.43	0.92%	598,190,975.58	0.80%	0.12%

**(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	Subscribed Capital Contribution (Ten Thousand)	Paid-in Capital Contribution (Ten Thousand)	Ratio of Contribution (%)	Net Assets at the End of the Period (Ten Thousand)	Net Profit of the Period (Ten Thousand)
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			Thousand Yuan)	Yuan)		Thousand Yuan)	Yuan)
Wuhu Gree Precision Manufacturing Co., Ltd.	Establishment	March 2015	3,000.00	3,000.00	100.00	2,711.13	-288.87
Zhuhai Gree Intelligent Equipment Co., Ltd.	Establishment	September 2015	10,000.00	10,000.00	100.00	9,821.45	-178.55
Zhuhai Hengqin Gree Commercial Factoring Co., Ltd.	Establishment	December 2015	5,000.00	5,000.00	100.00	5,000.00	
Gree HVAC Equipment (Wuhan) Co., Ltd.	Establishment	December 2015	4,000.00		100.00		
Gree Intelligent Equipment (Wuhan) Co., Ltd.	Establishment	December 2015	8,000.00		100.00		
Zhuhai Gree Intelligent Equipment Technology Research Institute Co., Ltd.	Establishment	December 2015	5,000.00		100.00		

## 2) Disposal of subsidiaries

The Company didn't dispose of any subsidiary in the Report Period.

## 3) Changes in the consolidation scope arising from other causes

The Company was not involved in any change in the consolidation scope arising from other causes in the Report 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)	25,745,138,334.05
Proportion of total sales amount of 5 top customers to the annual sales volume	25.60%

Information of 5 top customers

S.N	Customer Name	Sales Volume (Yuan)	Proportion to Annual Sales Volume
1	NO.1	6,447,701,610.96	6.41%
2	NO.2	5,231,798,174.85	5.20%
3	NO.3	5,228,591,966.63	5.20%
4	NO.4	4,470,165,430.92	4.45%

NO.5	Fifth	4,366,881,150.69	4.34%
Total	--	25,745,138,334.05	25.60%

Other description of major customers

Applicable  Not applicable

Major suppliers of the Company

Total amount of purchase of top 5 suppliers (RMB)	12,228,294,826.55
Percentage to the total amount of annual purchase	22.91%

## 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	4,552,058,108.84	8.53%
2	Second	3,764,047,767.17	7.05%
3	Third	1,473,697,843.72	2.76%
4	Forth	1,403,342,892.14	2.63%
5	Fifth	1,035,148,214.68	1.94%
Total	--	12,228,294,826.55	22.91%

## Other information about the major suppliers

 Applicable  Not applicable

### 3. Expenses

Unit:RMB

	2015	2014	Increase/ Decrease over the previous year	Description of the material change
Sales expense	15,506,341,694.21	28,889,995,658.43	-46.33%	Mainly attributable to the decrease of incomes and related sale expenses
Overhead expense	5,048,746,635.48	4,818,168,572.74	4.79%	
Financial expense	-1,928,797,250.18	-942,244,684.38	104.70%	Mainly attributable to the increase of exchange gains

### 4. Investment in research and development

 Applicable  Not applicable

### 5. Cash flows

Unit: RMB

Item	2015	2014	Increase/ Decrease over the previous year	Description
Subtotal of Cash Inflows from Operating Activities	118,796,508,123.64	90,539,968,945.83	31.21%	
Subtotal of Cash Outflows from Operating Activities	74,418,126,295.96	71,600,803,438.10	3.93%	
Net Cash Flow from Operating Activities	44,378,381,827.68	18,939,165,507.73	134.32%	Mainly attributable to the increase of cash inflows

				from sales of commodities
Subtotal of Cash Inflows from Investment Activities	1,179,307,976.84	1,370,007,263.30	-13.92%	
Subtotal of Cash Outflows from Investment Activities	5,892,462,841.32	4,232,145,155.55	39.23%	
Net Cash Flow from Investment Activities	-4,713,154,864.48	-2,862,137,892.25	64.67%	Mainly attributable to the increase of investment in infrastructure and financing products in this period
Subtotal of Cash Inflows from Financing Activities	11,354,411,980.55	10,612,274,861.06	6.99%	
Subtotal of Cash Outflows from Financing Activities	19,037,433,985.61	12,476,588,712.71	52.59%	
Net Cash Flow from Financing Activities	-7,683,022,005.06	-1,864,313,851.65	312.11%	Mainly attributable to the increase of distributed dividends in this period as compared to the previous year
Net Increase in Cash and Cash Equivalents	33,858,545,732.13	14,247,288,049.48	137.65%	

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: RMB

	At the end of 2015		At the end of 2014		Change of proportion
	Amount	Proportion to total assets	Amount	Proportion to total assets	
Monetary Capital	88,819,798,560.53	54.93%	54,545,673,449.14	34.91%	20.02%
Accounts Receivable	2,879,212,111.93	1.78%	2,661,347,628.69	1.70%	0.08%
Inventories	9,473,942,712.51	5.86%	8,599,098,095.97	5.50%	0.36%



Investment Real Estate	491,540,849.66	0.30%	507,901,502.13	0.33%	-0.03%
Long-term Equity Investment	95,459,187.55	0.06%	92,213,098.24	0.06%	0.00%
Fixed assets	15,431,813,077.20	9.54%	14,939,279,647.88	9.56%	-0.02%
Construction in Progress	2,044,837,830.02	1.26%	1,254,347,204.10	0.80%	0.46%
Short-term Borrowing	6,276,660,136.03	3.88%	3,578,773,331.48	2.29%	1.59%
Long-term Borrowing			2,258,969,252.88	1.45%	-1.45%

## (2) Assets and liabilities measured by fair value

√ Applicable □ Not applicable

Unit: RMB

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	84,177,518.23	-84,177,518.23					0.00
3. Available-for-sale financial assets	2,150,098,933.13	-269,101,586.03	-198,347,090.96		617,323,352.86		2,614,719,177.56
Subtotal	2,234,276,451.36	-353,279,104.26	-198,347,090.96	0.00	617,323,352.86	0.00	2,614,719,177.56
Total	2,234,276,451.36	-353,279,104.26	-198,347,090.96	0.00	617,323,352.86	0.00	2,614,719,177.56

Financial liabilities	215,703,496.13	-973,324,870.24					1,189,028,366.37
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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

Applicable  Not applicable

Unit: RMB

Type of securities	Security code	Abbreviation of security name	Initial investment cost	Accounting measurement method	Book value 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	Book value 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	1,261,199,993.13	-110,522,194.86	-73,060,531.22	-	-	-82,331,701.70	1,224,378,639.47	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	-	-184,851,044.66	-160,599,790.56	617,323,352.86	-	-184,851,044.66	463,502,488.09	Available-for-sale financial assets	Private
Total			1,852,629,152.09	--		-267,182,746.36	-233,660,321.78	617,323,352.86		-295,373,239.52	1,687,881,127.56	--	--

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## 2) Investment in derivatives

√ Applicable □ Not applicable

Unit: RMB 10,000

Operation name of investment in derivative	Relationship with the Company	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	-4,999.02	1 January, 2015	31 December, 2015	-4,999.02				-4,344.29	-0.09%	-20,158.63
Financing Institution	Non-related party	No	Forward Foreign Exchange Contract (Buying in)	8,417.75	1 January, 2015	31 December, 2015	8,417.75				-9,107.11	-0.19%	14,343.59
Financing Institution	Non-related party	No	Forward Foreign Exchange Contract (Selling out)	-21,570.35	1 January, 2015	31 December, 2015	-21,570.35				-109,795.73	-2.31%	-17,527.07
<b>Total</b>				<b>-18,151.62</b>	<b>--</b>	<b>--</b>	<b>-18,151.62</b>	<b>0</b>	<b>0</b>		<b>-123,247.13</b>	<b>-2.59%</b>	<b>-23,342.12</b>
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)				28 April 2015									
Disclosure Date of Announcement on Approval of Investment in Derivatives by Board of Shareholders (if any)				01 June 2015									
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 shown as below:</p> <p>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.</p> <p>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.</p> <p>2. Operation risk: it means any risk in operation arising out of imperfect internal process, operation of employees and system.</p> <p>Control measures: The Company established the corresponding management system, clarified the division of responsibilities and</p>									

	<p>examination &amp; 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.</p> <p>3. Market risk:</p> <p>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.</p> <p>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>
<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.</p>	<p>The loss under the futures hedging contract during the Report Period was RMB -201.5863 million; The loss under the forward foreign exchange contract during the Report Period was RMB -1,042.1573 million.</p>
<p>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.</p>	<p>No change.</p>
<p>Special opinions of independent directors regarding the investment in derivatives and risk control of the Company</p>	<p>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.</p>

## (5) Usage of raised funds

As of 31 Dec., 2015, the accumulated total amount of the raised funds used for investment was RMB 3,195.287 million, of which RMB 2,505.6714 million was invested in 2012, RMB 279.3157 million in 2013, RMB 316.6465 million in 2014, and RMB 93.6534 million in 2015. As of 31 Dec., 2015, the net interest income from the special accounts of funds raised was RMB 52.1417 million, and the funds raised by the Company have been exhausted.

For more details, please see the “Special Report for Deposit and Actual Use of Raised Funds in 2015”. Union Power issued an authentication report for the special report. The Company’s sponsor China Merchants Securities Co., Ltd. issued a special verification report. Details of this report, authentication report and verification report were disclosed on [www.cninfo.com.cn](http://www.cninfo.com.cn).

## 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

√ Applicable □ Not applicable

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

Unit: RMB

Company name	Company type	Main business	Registered capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit
Zhuhai Gree Group Finance Company Limited	Subsidiary	Financial Services	1,500,000,000	54,153,883,181.52	3,446,418,592.46	2,852,036,700.04	790,485,266.19	592,829,933.87
Gree Electric Appliances (Chongqing) Co., Ltd.	Subsidiary	Air Conditioner Manufacturing	230,000,000	5,496,028,257.12	4,009,513,330.96	6,668,782,311.95	409,247,815.66	367,278,130.36
Zhuhai Gree Electrical Co., Ltd.	Subsidiary	Varnished Wire Manufacturing	169,315,586	3,266,052,370.62	453,200,060.58	3,783,644,674.30	53,548,016.78	52,698,121.23
Zhuhai Kaibang Motor Manufacture Co., Ltd.	Subsidiary	Motor Manufacturing	82,000,000	2,036,041,593.82	840,894,769.49	2,836,518,367.87	222,066,468.20	210,427,657.53
Gree Electric Appliances (Hefei) Co., Ltd.	Subsidiary	Air Conditioner Manufacturing	150,000,000	12,541,359,792.94	7,774,853,087.25	15,027,945,592.25	1,145,834,251.05	1,072,984,452.84
Gree (Zhongshan) Household Electric Appliances Co., Ltd.	Subsidiary	Small Home Appliances Manufacturing	30,000,000	500,210,948.62	253,315,315.76	849,416,634.41	42,871,301.82	29,067,855.10
Zhuhai Landa Compressor Co., Ltd.	Subsidiary	Compressor Manufacturing	93,030,000	9,549,881,581.15	6,074,823,926.46	9,889,260,042.31	1,309,363,408.05	1,182,726,165.71
Gree Electric	Subsidiary	Air Conditioner	20,000,000	4,871,712,	2,632,277,	8,897,063,4	771,668,02	1,026,342,4

Appliances (Zhengzhou) Co., Ltd.		Manufacturing	0	990.81	331.65	89.76	0.49	19.54
Gree Electric Appliances (Wuhan) Co., Ltd.	Subsidiary	Air Conditioner	10,000,00	4,607,012,	2,061,460,	8,083,740,2	658,957,01	637,733,23
		Manufacturing	0	000.05	088.63	91.47	7.79	0.31
Gree Electric Appliances (Wuhu) Co., Ltd.	Subsidiary	Air Conditioner	20,000,00	3,451,805,	1,136,761,	5,978,722,2	461,269,37	474,353,91
		Manufacturing	0	800.53	885.72	08.81	1.86	9.50
Gree Electric Appliances (Shijiazhuang) Co., Ltd.	Subsidiary	Air Conditioner	100,000,0	2,747,247,	1,011,572,	4,998,814,0	248,386,411	266,478,76
		Manufacturing	00	720.97	274.63	71.77	.45	0.87

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
Wuhu Gree Precision Manufacturing Limited	Establishment	-288.87
Zhuhai Gree Intelligent Equipment Limited	Establishment	-178.55
Zhuhai Hengqin Gree Commercial Factoring Limited	Establishment	
Gree Heating and Ventilation and Refrigeration Equipment (Wuhan) Limited	Establishment	
Gree Intelligent Equipment (Wuhan) Limited	Establishment	
Zhuhai Gree Intelligent Equipment Technology Academy Limited	Establishment	

## VIII. Information about businesses controlled by the Company

Applicable  Not applicable

## IX. Prospects of the Company's future development

Gree will continue to take air conditioners as the principal business, and vigorously develop emerging industries such as new energy, household appliances, industrial products, moulds, mobile phones, and automation equipment, with a view to shifting from a pure household appliances maker to an equipment manufacturing enterprise in the new

energy industry, growing into one of first-class companies in the world with strong core competitiveness, proprietary intellectual property rights and advanced development, and achieving diversified and steady development.

On the background of seeking innovation-driven development, applying smart technologies to realize transformation, strengthening foundations, pursuing green development and boosting the transition to high-end industrial structure, Gree will stand firm in pursuing technical innovation. It will develop multifunctional, healthy and environmentally-friendly, energy-saving products that provide great user experience. Meantime, by capitalizing on many of its upstream resources, the company will carry out the strategy themed "Create a Green Future Jointly through Transformation" to develop downstream industries led by new energy, communication, electronics and resource regeneration.

#### 1. Business focus of the Company in 2016

1) Adhere to the philosophy of "Gree Changes Life by Technologies", come up with new ways of thinking, set up smart home big data centers and strengthen R&D of smart home products and systems.

2) Inherit the development process of air conditioners and improve the development processes of mobile phones, smart products and new energy products such as nuclear power application to manage the full life circle of products.

3) Strengthen R&D in heating and ventilation equipment, expand product lineup and achieve energy conservation and environment protection through Gree's compressor technology.

4) Expand the lineup of household appliances during product development and planning, such as trash cans, cleaners, juicers and electric ovens.

5) Come up with new R&D ideas. Professionals responsible for technology, structure and appearance form project teams. R&D will be carried out earlier and concept design will be strengthened to improve products through methods such as simple design.

#### 2. Risk in future development

1) Risks brought by macroeconomic fluctuation and policy regulation and control

The economic development entered a new state and shifted from rapid growth to

medium and high growth. The household appliance market may be fatigued as macroeconomic slowdown leads to a decrease in consumers' demand. Changes in the macroeconomic environment and policy adjustment may also cause fluctuations in the costs of production factors such as labor, water, electricity, and gas. In addition, the appliance subsidy policy is withdrawn while no new policy is issued. All these factors will bring new challenges to production and sales of Gree products.

## 2) Risks brought by competition in the industry and marketing reform

Under impact of the Internet economy and new business modes, Gree may be confronted with challenges in operating performance and financial position that are posed by increasingly intense competition or even vicious competition from domestic and overseas appliance enterprises, rapid development of smart home with emergence of new technologies and materials, despite of its competitive advantage as a leading enterprise in the household appliance industry.

## 3) Risks brought by fluctuations in the price of bulk raw materials and export exchange rate

Gree has a high demand for bulk raw materials such as copper, steel, and aluminum. If the price of raw materials fluctuates and the market competition is severe, the selling price will hardly offset the impact by such fluctuation and the operating performance of Company may be affected. In addition, Gree products are exported around the world with a growing export volume. If the exchange rate fluctuates significantly, the Company may suffer exchange loss.

## 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
14 January, 2015	Telephone Communication	Institution	
15 January, 2015	Telephone Communication	Institution	



27 January, 2015	Others	Others	
3 March, 2015	Telephone Communication	Institution	
5 March, 2015	Telephone Communication	Institution	
6 March, 2015	Telephone Communication	Institution	
7 May, 2015	Telephone Communication	Institution	
8 May, 2015	Telephone Communication	Institution	
26 May, 2015	Telephone Communication	Institution	
8 June, 2015	Telephone Communication	Institution	
24 June, 2015	Telephone Communication	Institution	
29 June, 2015	Telephone Communication	Institution	
9 July, 2015	Field Research	Institution	
10 July, 2015	Field Research	Institution	Record Table for Investor Relations Activities of www.cninfo.com.cn 20150701-0716
14 July, 2015	Field Research	Institution	Record Table for Investor Relations Activities of www.cninfo.com.cn 20150701-0716
16 July, 2015	Field Research	Institution	Record Table for Investor Relations Activities of www.cninfo.com.cn 20150701-0716
22 July, 2015	Telephone Communication	Institution	
3 August, 2015	Telephone Communication	Institution	
1 September, 2015	Field Research	Institution	Record Table for Investor Relations Activities of www.cninfo.com.cn 20150901-0908
7 September, 2015	Others	Institution	Record Table for Investor Relations Activities of www.cninfo.com.cn 20150901-0908

7 September, 2015	Telephone Communication	Institution	Record Table for Investor Relations Activities of www.cninfo.com.cn 20150901-0908
11 September, 2015	Telephone Communication	Institution	
22 September, 2015	Telephone Communication	Institution	
23 September, 2015	Telephone Communication	Institution	
2 November, 2015	Field Research	Institution	Record Table for Investor Relations Activities of www.cninfo.com.cn 20151102-1112
3 November, 2015	Field Research	Institution	Record Table for Investor Relations Activities of www.cninfo.com.cn 20151102-1112
5 November, 2015	Others	Institution	Record Table for Investor Relations Activities of www.cninfo.com.cn 20151102-1112
6 November, 2015	Field Research	Institution	Record Table for Investor Relations Activities of www.cninfo.com.cn 20151102-1112
10 November, 2015	Field Research	Institution	Record Table for Investor Relations Activities of www.cninfo.com.cn 20151102-1112
29 November, 2015	Field Research	Institution	Record Table for Investor Relations Activities of www.cninfo.com.cn 20151129-1210
30 November, 2015	Telephone Communication	Institution	Record Table for Investor Relations Activities of www.cninfo.com.cn 20151129-1210
1 December, 2015	Field Research	Institution	Record Table for Investor Relations Activities of www.cninfo.com.cn 20151129-1210
2 December, 2015	Field Research	Institution	Record Table for Investor Relations Activities of www.cninfo.com.cn 20151129-1210
7 December, 2015	Field Research	Institution	Record Table for Investor Relations Activities of www.cninfo.com.cn 20151129-1210
15 December, 2015	Telephone	Institution	

	Communication		
17 December, 2015	Telephone Communication	Institution	
Times of reception	35		
Number of received institutions	135		
Number of received individuals	0		
Number of other received objects	1		
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 2014 was implemented on 3 July, 2015: 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.

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 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.

The plan of profit distribution will not be executed until it is submitted to the general meeting

of shareholders of the Company for the year 2015 for approval.

## 2. 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.

## 3. Profit distribution plan for the year of 2013

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 15.00 (tax included) per 10 stocks, with the total amount of cashes to be distributed in such a way up to RMB 4,511,798,158.50 and the balance to be carried forward to the next year.

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
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%
2013	4,511,798,158.50	10,870,068,311.47	41.50%	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, 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

√ Applicable □ Not applicable

Cause of commitment	Party of commitment	Type of commitment	Content of commitment	Time of commitment	Period of commitment	Fulfillment status
Share reform commitment						
Commitments made in the acquisition report or equity change report						
Commitments made during assets reorganization						
Commitments made at the time of initial public offering or refinancing						
Equity incentive commitments						
Other commitments made to minority shareholders of the Company	Hebei Jinghai Guaranteed Investment Co., Ltd.	Holding increase	The holding increase person will increase the held shares of the Company within three months from the date of commitment, and the amount of added shares is not less than RMB460 million.	14 July, 2015	13 October, 2015	Jinghai Guaranteed added 27,294,265 shares of the Company in total through the directional asset management plan in September and October of 2015, and the amount of added shares was RMB460,194,331.80 (tax included) and accounted for 0.45% of the Company's total stock capital.

Commitments are fulfilled in time	Yes
If commitments are not fulfilled in time, detail the specific reason of fulfillment failure and the work plan for the next step	Not applicable

**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	Subscribed capital contribution (ten thousand Yuan)	Paid-in capital contribution (ten thousand Yuan)	Ratio of contribution (%)	Net assets at the end of the period (ten thousand Yuan)	Net profit of the period (ten thousand Yuan)
Wuhu Gree Precision Manufacturing Co., Ltd.	Establishment	March 2015	3,000.00	3,000.00	100.00	2,711.13	-288.87
Zhuhai Gree Intelligent Equipment Co., Ltd.	Establishment	September 2015	10,000.00	10,000.00	100.00	9,821.45	-178.55
Zhuhai Hengqin Gree Commercial Factoring Co., Ltd.	Establishment	December 2015	5,000.00	5,000.00	100.00	5,000.00	
Gree HVAC Equipment (Wuhan) Co., Ltd.	Establishment	December 2015	4,000.00		100.00		
Gree Intelligent Equipment (Wuhan) Co., Ltd.	Establishment	December 2015	8,000.00		100.00		
Zhuhai Gree Intelligent Equipment Technology Research Institute Co., Ltd.	Establishment	December 2015	5,000.00		100.00		

### 2. Disposal of subsidiaries

The Company didn't dispose of any subsidiary in the Report Period.

### 3. Changes in the consolidation scope arising from other causes

The Company was not involved in any change in the consolidation scope arising from other causes in the Report 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)	360
Consecutive years for the domestic accounting firm to render audit service	1
Names of certified public accountants of the domestic accounting firm	Wang Bing and Lu Mao'an



A new accounting firm was engaged in the current period

Yes  No

A new accounting firm was engaged in the audit period

Yes  No

The examination and approval procedures were implemented to change the accounting firm

Yes  No

Detailed description about engagement of a new accounting firm

Through consideration, the general meeting of shareholders of the Company for the year of 2014 convened on 1 June, 2015 decided to engage China Audit Asia Pacific Certified Public Accountants Co., Ltd. (Special General Partnership) (hereinafter referred to as "China Audit Asia Pacific") as the audit institution of the Company for the year of 2015 for a period of one year and at the audit fee of RMB3.6 million (excluding the travel expense).

Later, the Company received the *Merger Description of China Audit Asia Pacific Certified Public Accountants Co., Ltd. (Special General Partnership) and Union Power Certified Public Accountants (Special General Partnership)* from Guangdong Branch of China Audit Asia Pacific. The original audit institution responsible for the audit service of the Company wholly joined Union Power Certified Public Accountants (Special General Partnership) (hereinafter referred to as "Union Power"). To ensure continuity of the audit work, the Company planned to change its audit institution for the year of 2015 from China Audit Asia Pacific to Union Power.

After consideration by the audit committee of the Company and expression of the independent opinion of consent by the independent directors, the Board of Directors considered and agreed with engagement of Union Power as the Company's audit institution for the year of 2015 for a period of one year and at the audit fee of RMB3.6 million (excluding the travel expense). Then this matter was examined and approved by the first interim general meeting of shareholders in 2015 and took effect from the date of examination and approval by the general meeting of shareholders.

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	Related relationship	Type of related transactions	Contents of related transactions	Related transaction pricing principles	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
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	644,770.16	7.70%	1,680,000	No	Payment before delivery	Market price	28 April, 2015	www.cninfo.com.cn
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	267,104.02	3.19%	400,000	No	Payment before delivery	Market price	31 August, 2015	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	523,179.82	6.25%	1,100,000	No	Payment before delivery	Market price	28 April, 2015	www.cninfo.com.cn
Total				--	--	1,435,054	--	3,180,000	--	--	--	--	--
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. Description of other significant matters

Applicable  Not applicable

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

## XIX. Significant matters of the Company's subsidiaries

Applicable  Not applicable

## XX. Social responsibilities

Applicable  Not applicable

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 2015 on [www.cninfo.com.cn](http://www.cninfo.com.cn))

The listed company and its subsidiaries fall in to the heavily polluting industry specified by the national environmental protection department.

Yes  No  Not applicable

## **XXI. Related information of corporate bonds**

Whether the Company has corporate bonds that have been issued publicly and listed on the stock exchange, and have not become due on the approved submission date of the annual report or have become due but were not paid in full

No

## 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	21,396,176	0.71%			21,274,697	942,771	22,217,468	43,613,644	0.72%
1. Stocks held by the State									
2. Stocks held by the state-owned legal person									
3. Stocks held by other domestic capital	21,396,176	0.71%			21,274,697	942,771	22,217,468	43,613,644	0.72%
Including: Stocks held by the domestic legal person									
Stocks held by the domestic natural person	21,396,176	0.71%			21,274,697	942,771	22,217,468	43,613,644	0.72%
4. Stocks held by the foreign capital									
Including: Stocks held by the foreign legal person									
Stocks held by the foreign natural person									
II. Tradable Stocks without trading restriction conditions	2,986,469,263	99.29%			2,986,590,742	-942,771	2,985,647,971	5,972,117,234	99.28%
1. RMB ordinary stocks	2,986,469,263	99.29%			2,986,590,742	-942,771	2,985,647,971	5,972,117,234	99.28%
2. Domestically listed foreign capital stocks									
3. Overseas listed foreign capital stocks									
4. Others									

III. Total of stocks	3,007,865,439	100.00%			3,007,865,439	0	3,007,865,439	6,015,730,878	100.00%
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Causes of changes in stock capital

Applicable  Not applicable

Implementation of the dividend program for the year of 2014: 10 stocks added per 10 stocks for the capital reserve funds; Ms. Dong Mingzhu, a senior executive of the Company, cumulatively increased the hold shares by 1,407,000, and Mr. Wang Jingdong reduced the hold shares by 121,479.

## 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	352,276	Total number of common shareholders at the end of last month before the disclosure date of the annual report	351,779	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	Increase/Decrease	Number of the	Number of the trading	Pledge or freezing	
							Stock	Qty

			held at the end of the Report Period	in the Report Period	trading restricted stocks held	unrestricted stocks held	status	
Zhuhai Gree Group Co., Ltd.	State-owned legal person	18.22%	1,096,255,624			1,096,255,624	Frozen	928,147,500
Hebei Jinghai Guaranteed Investment Co., Ltd.	Domestic non-state- owned legal person	8.91%	536,062,033			536,062,033		
China Securities Finance Co., Ltd.	State-owned legal person	2.99%	179,873,461			179,873,461		
Central Huijin Asset Management Co., Ltd.	State-owned legal person	1.40%	84,483,000			84,483,000		
UBS AG	Foreign legal person	1.21%	72,837,483			72,837,483		
Qian Hai Life Insurance Co., Ltd. – Hai Li Nian Nian	Domestic non-state- owned legal person	1.14%	68,821,785			68,821,785		
YALE UNIVERSITY	Foreign legal person	0.95%	57,204,343			57,204,343		
Hexie Health Insurance Co., Ltd. – Traditional – General Insurance Product	Domestic non-state- owned legal person	0.80%	48,193,394			48,193,394		
Dong Mingzhu	Domestic natural person	0.73%	43,820,492			43,820,492		
Ningbo Plouffe Investment Management	Domestic non-state- owned legal person	0.71%	42,900,614			42,900,614		



Co., Ltd.								
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			Ms. Dong Mingzhu is the Chairman of the Board of Directors, Zhuhai Gree Group Co., Ltd.					
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			
		Type of stocks	Qty					
Zhuhai Gree Group Co., Ltd.	1,096,255,624	RMB ordinary	stocks		1,096,255,624			
Hebei Jinghai Guaranteed Investment Co., Ltd.	536,062,033	RMB ordinary	stocks		536,062,033			
China Securities Finance Co., Ltd.	179,873,461	RMB ordinary	stocks		179,873,461			
Central Huijin Asset Management Co., Ltd.	84,483,000	RMB ordinary	stocks		84,483,000			
UBS AG	72,837,483	RMB ordinary	stocks		72,837,483			
Qian Hai Life Insurance Co., Ltd. – Hai Li Nian Nian	68,821,785	RMB ordinary	stocks		68,821,785			
YALE UNIVERSITY	57,204,343	RMB ordinary	stocks		57,204,343			
Hexie Health Insurance Co., Ltd. – Traditional – General Insurance Product	48,193,394	RMB ordinary	stocks		48,193,394			
Dong Mingzhu	43,820,492	RMB ordinary	stocks		43,820,492			
Ningbo Plouffe Investment Management Co., Ltd.	42,900,614	RMB ordinary	stocks		42,900,614			
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			Ms. Dong Mingzhu is the Chairman of the Board of Directors, Zhuhai Gree Group Co., Ltd.					
Description of the participation in margin trading business of the top 10 common shareholders (if			Ningbo Plouffe Investment Management Co., Ltd. held 42,900,614 shares in total, including 27,172,471 shares held in the ordinary account					

any) (see Note 4)	and 15,728,143 shares held in the margin trading account.
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## 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.	Dong Mingzhu	15 December, 1990	19253718-6	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 oversea listed companies by controlling shareholders during the Report Period				None

## 3. Information of the actual controllers of the Company

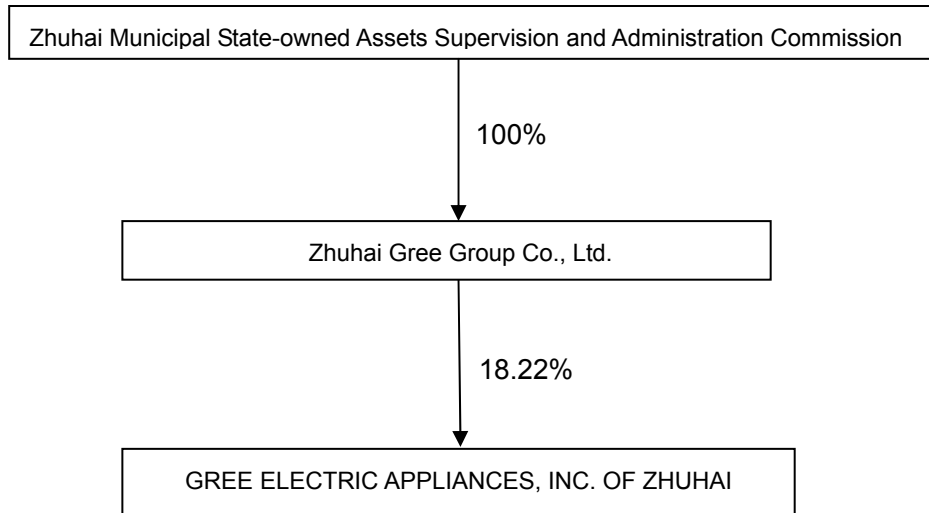
Nature of the actual controller: Local state-owned assets management institution Type of the actual controller: Legal person

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	30 November, 2004	71924557-8	Fulfill responsibilities of the state-owned assets investor
Information regarding equity of other domestic and oversea 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

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



## 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 changes (shares)	Stocks held at the end of the Period (shares)
Dong Mingzhu	Chairperson & President	Incumbent	F	61	25 May, 2012	31 May, 2018	21,206,746	1,407,000		21,206,746	43,820,492
Ye Zhixiong	Director	Incumbent	M	58	1 June, 2015	31 May, 2018					
Meng Xiangkai	Director	Incumbent	M	54	20 May, 2013	31 May, 2018	8,500			8,500	17,000
Huang Hui	Director & Executive Vice President	Incumbent	M	51	25 May, 2012	31 May, 2018	3,687,500			3,687,500	7,375,000
Zhang Jundu	Director	Incumbent	M	55	25 May, 2012	31 May, 2018					
Xu Zifa	Director	Incumbent	M	61	1 June, 2015	31 May, 2018	100,000			100,000	200,000
Wang Ruzhu	Independent Director	Incumbent	M	51	20 May, 2014	31 May, 2018					
Lu Xin	Independent Director	Incumbent	F	52	1 June, 2015	31 May, 2018					
Guo Yang	Independent Director	Incumbent	F	57	1 June, 2015	31 May, 2018					
Xu Chuzhen	Chairman of Board of Supervisors	Incumbent	M	57	24 September, 2013	31 May, 2018					
Guo Shuzhan	Supervisor	Incumbent	M	59	25 May, 2012	31 May, 2018					
Wang	Staff	Incumbent	F	39	15 October, 2014	31 May,					

Liqin	Supervisor					2018					
Zhuang Pei	Vice President	Incumbent	M	50	25 May, 2012	31 May, 2018	2,977,601			2,977,601	5,955,202
Wang Jingdong	Vice President, Finance Chief, Board Secretary	Incumbent	M	45	25 May, 2012	31 May, 2018	485,916		-121,479	364,437	728,874
Chen Weicai	Vice President	Incumbent	M	43	3 September, 2013	31 May, 2018					
Liu Jun	Vice President	Incumbent	M	39	31 August, 2015	31 May, 2018	5,000	2,000		5,000	12,000
Lu Junsi	Director	Resigned	M	50	25 May, 2012	1 June, 2015					
Feng Jiyong	Director	Resigned	M	44	25 May, 2012	1 June, 2015					
He Xiaoyong	Independent Director	Resigned	M	43	25 May, 2012	1 June, 2015					
Tang Guoping	Independent Director	Resigned	M	51	20 May, 2014	1 June, 2015					
Total	--	--	--	--	--	--	28,471,263	1,409,000	-121,479	28,349,784	58,108,568

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

Name	Title	Type	Date
Lu Junsi	Director	Full term departure	1 June, 2015
Feng Jiyong	Director	Full term departure	1 June, 2015
He Xiaoyong	Independent Director	Full term departure	1 June, 2015
Tang Guoping	Independent Director	Full term departure	1 June, 2015

## III. Positions of directors, supervisors and senior management personnel

### Ms. Dong Mingzhu, Chairperson & President:

She has served as president of the Company since April 2001; she has served as chairperson of the Company since May 2012.

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; At present, she concurrently serves as chairperson of Gree

Group, 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 National Sun Yat-sen University and Shandong University as 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. Awarded the title of "National Model Worker" by the State Council and the title of "National March 8th Red-Banner Pacesetter" by the All-China Women's Federation in 2015.

**Mr. Ye Zhixiong, Director:**

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. Meng Xiangkai, Director:**

From March 2010 to August 2014, Mr. Meng Xiangkai served as a vice chief economist of Aviation Industry Corporation of China and successively served as the chairman, general manager, secretary of the party committee, and legal representative of China Aviation Industry General Aircraft Company. From May 2013 to August 2014, he served as the chairman of Avic Heavy Machinery Co., Ltd. He has served as the secretary of the party committee of Zhuhai GREE Group Corporation and director of the Company since August 2014. He consecutively served as a deputy to the eleventh and twelfth National People's Congresses.

**Mr. Huang Hui, Director, Executive Vice President, Chief Engineer:**

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.

**Mr. Zhang Jundu, Director:**

Since September 1999, he has served as chairman of Zhejiang Tongcheng Gree Electric Appliances Co., Ltd. From November 2004, he has served as chairman of Zhejiang Gree Home Appliances Sales 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.

**Mr. Xu Zifa, Director:**

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.

**Mr. Wang Ruzhu, Independent Director:**

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.

**Ms. Guo Yang, Independent Director:**

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.

**Ms. Lu Xin, Independent Director:**

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 a director of the Company since May 2014.

**Mr. Xu Chuzhen, Chairman of Board of Supervisors:**

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. 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.

**Mr. Guo Shuzhan, Supervisor:**

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.

**Ms. Wang Liqin, 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.

**Mr. Zhuang Pei, Vice President:**

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.

**Mr. Wang Jingdong, 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;

**Mr. Chen Weicai, Vice-President:**

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.

**Mr. Liu Jun, Vice President:**

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
Dong Mingzhu	Zhuhai Gree Group Co., Ltd.	Chairman and legal representative	1 May, 2012	No
Guo Shuzhan	Hebei Jinghai Guaranteed Investment Co., Ltd.	Chairman and legal representative	1 August, 2006	Yes
Xu Zifa	Hebei Jinghai Guaranteed Investment Co., Ltd.	Director	1 August, 2006	Yes
Meng Xiangkai	Zhuhai Gree Group Co., Ltd.	Secretary of the Party committee and director of the Company	1 August, 2014	Yes
Xu Chuzhen	State-owned Assets Supervision and Administration Commission of Zhuhai Municipal People's Government	Full-time director and full-time supervisor	1 May, 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	1 January, 2013	Yes

Zhang Jundu	Zhejiang Tongcheng Gree Electric Appliances Co., Ltd.	Chairman	1 September, 1999	Yes
Zhang Jundu	Zhejiang Shengshi Xinxing Gree Trading Co., Ltd.	General Manager	1 August, 2012	Yes
Xu Zifa	Hebei Shengshi Xinxing Gree Trading Co., Ltd.	General Manager	1 July, 2011	Yes
Lu Xin	TCL Corporation	Independent Director	1 September, 2014	No
Lu Xin	Kingfa Sci. & Tech. Co., Ltd.	Independent Director	21 May, 2014	No
Guo Shuzhan	Henan Shengshi Xinxing Gree Trading Co., Ltd.	General Manager	1 August, 2012	Yes
Xu Chuzhen	Zhuhai League Stock Co., Ltd.	Director	20 May, 2014	Yes
Dong Mingzhu	Zhuhai Landa Compressor Co., Ltd.	Chairperson and legal representative	10 May, 1985	No
Dong Mingzhu	Hefei Landa Compressor Co., Ltd.	Chairperson and legal representative	7 December, 2009	No
Dong Mingzhu	Zhengzhou Landa Compressor Co., Ltd.	Chairperson and legal representative	2 March, 2011	No
Dong Mingzhu	Chongqing Landa Compressor Co., Ltd.	Chairperson and legal representative	23 May, 2011	No
Dong Mingzhu	Wuhan Landa Compressor Co., Ltd.	Chairperson and legal representative	17 May, 2011	No
Dong Mingzhu	Zhuhai Kaibang Motor Manufacture Co., Ltd.	Chairperson and legal representative	18 April, 2003	No
Dong Mingzhu	Hefei Kaibang Motor Manufacture Co., Ltd.	Chairperson and legal representative	9 December, 2009	No
Dong Mingzhu	Henan Kaibang Motor Manufacture Co., Ltd.	Chairperson and legal representative	4 August, 2011	No
Dong Mingzhu	Chongqing Kaibang Motor Manufacture Co., Ltd.	Chairperson and legal representative	31 August, 2011	No
Dong Mingzhu	Hong Kong Gree Electric Appliances Sales Co., Ltd.	Chairperson	21 June, 2005	No
Dong Mingzhu	GREE (Zhongshan) Small Home Appliances Co., Ltd.	Chairperson and legal representative	3 April, 2009	No
Dong Mingzhu	Gree Electric Appliances (Zhengzhou) Co., Ltd.	Chairperson and legal representative	26 August, 2010	No
Dong Mingzhu	Gree Electric Appliances (Wuhan) Co., Ltd.	Chairperson and legal representative	30 August, 2010	No
Dong Mingzhu	Shijiazhuang Green Resources	Chairperson and legal	1 December, 2011	No

	Recycling Co., Ltd.	representative		
Dong Mingzhu	Zhengzhou Gree Green Resources Recycling Co., Ltd.	Chairperson, legal representative and general manager	26 August, 2010	No
Dong Mingzhu	Tianjin Green Energy Resource Recycling Co., Ltd.	Chairperson and legal representative	13 March, 2013	No
Dong Mingzhu	Hunan Green Resources Recycling Co., Ltd.	Chairperson and legal representative	2 November, 2010	No
Dong Mingzhu	Gree Electric Appliances (Chongqing) Co., Ltd.	Chairperson and legal representative	19 July, 2001	No
Dong Mingzhu	Shijiazhuang Gree Small Home Appliances Co., Ltd.	Chairperson and legal representative	21 March, 2011	No
Dong Mingzhu	Gree Electric Appliances (Wuhu) Co., Ltd.	Chairperson and legal representative	29 March, 2011	No
Dong Mingzhu	Wuhu Green Resources Recycling Co., Ltd.	Executive director and legal representative	29 March, 2011	No
Dong Mingzhu	Zhuhai Gree Group Finance Company Limited	Chairperson and legal representative	29 May, 1995	No
Dong Mingzhu	Gree Electric Appliances (Shijiazhuang) Co., Ltd.	Chairperson and legal representative	23 May, 2011	No
Dong Mingzhu	Zhuhai Ligao Precision Manufacturing Co., Ltd.	Chairperson and legal representative	14 October, 2013	No
Dong Mingzhu	Zhuhai Gree TOSOT Home Appliances Co., Ltd.	Chairperson and legal representative	12 April, 2013	No
Dong Mingzhu	Changsha Gree HVAC Equipment Co., Ltd.	Executive director and legal representative	14 April, 2014	No
Dong Mingzhu	Zhuhai HVAC Equipment Co., Ltd.	Chairperson and legal representative	6 March, 2013	No
Dong Mingzhu	Wuhu Gree Precision Manufacturing Co., Ltd.	Chairperson and legal representative	20 November, 2014	No
Dong Mingzhu	Gree TOSOT (Suqian) Home Appliances Co., Ltd.	Chairperson and legal representative	29 September, 2014	No
Dong Mingzhu	Gree Electric Appliances (Hefei) Co., Ltd.	Executive director, legal representative and general manager	19 December, 2006	No
Dong Mingzhu	Zhuhai Gree Intelligent Equipment Co., Ltd.	Chairperson and legal representative	15 September, 2015	No
Dong Mingzhu	Zhuhai Gree Intelligent Equipment Technology	Chairperson and legal representative	29 December, 2015	No

	Research Institute Co., Ltd.			
Dong Mingzhu	Gree HVAC Equipment (Wuhan) Co., Ltd.	Chairperson and legal representative	30 December, 2015	No
Dong Mingzhu	Gree Intelligent Equipment (Wuhan) Co., Ltd.	Chairperson and legal representative	30 December, 2015	No
Dong Mingzhu	Zhuhai Hengqin Gree Commercial Factoring Co., Ltd.	Chairperson and legal representative	28 December, 2015	No
Dong Mingzhu	Zhuhai Gree Electrical Co., Ltd.	Director	13 July, 1992	No
Huang Hui	Gree Green Refrigeration Technology Center Co., Ltd. Of Zhuhai	Executive director, legal representative and general manager	28 December, 2009	No
Huang Hui	Zhuhai Gree Dakin Device Co., Ltd.	Chairman and legal representative	10 March, 2009	No
Huang Hui	Zhuhai IVP Information Technology Co., Ltd.	Chairman and legal representative	29 April, 2014	No
Huang Hui	Zhuhai Landa Compressor Co., Ltd.	Director	10 May, 1985	No
Huang Hui	Hefei Landa Compressor Co., Ltd.	Director	7 December, 2009	No
Huang Hui	Zhengzhou Landa Compressor Co., Ltd.	Director	2 March, 2011	No
Huang Hui	Chongqing Landa Compressor Co., Ltd.	Director	23 May, 2011	No
Huang Hui	Wuhan Landa Compressor Co., Ltd.	Director	17 May, 2011	No
Huang Hui	Hefei Kaibang Motor Manufacture Co., Ltd.	Director	9 December, 2009	No
Huang Hui	Henan Kaibang Motor Manufacture Co., Ltd.	Director	4 August, 2011	No
Huang Hui	Chongqing Kaibang Motor Manufacture Co., Ltd.	Director	31 August, 2011	No
Huang Hui	Gree Electric Appliances (Zhengzhou) Co., Ltd.	Director	26 August, 2010	No
Huang Hui	Gree Electric Appliances (Wuhan) Co., Ltd.	Director	30 August, 2010	No
Huang Hui	Shijiazhuang Green Resources Recycling Co., Ltd.	Director	1 December, 2011	No
Huang Hui	Zhengzhou Gree Green Resources Recycling Co., Ltd.	Director	26 August, 2010	No

Huang Hui	Shijiazhuang Gree Small Home Appliances Co., Ltd.	Director	21 March, 2011	No
Huang Hui	Gree Electric Appliances (Wuhu) Co., Ltd.	Director	29 March, 2011	No
Huang Hui	Zhuhai Gree Intelligent Equipment Co., Ltd.	Director	15 September, 2015	No
Huang Hui	Zhuhai Gree Intelligent Equipment Technology Research Institute Co., Ltd.	Director	29 December, 2015	No
Huang Hui	Gree Intelligent Equipment (Wuhan) Co., Ltd.	Director	30 December, 2015	No
Huang Hui	Gree HVAC Equipment (Wuhan) Co., Ltd.	Director	30 December, 2015	No
Zhuang Pei	Hefei Landa Compressor Co., Ltd.	Director	7 December, 2009	No
Zhuang Pei	Zhengzhou Landa Compressor Co., Ltd.	Director	2 March, 2011	No
Zhuang Pei	Chongqing Landa Compressor Co., Ltd.	Director	23 May, 2011	No
Zhuang Pei	Wuhan Landa Compressor Co., Ltd.	Director	17 May, 2011	No
Zhuang Pei	Zhuhai Kaibang Motor Manufacture Co., Ltd.	Director	18 April, 2003	No
Zhuang Pei	Henan Kaibang Motor Manufacture Co., Ltd.	Director	4 August, 2011	No
Zhuang Pei	Chongqing Kaibang Motor Manufacture Co., Ltd.	Director	31 August, 2011	No
Zhuang Pei	Gree Electric Appliances (Zhengzhou) Co., Ltd.	Director	26 August, 2010	No
Zhuang Pei	Gree Electric Appliances (Wuhan) Co., Ltd.	Director	30 August, 2010	No
Zhuang Pei	Shijiazhuang Green Resources Recycling Co., Ltd.	Director	1 December, 2011	No
Zhuang Pei	Zhengzhou Gree Green Resources Recycling Co., Ltd.	Director	26 August, 2010	No
Zhuang Pei	Tianjin Green Energy Resource Recycling Co., Ltd.	Director	13 March, 2013	No
Zhuang Pei	Hunan Green Resources Recycling Co., Ltd.	Director	2 November, 2010	No



Zhuang Pei	Gree Electric Appliances (Chongqing) Co., Ltd.	Director	19 July, 2001	No
Zhuang Pei	Shijiazhuang Gree Small Home Appliances Co., Ltd.	Director	21 March, 2011	No
Zhuang Pei	Gree Electric Appliances (Wuhu) Co., Ltd.	Director	29 March, 2011	No
Zhuang Pei	Wuhu Green Resources Recycling Co., Ltd.	Director	29 March, 2011	No
Zhuang Pei	Gree Electric Appliances (Shijiazhuang) Co., Ltd.	Director	23 May, 2011	No
Wang Jingdong	Zhuhai Gree Electric Appliances Sales Co., Ltd.	Executive director and legal representative	17 September, 2008	No
Wang Jingdong	Hefei Landa Compressor Co., Ltd.	Director	7 December, 2009	No
Wang Jingdong	Zhengzhou Landa Compressor Co., Ltd.	Director	2 March, 2011	No
Wang Jingdong	Chongqing Landa Compressor Co., Ltd.	Director	23 May, 2011	No
Wang Jingdong	Wuhan Landa Compressor Co., Ltd.	Director	17 May, 2011	No
Wang Jingdong	Hefei Kaibang Motor Manufacture Co., Ltd.	Director	9 December, 2009	No
Wang Jingdong	Henan Kaibang Motor Manufacture Co., Ltd.	Director	4 August, 2011	No
Wang Jingdong	Chongqing Kaibang Motor Manufacture Co., Ltd.	Director	31 August, 2011	No
Wang Jingdong	Tianjin Green Energy Resource Recycling Co., Ltd.	Director	13 March, 2013	No
Wang Jingdong	Hunan Green Resources Recycling Co., Ltd.	Director	2 November, 2010	No
Wang Jingdong	Zhuhai Gree Daikin Precision Mold Co., Ltd.	Director	10 March, 2009	No
Wang Jingdong	Zhuhai Gree Dakin Device Co., Ltd.	Director	10 March, 2009	No
Wang Jingdong	Wuhu Green Resources Recycling Co., Ltd.	Director	29 March, 2011	No
Wang Jingdong	Zhuhai Gree Group Finance Company Limited	Director	29 May, 1995	No

Wang Jingdong	Gree Electric Appliances (Shijiazhuang) Co., Ltd.	Director	23 May, 2011	No
Wang Jingdong	Zhuhai Gree TOSOT Home Appliances Co., Ltd.	Director	12 April, 2013	No
Wang Jingdong	Zhuhai HVAC Equipment Co., Ltd.	Director	6 March, 2013	No
Wang Jingdong	Gree TOSOT (Suqian) Home Appliances Co., Ltd.	Director	29 September, 2014	No
Wang Jingdong	Zhuhai Hengqin Gree Commercial Factoring Co., Ltd.	Director	28 December, 2015	No
Wang Jingdong	Zhuhai Landa Compressor Co., Ltd.	Supervisor	10 May, 1985	No
Wang Jingdong	Zhuhai Meilingda Refrigeration Technology Co., Ltd.	Supervisor	2 July, 2002	No
Wang Jingdong	Zhuhai Meiling General Motors Co., Ltd.	Supervisor	27 June, 2002	No
Wang Jingdong	Zhuhai Gree Electrical Co., Ltd.	Supervisor	13 July, 1992	No
Wang Jingdong	Zhuhai Kaibang Motor Manufacture Co., Ltd.	Supervisor	18 April, 2003	No
Wang Jingdong	Gree Electric Appliances (Zhengzhou) Co., Ltd.	Supervisor	26 August, 2010	No
Wang Jingdong	Gree Electric Appliances (Wuhan) Co., Ltd.	Supervisor	30 August, 2010	No
Wang Jingdong	Shijiazhuang Green Resources Recycling Co., Ltd.	Supervisor	1 December, 2011	No
Wang Jingdong	Zhengzhou Gree Green Resources Recycling Co., Ltd.	Supervisor	26 August, 2010	No
Wang Jingdong	Gree Electric Appliances (Chongqing) Co., Ltd.	Supervisor	19 July, 2001	No
Wang Jingdong	Shijiazhuang Gree Small Home Appliances Co., Ltd.	Supervisor	21 March, 2011	No
Wang Jingdong	Gree Electric Appliances (Wuhu) Co., Ltd.	Supervisor	29 March, 2011	No
Wang Jingdong	Zhuhai Gree Xinyuan Electronics Co., Ltd.	Supervisor	25 April, 1988	No
Liu Jun	Zhuhai Gree Intelligent Equipment Co., Ltd.	Director	15 September, 2015	No
Liu Jun	Zhuhai Gree Intelligent Equipment Technology	Director	29 December, 2015	No

	Research Institute Co., Ltd.			
Liu Jun	Zhuhai Hengqin Gree Commercial Factoring Co., Ltd.	Director	28 December, 2015	No
Liu Jun	Gree Intelligent Equipment (Wuhan) Co., Ltd.	Director	30 December, 2015	No
Liu Jun	Gree HVAC Equipment (Wuhan) Co., Ltd.	Director	30 December, 2015	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 reasonably controlled the reward grade, properly set the reward gap, and emphasized the time and frequency of reward. As for the spiritual incentive, the Company combined 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	61	Incumbent	697.71	No
Ye Zhixiong	Director	M	58	Incumbent	0	No
Meng Xiangkai	Director	M	54	Incumbent	0	Yes
Huang Hui	Director & Executive Vice	M	51	Incumbent	484.71	No

	President					
Zhang Jundu	Director	M	55	Incumbent	0	No
Xu Zifa	Director	M	61	Incumbent	0	No
Wang Ruzhu	Independent Director	M	51	Incumbent	12	No
Guo Yang	Independent Director	F	57	Incumbent	7	No
Lu Xin	Independent Director	F	52	Incumbent	0	No
Xu Chuzhen	Supervisor	M	57	Incumbent	0	No
Guo Shuzhan	Supervisor	M	59	Incumbent	0	No
Wang Liqin	Staff Supervisor	F	39	Incumbent	76.92	No
Zhuang Pei	Vice President	M	50	Incumbent	261.74	No
Wang Jingdong	Vice President, Finance Chief, Board Secretary	M	45	Incumbent	329.6	No
Chen Weicai	Vice President	M	43	Incumbent	150	No
Liu Jun	Vice President	M	39	Incumbent	290.83	No
He Xiaoyong	Independent Director	M	43	Resigned	5	No
Tang Guoping	Independent Director	M	51	Resigned	5	No
Total	--	--	--	--	2,320.51	--

Equity incentives granted to the directors, supervisors 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	26,206
Number (person) of on-the-job employees of the main subsidiaries	44,355
Total number (person) of on-the-job employees	70,561
Total number (person) of employees receiving salaries in the current period	70,561
Number (person) of retired employees for whom the parent company and main subsidiaries need to bear expenses	269
Formation of Specialties	
Category of formation of specialties	Number (person) of employees in the formation of specialties
Manufacturing Personnel	57,406
Sales Personnel	1,729
Technicians	7,353

Financial Personnel	494
Administrative Personnel	3,579
Total	70,561
Education Level	
Education level category	Number (person) of employees
Bachelor Degree or above	9,737
College Degree	8,699
Technical Secondary School Education and below	52,125
Total	70,561

## 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. Moreover, the Company set up double track occupational development mechanism to offer the personnel who are competent and have good performance multi-ways occupational development path and comprehensively built the employing mechanism attracting, retaining and inspiring talents.

## 3. Training plan

In 2015, the Company promoted development and innovation of all training services by centering on the thought of providing professional supports for system construction, concentrating advantages to do excellent work and taking innovative means to improve the effectiveness. The total number of trainees at the HQ (excluding the subsidiaries) in 2015 exceeded 470,000, more than 12000 training courses were conducted, the total number of training hours was nearly 1,300,000, and the training coverage rate exceeded 100%. Details are as follows:

(1) Providing professional supports for system construction in all the sales companies, bases and organizations

1) Carrying out employee training system effectiveness check and guidance support work for each air conditioner production base

In 2015, the Company prepared the Group-based talent training system construction program, performed system inspection and on-site guidance for all the air conditioner production bases from the four aspects of training system and planning system construction, training course and instructor system construction, special talent training system construction, and promotion measures of Group-based training system construction work, and carried out special promotion training for training managers of the Group. As a result, the talent training system work of each production base was getting on the right track and improved significantly.

2) Establishing and perfecting the after-sales training system and training plan execution supervision flow to achieve standardization and wide coverage of after-sales training for sales companies

The Training Department provided sales companies with the regulations and guidance tools for the whole process including training system construction, training plan preparation, lecturer team development, organization standardization process and training acceptance implementation; meanwhile, operation of the after-sales technical training system of each sales company was supervised by quarter.

(2) Reinforcing core group training and creating excellent internal and external training camps based on internal excellent resources

1) Cultivating an excellent training camp through the three-level echelon of group leaders

In 2015, the Company carried out the management quality intensive training course, management skill enhancement training course and the management knowledge reserve training course by layer for group leaders, and cultivated the group leader echelon. Four training courses were conducted for the Group layer, and trainees came from all the related departments of the Group, with the satisfaction of trainees reaching 4.5 points (the full score is 5 points).

2) “Dreaming Gree” college training camp for the year of 2015

The “Dreaming Gree” college training camp for the year of 2015 was oriented to more

than 1500 graduating college students of the current year. Training contents were set comprehensively from the dimensions such as centralized training before starting work, military training and expansion, production practice, sub-camp training and open class, and were organized and carried out orderly. Meanwhile, each department was helped to select and train more than 1000 college student tutors, guidance and supervision were provided for preparation and implementation of level-2/3 college student training program of each department. This realized mutual cooperation and complementation with level-1 training of the Company and promoted fast growth of new employees.

3) Comprehensive class for supervisor management skills training of the Group in 2015

Four supervisor training courses were organized and implemented in 2015. Medium-level and backbone senior lecturers of the Company were selected to implement the courses in the comprehensive mode of “introduction before training + theoretical teaching + case study + action consolidation” on the whole. The leadership salon focused on theme case discussion, and effects were transformed in the form of combining pre-introduction of online micro courses before training, practice understanding during training, solution discussion of team management difficulties, and essence study after the training, thus enhancing the beneficial degree of training to the actual work. Employees responded enthusiastically, and the average course satisfaction reached 4.56 points (the full score is 5 points).

4) Nationwide after-sales technical tour training activity of “Win the Future with Technologies” in spring

A course system was designed based on the analysis of after-sales problems in the past two years and in combination with the installation, maintenance and promotion requirements of new products of the Company, and then carpet type training was conducted for the sales companies and after-sales outlets throughout the country for more than four months. The lecturer team has carried out 36 training courses in total for 23 sales companies in 30 cities of China, and the training examination pass rate exceeded 80%.

5) Nationwide after-sales training camp training activity of “Travel of top quality products and professional construction of the future” for household and commercial

products

The development form of “HQ centralized training + outside tour training” was adopted to integrate a lot of contents including military training and skill competition, and technical training practice was actualized by using the course structure of “new product technology + after-sales skills + practical operation improvement + comprehensive quality” and relying on the after-sales technology practice training base of HQ. The commercial after-sales training camp has completed centralized training of 20 sales companies in 2015. The household after-sales training camp has completed 28 training courses of 15 sales companies.

6) “Global Gree” global customer training program

The Company planned the “Global Gree” themed training, which was carried out in six phases all year round. The two modes of HQ centralized training and outside tour training were adopted to implement a full range of theoretical and practical operation training including product promotion, design, type selection, installation, debugging and after-sales maintenance of main models for sales for more than 40 agent clients in more than 30 countries in five continents. This activity played an active role in brand promotion and overseas customer cultivation.

(3) Innovating learning methods, constructing a mobile learning platform and enhancing training management informationization in an all-round way

1) Setting up Gree handheld learning center (version for management cadres)

The Company introduced and set up Gree handheld learning center (version for management cadres) in light of the current learning status of Gree middle-level and grass-roots cadres and the new learning development trend of Internet age. The platform consists of 49 sections in eight management dimensions such as management role positioning and right man for the right job, and more than 1500 micro courses covered the entire leadership development cycle fully.

2) Constructing a “PDA” APP after-sales technical learning platform

To address the difficulties in centralized learning and learning monitoring as well as low learning transfer efficiency and high learning mobility of the after-sales personnel, the Company constructed a “PDA” APP after-sales technical learning platform, introduced the micro course design technology and implemented autonomous shooting of all micro course



videos, covering the categories of household, commercial and living appliances.

(4) Promoting learning through competition, improving efficiency based on practice, and improving skill training effects by applying competition and practice training methods

1) “Build Dreams with Originality” – 2015 labor skills competition of Gree Electric Appliances

The theme of the labor skills competition for the year of 2015 was “Carry Forward the Spirit of Craftsman and Forge A National Brand”. Totally 308 skills competitions were conducted in the form of two level league, two municipal competitions were undertaken, and nearly 30000 persons entered the competitions. The quantity of participants set record high. As an important program for technician development of the Company, Gree labor skills competition has made greater and greater influence and played a leading role in the whole city and the whole Group.

2) “Intelligent Manufacturing Inheritance•Gree Excellent Lecturers” – 2015 Internal Lecturer Contest of the Group

To further dig and precipitate the experience and wisdom in the Group, the Company started the 2015 contest of “Intelligent Manufacturing Inheritance•Gree Excellent Lecturers”, and, on such a basis, carried out the tour teaching activity of good lecturers in the Group. Totally 15 excellent lecturers sent 18 quality courses to each base and gave 31 lessons, and the average satisfaction of trainees reached 92.4%.

#### **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
2014 annual general meeting of shareholders	Annual general meeting of shareholders	0.65%	1 June, 2015	2 June, 2015	<i>Announcement on Resolutions of the General Meeting of Shareholders for the Year 2014</i> published on <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> , etc.

The first interim general meeting of shareholders for the year of 2015	Interim general meeting of shareholders	0.02%	25 December, 2015	26 December, 2015	<i>Announcement on Resolutions of the First Interim General Meeting of Shareholders for the Year 2015 published on www.cninfo.com.cn, etc.</i>
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## 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	7	0	7	0	0	No
Guo Yang	4	1	3	0	0	No
Lu Xin	4	1	3	0	0	No
Tang Guoping	3	1	2	0	0	No
He Xiaoyong	3	1	2	0	0	No
Number of attendance of independent directors at the general meetings of Shareholders						1

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 2015 on the basis of these financial statements.

(4) The audit committee reviewed the financial statements for the year 2015 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 2015 and operating results and cash flows for the year 2015 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 2016.

## 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	29 April, 2016	
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 statements of the Company	99.00%	
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 2015 disclosed on www.cninfo.com.cn by the Company on 30 April.	For details, see the Internal Control Self-evaluation Report of Gree Electric Appliances, Inc. of Zhuhai for the Year 2015 disclosed on www.cninfo.com.cn by the Company on 30 April.
Quantitative standard	For details, see the Internal Control Self-evaluation Report of Gree Electric Appliances, Inc. of Zhuhai for the Year 2015 disclosed on www.cninfo.com.cn by the Company on 30 April.	For details, see the Internal Control Self-evaluation Report of Gree Electric Appliances, Inc. of Zhuhai for the Year 2015 disclosed on www.cninfo.com.cn by the Company on 30 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

Applicable  Not applicable

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	29 April, 2016
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 audit opinion
Signing date of the audit report	27 April, 2016
Name of the audit institution	Union Power Certified Public Accountants (Special General Partnership)
Audit Report Doc No.	Union Power Audit No. (2016) No. 050116
Name of the certified public accountant	Wang Bing and Lu Mao'an

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 "GREE ELECTRIC APPLIANCES"), including the consolidated and parent company's balance sheets ended 31 December 2015 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 2015.

#### 1. Responsibility of management for financial statements

Preparing and fairly presenting these financial statements are the responsibilities of the management of GREE ELECTRIC APPLIANCES. 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 GREE ELECTRIC APPLIANCES 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 GREE ELECTRIC APPLIANCES ended 31 December 2015 and consolidated and parent company's operating results and cash flows for the year 2015.

Union Power CPAs Co., Ltd LLP

Chinese CPA: Wangbing

Chinese CPA: Lu Maoan

Wuhan, China

27 April 2016

## Consolidated Balance Sheet

31 December 2015

Prepared by: GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI

Unit: RMB Yuan

Assets	Note	Ending Balance	Beginning Balance	Liabilities and Owners' (or Shareholders') Equity	Note	Ending Balance	Beginning Balance
Current assets:				Current liabilities:			
Monetary Capital	7 (1)	88,819,798,560.53	54,545,673,449.14	Short-term Borrowing	7(20)	6,276,660,136.03	3,578,773,331.48
Settlement Reserves				Borrowings from the Central Bank	7(21)	8,000,000.00	17,457,000.00
Lending funds				Deposits from customers and interbank	7(22)	566,612,235.82	806,513,124.48
Financial assets measured at their fair values and of which the changes are recorded into the current profits and losses				Loans from other banks			
Derivative financial assets	7(2)		84,177,518.23	Financial liabilities measured at their fair values and of which the changes are recorded into the current profits and losses			
Notes receivable	7(3)	14,879,805,537.96	50,480,571,355.46	Derivative financial liabilities	7(23)	1,189,028,366.37	215,703,496.13
Accounts Receivable	7(4)	2,879,212,111.93	2,661,347,628.69	Notes payable	7(24)	7,427,635,753.74	6,881,963,087.81
Prepayments	7(5)	847,929,149.71	1,591,487,357.94	Accounts payable	7(25)	24,794,268,372.47	26,784,952,481.63
Premiums receivable				Advance received from customers	7(26)	7,619,598,042.86	6,427,722,358.11
Reinsurance accounts receivable				Financial assets sold for repurchase	7(27)		586,000,000.00
Reinsurance contract reserve				Handling charges and commissions payable			
Interests receivable	7(6)	1,109,776,449.77	1,242,145,987.65	Payroll payable	7(28)	1,697,282,605.51	1,550,498,218.68
Dividends receivable				Taxes payable	7(29)	2,977,801,480.55	8,308,872,126.00
Other receivables	7(7)	254,016,643.00	380,598,514.05	Interests payable	7(30)	48,386,709.75	36,177,925.90
Buying back the sale of financial assets	7(8)	1,000,000,000.00		Dividends payable	7(31)	707,913.60	707,913.60
Inventories	7(9)	9,473,942,712.51	8,599,098,095.97	Other payables	7(32)	2,607,601,936.21	2,546,377,288.42
Assets classified as held for sale				Reinsurance accounts payable			
Non-current assets due within one year				Insurance contract reserves			
Other current assets	7(10)	1,684,833,479.54	558,378,915.97	Customer brokerage deposits			
<b>Total current assets</b>		<b>120,949,314,644.95</b>	<b>120,143,478,823.10</b>	Securities underwriting brokerage deposits			
Non-current assets:				Liabilities classified as held for sale			
Total disbursement of loans and advances	7(11)	7,872,619,001.46	6,441,703,560.98	Non-current liabilities due within one year	7(33)	2,403,745,557.37	2,061,490,867.16
Available-for-sale financial assets	7(12)	2,704,719,177.56	2,150,098,933.13	Other current liabilities	7(34)	55,007,851,867.48	48,585,312,868.93
Held-to-maturity investment				<b>Total current liabilities</b>		<b>112,625,180,977.76</b>	<b>108,388,522,088.33</b>
Long-term receivables				Non-current liabilities:			
Long-term equity investment	7(13)	95,459,187.55	92,213,098.24	Long-term borrowing	7(35)		2,258,969,252.88
Investment real estate	7(14)	491,540,849.66	507,901,502.13	Bonds payable			
Fixed assets	7(15)	15,431,813,077.20	14,939,279,647.88	Including: Preferred stock			
Construction in Progress	7(16)	2,044,837,830.02	1,254,347,204.10	Perpetual bond			
Project goods and materials				Long-term payables			

Fixed assets in liquidation		22,010,122.57	7,721,410.44	Long-term payroll payable	7(36)	127,518,492.00	106,716,248.00
Productive biological assets				Special payables			
Oil and gas assets				Accrued liabilities			
Intangible assets	7(17)	2,656,143,811.74	2,480,294,029.03	Deferred income	7(37)	134,571,708.03	88,443,188.87
Development expenditures				Deferred income tax liabilities	7(19)	244,136,559.35	256,846,691.62
Business reputation				Other non-current liabilities			
Long-term deferred expenses	7(18)	8,182,375.95	20,948,267.49	<b>Total non-current liabilities</b>		<b>506,226,759.38</b>	<b>2,710,975,381.37</b>
Deferred income tax assets	7(19)	8,764,376,136.27	8,192,962,003.36	<b>Total liabilities</b>		<b>113,131,407,737.14</b>	<b>111,099,497,469.70</b>
Other non-current assets		657,000,100.13		Owners' equity (or Shareholders' equity):			
<b>Total non-current assets</b>		<b>40,748,701,670.11</b>	<b>36,087,469,656.78</b>	Paid-up capital (or stock capital)	7(38)	6,015,730,878.00	3,007,865,439.00
				Other equity instruments			
				Including: Preferred stock			
				Perpetual bond			
				Capital reserves	7(39)	185,950,626.71	3,191,266,065.71
				Less: Treasury stock			
				Other comprehensive income	7(40)	-124,928,526.03	17,746,707.54
				Special reserves			
				Surplus reserve	7(41)	3,499,671,556.59	2,958,088,564.43
				General risk provisions	7(42)	207,764,066.72	136,364,066.72
				Undistributed profit	7(43)	37,737,187,489.78	34,841,323,981.28
				<b>Total owners' equity attributable to parent company</b>		<b>47,521,376,091.77</b>	<b>44,152,654,824.68</b>
				Minority equity		1,045,232,486.15	978,796,185.50
				<b>Total owners' equity</b>		<b>48,566,608,577.92</b>	<b>45,131,451,010.18</b>
<b>Total assets</b>		<b>161,698,016,315.06</b>	<b>156,230,948,479.88</b>	<b>Total liabilities and owners' equity</b>		<b>161,698,016,315.06</b>	<b>156,230,948,479.88</b>
Legal Representative: Dong Mingzhu		Chief Accountant: Wang Jingdong		Head of accounting department: Liao Jianxiong			

## Balance Sheet of Parent Company

31 December 2015

Prepared by: GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI

Unit: RMB Yuan

Assets	Note	Ending Balance	Beginning Balance	Liabilities and Owners' (or Shareholders') Equity	Note	Ending Balance	Beginning Balance
Current assets:				Current liabilities:			
Monetary Capital		88,680,099,321.27	56,549,689,744.49	Short-term Borrowing		2,675,363,200.00	
Financial assets measured at their fair values and of which the changes are recorded into the current profits and losses				Financial liabilities measured at their fair values and of which the changes are recorded into the current profits and losses			
Derivative financial assets			84,177,518.23	Derivative financial liabilities		91,071,099.06	
Notes receivable		13,754,447,428.79	49,431,835,044.64	Notes payable		7,237,386,266.55	5,999,909,205.58
Accounts Receivable	18(1)	3,416,105,149.73	867,519,605.52	Accounts payable		40,616,067,475.26	36,838,580,264.43

Prepayments		3,634,956,003.75	2,372,298,627.17	Advance received from customers		7,427,598,204.97	8,524,176,232.97
Interests receivable		1,477,241,737.32	1,444,828,732.56	Payroll payable		875,567,613.73	799,500,790.48
Dividends receivable				Taxes payable		2,507,553,404.63	7,188,383,987.01
Other receivables	18(2)	574,622,000.79	690,428,604.35	Interests payable		8,418,174.57	2,054,740.94
Assets classified as held for sale				Dividends payable		602,881.87	602,881.87
Inventories		8,670,596,377.12	6,628,236,813.58	Other payables		610,537,718.98	574,663,407.65
Non-current assets due within one year				Non-current liabilities due within one year		2,403,745,557.37	1,571,943,705.56
Other current assets		43,205,378.75	85,535,051.53	Other current liabilities		55,170,845,529.23	48,688,587,593.39
<b>Total current assets</b>		<b>120,251,273,397.52</b>	<b>118,154,549,742.07</b>	<b>Total current liabilities</b>		<b>119,624,757,126.22</b>	<b>110,188,402,809.88</b>
Non-current assets:				Non-current liabilities:			
Available-for-sale financial assets				Long-term borrowing			2,258,969,252.88
Held-to-maturity investment				Bonds payable			
Long-term receivables				Including: Preferred stock			
Long-term equity investment	18(3)	6,854,879,074.54	6,537,975,197.84	Perpetual bond			
Investment real estate		31,569,857.77	32,814,796.21	Long-term payables			
Fixed assets		3,986,232,943.74	3,644,985,397.40	Long-term payroll payable		127,518,492.00	106,716,248.00
Construction in Progress		45,748,249.58	19,774,148.54	Special payables			
Project goods and materials				Accrued liabilities			
Fixed assets in liquidation		8,704,526.44	5,719,971.02	Deferred income		113,796,827.32	66,958,361.74
Productive biological assets				Deferred income tax liabilities		221,586,260.60	229,362,324.98
Oil and gas assets				Other non-current liabilities			
Intangible assets		223,794,602.31	230,278,938.39	<b>Total non-current liabilities</b>		<b>462,901,579.92</b>	<b>2,662,006,187.60</b>
Development expenditures				<b>Total liabilities</b>		<b>120,087,658,706.14</b>	<b>112,850,408,997.48</b>
Business reputation				Owners' equity (or Shareholders' equity)			
Long-term deferred expenses				Paid-up capital (or stock capital)		6,015,730,878.00	3,007,865,439.00
Deferred income tax assets		8,077,471,456.41	7,600,112,360.47	Other equity instruments			
Other non-current assets		363,632,959.20		Including: Preferred stock			
<b>Total non-current assets</b>		<b>19,592,033,669.99</b>	<b>18,071,660,809.87</b>	Perpetual bond			
				Capital reserves		190,973,495.25	3,198,838,934.25
				Less: Treasury stock			
				Other comprehensive income		-54,758,221.50	-42,371,423.77
				Special reserves			
				Surplus reserve		3,497,114,024.31	2,955,531,032.15
				Undistributed profit		10,106,588,185.31	14,255,937,572.83
				<b>Total owners' equity (or shareholders' equity)</b>		<b>19,755,648,361.37</b>	<b>23,375,801,554.46</b>
<b>Total assets</b>		<b>139,843,307,067.51</b>	<b>136,226,210,551.94</b>	<b>Total liabilities and owners' equity (or shareholders' equity)</b>		<b>139,843,307,067.51</b>	<b>136,226,210,551.94</b>
Legal Representative: Dong Mingzhu				Chief Accountant: Wang Jingdong		Head of accounting department: Liao Jianxiong	

## Consolidated Income Statement

For the Year 2015

Prepared by: GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI

Unit: RMB Yuan

Item	Note	Amount for the current period	Amount for the previous period
<b>1. Total operating revenues</b>		<b>100,564,453,646.56</b>	<b>140,005,393,975.58</b>
Including: Operating Revenue	7(44)	97,745,137,194.16	137,750,358,395.70
Interest revenue	7(45)	2,816,215,388.45	2,254,051,643.70
Earned premium			
Fee and commission income		3,101,063.95	983,936.18
<b>2. Total operating costs</b>		<b>86,134,609,086.80</b>	<b>123,258,979,560.09</b>
Including: Operating Cost	7(44)	66,017,353,745.09	88,022,127,671.48
Interest expense	7(45)	652,352,307.92	709,764,677.17
Handling charges and commission expenses		399,791.57	325,646.90
Refunded premiums			
Net payments for insurance claims			
Net provision for insurance contracts			
Expenditures dividend policy			
Amortized reinsurance expenditures			
Business taxes and surcharges	7(46)	751,894,199.95	1,362,424,851.83
Sales expense	7(47)	15,506,341,694.21	28,889,995,658.43
Overhead Expense	7(48)	5,048,746,635.48	4,818,168,572.74
Financial expense	7(49)	-1,928,797,250.18	-942,244,684.38
Asset impairment loss	7(50)	86,317,962.76	398,417,165.92
Add: Profits or losses on the changes in fair value (losses expressed with "-")	7(51)	-1,010,322,499.17	-1,381,551,572.38
Income from investments (losses expressed with "-")	7(52)	96,654,919.95	724,364,437.91
Including: Investment incomes from joint venture and partnership		3,246,089.30	-3,600,894.26
<b>3. Operating profit (losses expressed with "-")</b>		<b>13,516,176,980.54</b>	<b>16,089,227,281.02</b>
Add: Non-operating revenues	7(53)	1,404,291,659.85	706,063,784.96
Including: Gains from disposal of non-current assets		1,039,883.33	1,460,226.01
Less: Non-operating expenses	7(54)	11,049,178.36	42,860,380.20
Including: Losses from disposal of non-current assets		9,118,859.43	15,064,547.24
<b>4. Total profit (total losses expressed with "-")</b>		<b>14,909,419,462.03</b>	<b>16,752,430,685.78</b>
Less: Income tax expenses	7(55)	2,285,686,841.81	2,499,475,873.82
<b>5. Net profit (net loss expressed with "-")</b>		<b>12,623,732,620.22</b>	<b>14,252,954,811.96</b>
Net profit attributable to owners of parent company		12,532,442,817.66	14,155,167,229.36
Minority interest income		91,289,802.56	97,787,582.60
<b>6. Net of tax of other comprehensive income</b>		<b>-139,722,316.44</b>	<b>21,182,412.93</b>
Net of tax of other comprehensive income attributable to owners of parent company		-142,675,233.57	17,074,194.77
(1) Other comprehensive income not to be reclassified to profit or loss in subsequent periods		-17,952,049.00	-12,874,330.00

1. Changes due to remeasuring and redefining net liabilities or net assets of the benefit plan		-17,952,049.00	-12,874,330.00
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		-124,723,184.57	29,948,524.77
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		-230,765,894.39	55,729,416.52
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		5,565,251.27	-55,416,168.02
5. Difference arising from translation of financial statements in foreign currency		100,477,458.55	29,635,276.27
6. Others			
Net of tax of other comprehensive income attributable to minority shareholders		2,952,917.13	4,108,218.16
<b>7. Total comprehensive income</b>		<b>12,484,010,303.78</b>	<b>14,274,137,224.89</b>
Total comprehensive income attributable to owners of parent company		12,389,767,584.09	14,172,241,424.13
Total comprehensive income attributable to minority shareholders		94,242,719.69	101,895,800.76
<b>8. Earnings per share:</b>			
(1) Basic earnings per share	19(2)	2.08	2.35
(2) Diluted earning per share	19(2)	2.08	2.35

Legal Representative: Dong Mingzhu

Chief Accountant: Wang Jingdong

Head of accounting department: Liao Jianxiang

## Income Statement of Parent Company

For the Year 2015

Prepared by: GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI

Unit: RMB Yuan

Item	Note	Amount for the current period	Amount for the previous period
<b>1. Operating revenues</b>	18(4)	<b>93,603,741,139.75</b>	<b>130,386,872,511.80</b>
Less: Operating Cost	18(4)	72,014,671,656.89	91,513,904,545.52
Business taxes and surcharges		432,775,315.43	926,927,025.43
Sales expense		16,128,392,011.95	29,127,545,268.62
Overhead Expense		2,132,369,143.60	2,276,709,422.04
Financial expense		-3,317,674,713.24	-1,939,847,457.08
Asset impairment loss		-3,691,215.17	10,746,773.18

Add: Profits or losses on the changes in fair value (losses expressed with "-")		-175,248,617.29	-832,188,505.49
Income from investments (losses expressed with "-")	18(5)	171,438,245.76	557,810,947.37
Including: Investment incomes from joint venture and partnership		3,246,089.30	-3,600,894.26
<b>2. Operating profit (losses expressed with "-")</b>		<b>6,213,088,568.76</b>	<b>8,196,509,375.97</b>
Add: Non-operating revenues		136,619,359.37	63,071,370.44
Including: Gains from disposal of non-current assets		85,349.79	1,033,268.95
Less: Non-operating expenses		399,008.88	1,924,639.82
Including: Losses from disposal of non-current assets		370,704.12	1,187,459.35
<b>3. Total profit (total losses expressed with "-")</b>		<b>6,349,308,919.25</b>	<b>8,257,656,106.59</b>
Less: Income tax expenses		933,478,997.61	1,177,652,507.47
<b>4. Net profit (net loss expressed with "-")</b>		<b>5,415,829,921.64</b>	<b>7,080,003,599.12</b>
<b>5. Net of tax of other comprehensive income</b>		<b>-12,386,797.73</b>	<b>-68,290,498.03</b>
(1) other comprehensive income not to be reclassified to profit or loss in subsequent periods		-17,952,049.00	-12,874,330.00
1. Changes due to remeasuring and redefining net liabilities or net assets of the benefit plan		-17,952,049.00	-12,874,330.00
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		5,565,251.27	-55,416,168.03
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		5,565,251.27	-55,416,168.03
5. Difference arising from translation of financial statements in foreign currency			
6. Others			
<b>6. Total comprehensive income</b>		<b>5,403,443,123.91</b>	<b>7,011,713,101.09</b>

Legal Representative: Dong Mingzhu

Chief Accountant: Wang Jingdong

Head of accounting department: Liao Jianxiang



## Consolidated Cash Flow Statement

For the Year 2015

Prepared by: GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI

Unit: RMB Yuan

Item	Note	Amount for the current period	Amount for the previous period
<b>1. Cash flows from operating activities:</b>			
Cash received from sale of goods or rendering of services		110,918,320,884.07	85,534,451,083.44
Net increase in deposits and due from banks		-239,900,888.66	264,247,628.74
Net increase in borrowings from central bank		-9,457,000.00	-19,956,972.46
Net increase in placements from other financial institutions		-	-300,000,000.00
Cash received from original insurance contracts			
Net increase received from reinsurance business			
Net increase in deposits from the insured and investment			
Net increase from disposal of tradable financial assets			
Cash received from interests, fees and commissions		2,793,577,944.23	2,015,284,122.18
Net increase in placements from other financial institutions			
Net increase in repurchase business capital		-586,000,000.00	400,000,000.00
Refund of tax and levies		1,237,326,987.91	511,576,234.70
Other cash received relating to operating activities	7(56)	4,682,640,196.09	2,134,366,849.23
<b>Sub-total of cash inflows from operating activities</b>		<b>118,796,508,123.64</b>	<b>90,539,968,945.83</b>
Cash payments for goods acquired and services received		42,541,255,260.22	38,816,900,119.58
Net increase in loans and advances to customers		2,465,300,268.21	1,919,045,339.22
Net increase in deposits with central bank and other financial institutions		-1,050,510,263.03	1,826,853,861.00
Cash paid for indemnity of original insurance contract			
Cash paid for interests, fees and commissions		662,494,322.97	702,953,382.13
Cash paid for policy dividends			
Cash paid to and on behalf of employees		5,590,514,442.03	5,730,237,588.82
Payments of all types of taxes		13,773,887,181.66	13,334,358,630.39
Other cash paid relating to operating activities	7(56)	10,435,185,083.90	9,270,454,516.96
<b>Sub-total of cash outflows from operating activities</b>		<b>74,418,126,295.96</b>	<b>71,600,803,438.10</b>
<b>Net Cash Flow from Operating Activities</b>		<b>44,378,381,827.68</b>	<b>18,939,165,507.73</b>
<b>2. Cash flows from investing activities:</b>			
Cash received from recovery of investments		950,000,000.00	660,000,000.00
Cash received from return of investments		84,643,291.79	44,701,122.29
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		1,228,803.43	2,486,624.00
Net cash received from disposal of subsidiaries and other business units		-	1,754,209.96

Other cash received relating to investing activities	7(56)	143,435,881.62	661,065,307.05
<b>Sub-total of cash inflows from investing activities</b>		<b>1,179,307,976.84</b>	<b>1,370,007,263.30</b>
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets		2,884,513,074.71	1,777,308,642.20
Cash paid for investments		2,832,663,335.62	2,330,499,916.33
Net increase in pledge loans			
Net cash paid for acquisition of subsidiaries and other business units			
Other cash paid relating to investing activities	7(56)	175,286,430.99	124,336,597.02
<b>Sub-total of cash outflows from investing activities</b>		<b>5,892,462,841.32</b>	<b>4,232,145,155.55</b>
<b>Net Cash Flow from Investment Activities</b>		<b>-4,713,154,864.48</b>	<b>-2,862,137,892.25</b>
3. Cash flows from financing activities:			
Cash received from absorbing investment			
Including: Cash received from minority shareholder investment by subsidiary			
Cash received from borrowings		10,096,926,967.84	10,376,654,773.19
Cash received from bond issue			
Other cash received relating to financing activities	7(56)	1,257,485,012.71	235,620,087.87
<b>Sub-total of cash inflows from financing activities</b>		<b>11,354,411,980.55</b>	<b>10,612,274,861.06</b>
Cash repayments of amounts borrowed		9,512,423,538.15	7,800,683,084.65
Cash paid for dividend and profit distribution or interest payment		9,525,010,447.46	4,675,905,628.06
Including: Dividends and profits paid to minority shareholders by subsidiaries			
Other cash paid relating to financing activities			
<b>Sub-total of cash outflows from financing activities</b>		<b>19,037,433,985.61</b>	<b>12,476,588,712.71</b>
<b>Net Cash Flow from Financing Activities</b>		<b>-7,683,022,005.06</b>	<b>-1,864,313,851.65</b>
4. Effect of foreign exchange rate changes on cash and cash equivalents		1,876,340,773.99	34,574,285.65
5. Net increase in cash and cash equivalents		33,858,545,732.13	14,247,288,049.48
Add: Beginning balance of cash and cash equivalents		43,506,471,113.09	29,259,183,063.61
6. Ending balance of cash and cash equivalents		77,365,016,845.22	43,506,471,113.09
Legal Representative: Dong Mingzhu      Chief Accountant: Wang Jingdong      Head of accounting department: Liao Jianxiang			

## Cash Flow Statements of Parent Company

For the Year 2015

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		100,825,366,279.54	81,121,907,908.96
Refund of tax and levies		1,159,795,819.86	439,259,771.97

Other cash received relating to operating activities		3,402,282,409.75	2,044,956,873.73
<b>Sub-total of cash inflows from operating activities</b>		<b>105,387,444,509.15</b>	<b>83,606,124,554.66</b>
Cash payments for goods acquired and services received		48,637,706,510.04	46,433,067,550.09
Cash paid to and on behalf of employees		2,254,402,964.71	2,108,619,806.11
Payments of all types of taxes		9,328,346,895.14	8,867,754,724.24
Other cash paid relating to operating activities		8,274,660,258.70	6,201,781,599.39
<b>Sub-total of cash outflows from operating activities</b>		<b>68,495,116,628.59</b>	<b>63,611,223,679.83</b>
<b>Net Cash Flow from Operating Activities</b>		<b>36,892,327,880.56</b>	<b>19,994,900,874.83</b>
2. Cash flows from investing activities:			
Cash received from recovery of investments			
Cash received from return of investments		28,941,374.91	31,332,303.10
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		154,720.00	1,516,760.00
Net cash received from disposal of subsidiaries and other business units			6,986,414.44
Other cash received relating to investing activities		143,435,881.62	507,637,912.96
<b>Sub-total of cash inflows from investing activities</b>		<b>172,531,976.53</b>	<b>547,473,390.50</b>
Cash paid for purchase and construction of fixed assets, intangible assets and other. long-term assets		1,005,797,949.58	349,976,946.59
Cash paid for investments		220,000,000.00	253,000,000.00
Net cash paid for acquisition of subsidiaries and other business units			
Other cash paid relating to investing activities			
<b>Sub-total of cash outflows from investing activities</b>		<b>1,225,797,949.58</b>	<b>602,976,946.59</b>
<b>Net Cash Flow from Investment Activities</b>		<b>-1,053,265,973.05</b>	<b>-55,503,556.09</b>
3. Cash flows from financing activities:			
Cash received from absorbing investment			
Cash received from borrowings		8,361,061,000.00	6,321,749,791.33
Other cash received relating to financing activities		1,257,485,012.71	235,620,087.87
<b>Sub-total of cash inflows from financing activities</b>		<b>9,618,546,012.71</b>	<b>6,557,369,879.20</b>
Cash repayments of amounts borrowed		7,098,162,324.08	4,961,710,236.95
Cash paid for dividend and profit distribution or interest payment		9,444,887,252.27	4,607,076,863.78
Other cash paid relating to financing activities			
<b>Sub-total of cash outflows from financing activities</b>		<b>16,543,049,576.35</b>	<b>9,568,787,100.73</b>
<b>Net Cash Flow from Financing Activities</b>		<b>-6,924,503,563.64</b>	<b>-3,011,417,221.53</b>
4. Effect of foreign exchange rate changes on cash and cash equivalents		1,733,758,931.75	38,392,791.70
5. Net increase in cash and cash equivalents		30,648,317,275.62	16,966,372,888.91
Add: Beginning balance of cash and cash equivalents		50,371,823,085.36	33,405,450,196.45
6. Ending balance of cash and cash equivalents		81,020,140,360.98	50,371,823,085.36

Legal Representative: Dong Mingzhu    Chief Accountant: Wang Jingdong    Head of accounting department: Liao Jianxiang

## Consolidated Statement of Changes In Owners' Equity

For the Year 2015

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											
<b>1. Ending balance for the previous year</b>	<b>3,007,865,439.00</b>				<b>3,191,266,065.71</b>		<b>17,746,707.54</b>		<b>2,958,088,564.43</b>	<b>136,364,066.72</b>	<b>34,841,323,981.28</b>	<b>978,796,185.50</b>	<b>45,131,451,010.18</b>
Add: Changes in accounting policies													
Early error correction													
Others													
<b>2. Beginning balance for the current year</b>	<b>3,007,865,439.00</b>				<b>3,191,266,065.71</b>		<b>17,746,707.54</b>		<b>2,958,088,564.43</b>	<b>136,364,066.72</b>	<b>34,841,323,981.28</b>	<b>978,796,185.50</b>	<b>45,131,451,010.18</b>
<b>3. Increase or decrease in the current year (decrease expressed with "-")</b>	<b>3,007,865,439.00</b>				<b>-3,005,315,439.00</b>		<b>-142,675,233.57</b>		<b>541,582,992.16</b>	<b>71,400,000.00</b>	<b>2,895,863,508.50</b>	<b>66,436,300.65</b>	<b>3,435,157,567.74</b>
(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 shareholders and capital decrease													
1). Capital invested by shareholders													
2). Amounts of share-based payments recognized into shareholders' equity													
3). 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 to general risk provisions									71,400,000.00	-71,400,000.00			
3). Allocation to owners (or shareholders)										-9,023,596,317.00	-27,806,419.04	-9,051,402,736.04	
4). Others													
(4) Internal carry-over of shareholders' equity	3,007,865,439.00												
1). Transfer of capital reserves into capital (or stock capital)	3,007,865,439.00												
2). Transfer of surplus reserves into capital (or stock capital)													
3). Surplus reserves for making up													

losses													
4). General risk provisions for making up losses													
5). Others													
(5) Appropriative reserve													
1). Amount withdrawn for the period													
2). Amount used for the period													
(6) Others					2,550,000.00								2,550,000.00
<b>4. Ending balance for the current period</b>	<b>6,015,730,878.00</b>				<b>185,950,626.71</b>		<b>-124,928,526.03</b>		<b>3,499,671,556.59</b>	<b>207,764,066.72</b>	<b>37,737,187,489.78</b>	<b>1,045,232,486.15</b>	<b>48,566,608,577.92</b>

Legal Representative: Dong Mingzhu

Chief Accountant: Wang Jingdong

Head of accounting department: Liao Jianxiong

## Consolidated Statement of Changes In Owners' Equity

For the Year 2015

Prepared by: GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI

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									
<b>1. Ending balance for the previous year</b>	3,007,865,439.00				3,176,114,310.09		-1,935,948.39		2,958,088,564.43	47,114,066.72	25,395,563,880.38	883,867,372.55	35,466,677,684.78
Add: Changes in accounting policies					10,386,118.84		2,608,461.16				-105,918,142.00		-92,923,562.00
Early error correction													
Others													
<b>2. Beginning balance for the current year</b>	3,007,865,439.00				3,186,500,428.93		672,512.77		2,958,088,564.43	47,114,066.72	25,289,645,738.38	883,867,372.55	35,373,754,122.78
<b>3. Increase or decrease in the current year (decrease expressed with "-")</b>					4,765,636.78		17,074,194.77			89,250,000.00	9,551,678,242.90	94,928,812.95	9,757,696,887.40

(1) Total comprehensive income							17,074,194.77				14,155,167,229.36	101,895,800.76	14,274,137,224.89
(2) Capital invested by shareholders and capital decrease						45,636.78						-500,000.00	-454,363.22
1). Capital invested by shareholders						45,636.78						-500,000.00	-454,363.22
2). Amounts of share-based payments recognized into shareholders' equity													
3). Others													
(3) Profit distribution									89,250,000.00	-4,603,488,986.46	-32,611,538.95		-4,546,850,525.41
1). Appropriation to surplus reserves													
2). Appropriation to general risk provisions									89,250,000.00	-89,250,000.00			
3). Allocation to owners (or shareholders)										-4,511,798,158.50	-30,266,429.74		-4,542,064,588.24
4). Others										-2,440,827.96	-2,345,109.21		-4,785,937.17
(4) Internal carry-over of shareholders' 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). General risk provisions for making up losses													
5). Others													
(5) Appropriative reserve													
1). Amount withdrawn for the period													
2). Amount used for the period													
(6) Others					4,720,000.00							26,144,551.14	30,864,551.14
<b>4. Ending balance for the current period</b>	<b>3,007,865,439.00</b>				<b>3,191,266,065.71</b>		<b>17,746,707.54</b>		<b>2,958,088,564.43</b>	<b>136,364,066.72</b>	<b>34,841,323,981.28</b>	<b>978,796,185.50</b>	<b>45,131,451,010.18</b>

Legal Representative: Dong Mingzhu

Chief Accountant: Wang Jingdong

Head of accounting department: Liao Jianxiong

## Statement of Changes In Owners' Equity of Parent Company

For the Year 2015

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								
<b>1. Ending balance for the previous year</b>	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												
<b>2. Beginning balance for the current year</b>	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
<b>3. Increase or decrease in the current year (decrease expressed with "-")</b>	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 shareholders and capital decrease	-											-

1). Capital invested by shareholders													-
2). Amounts of share-based payments recognized into shareholders' equity													
3). 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). Appropriation to general risk provisions													
3). Allocation to owners (or shareholders)											-9,023,596,317.00		-9,023,596,317.00
4). Others													
(4) Internal carry-over of shareholders' 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). General risk provisions for making up losses													
5). 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
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Legal Representative: Dong Mingzhu

Chief Accountant: Wang Jingdong

Head of accounting department: Liao Jianxiong

## Statement of Changes In Owners' Equity of Parent Company

For the Year 2015

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								
<b>1. Ending balance for the previous year</b>	<b>3,007,865,439.00</b>				<b>3,206,997,791.73</b>				<b>2,955,531,032.15</b>		<b>11,793,650,274.21</b>	<b>20,964,044,537.09</b>
Add: Changes in accounting policies					-12,924,494.26		25,919,074.26				-105,918,142.00	-92,923,562.00
Early error correction												
Others												
<b>2. Beginning balance for the current year</b>	<b>3,007,865,439.00</b>				<b>3,194,073,297.47</b>		<b>25,919,074.26</b>		<b>2,955,531,032.15</b>		<b>11,687,732,132.21</b>	<b>20,871,120,975.09</b>

<b>3. Increase or decrease in the current year (decrease expressed with "-")</b>					<b>4,765,636.78</b>						<b>2,568,205,440.62</b>	<b>2,504,680,579.37</b>
(1) Total comprehensive income											7,080,003,599.12	7,011,713,101.09
(2) Capital invested by shareholders and capital decrease					45,636.78							45,636.78
1). Capital invested by shareholders					45,636.78							45,636.78
2). Amounts of share-based payments recognized into shareholders' equity												
3). Others												
(3) Profit distribution											-4,511,798,158.50	-4,511,798,158.50
1). Appropriation to surplus reserves												
2). Appropriation to general risk provisions												
3). Allocation to owners (or shareholders)											-4,511,798,158.50	-4,511,798,158.50
4). Others												
(4) Internal carry-over of shareholders' 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). General risk provisions for making up losses												
5). Others												

(5) Appropriative reserve												
1). Amount withdrawn for the period												
2). Amount used for the period												
(6) Others					4,720,000.00							4,720,000.00
<b>4. Ending balance for the current period</b>	<b>3,007,865,439.00</b>				<b>3,198,838,934.25</b>		<b>-42,371,423.77</b>		<b>2,955,531,032.15</b>		<b>14,255,937,572.83</b>	<b>23,375,801,554.46</b>

Legal Representative: Dong Mingzhu

Chief Accountant: Wang Jingdong

Head of accounting department: Liao Jianxiong

# **GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI**

## **Notes to Financial Statements for the Year 2015**

### **I. Basic information of the Company**

The 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.

The Company is engaged in household electrical appliances business mainly including production and sales of air conditioners and their accessories, and small home appliances and their accessories. 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.

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 27, 2016.

## **II. Coverage of the consolidated statements**

The Company incorporated over 40 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, 2015 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, 2015, and the related



information such as operating results and cash flows in the year 2015. 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 small home 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 2 (11) for the impairment test and accrual method of the provision for impairment of the accounts receivable.

## (3) 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	3 to 5	15 to 30 years	3.17 to 6.47
Machinery equipment	5 to 10	6-10 years	9 to 15.00
Electronic equipment	5 to 10	2 to 5 years	18 to 47.5
Transportation equipment	5	3 to 6 years	15.83-31.67
Others	5 to 10	3-5 years	18-31.67

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:

- Expenditures for the asset have been incurred;
- Borrowing costs have been incurred; and
- 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.

Development expenditures in internal research and development projects shall be recognized as intangible assets where they satisfy all of the following conditions:

- (2) Technical feasibility of completing the intangible asset so that it will be available for use or sale;
- (3) Intention to complete the intangible asset and use or sell it;
- (4) 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;

(5) Availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;

(6) 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) The recognition of assets or liabilities arising from the following transactions which are simultaneously featured by the following:
  - ① The transaction is not business combination;
  - ② At the time of transaction, 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:

- ① The ownership of the leased asset is transferred to the lessee when the term of lease expires;
- ② 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;
- ③ 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;
- ④ 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
- ⑤ 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 decline in value of inventories

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%, 3.00%
Business tax	Taxable turnover	3.00%, 5.00%
Urban construction & maintenance 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%

Note: The overseas subsidiary companies of the Company pay the corresponding taxes according to the local tax laws.

### (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%

Taxpayer	Income tax rate	Taxpayer	Income tax rate
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 2015:

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.	GF201344000373	3 December 2013	Three years
12	Zhuhai Gree Daikin Precision Mold Co., Ltd.	GR201344000501	21 October 2013	Three years
13	Gree Green Refrigeration Technology Center Co., Ltd. Of Zhuhai	GF201444000382	9 October 2014	Three years
14	Gree Electric Appliances (Wuhan) Co., Ltd.	GR201342000397	27 November 2013	Three years
15	Gree Electric Appliances (Shijiazhuang) Co., Ltd.	GR201313000130	22 July 2013	Three years
16	Gree Electric Appliances (zhengzhou) Co., Ltd.	GR201441000307	23 October 2014	Three years
17	Gree Electric Appliances (Wuhu) Co., Ltd.	GR201434000562	2 July 2014	Three years

3. Gree Electric Appliances (Chongqing) Co., Ltd., a subsidiary company of the Company, was registered in Chongqing city, started to enjoy the country's western development policy from 1 January 2008, and applied the income tax rate of 15.00%.

4. Chongqing Landa Compressor Co., Ltd., a subsidiary company of Zhuhai Landa Compressor Co., Ltd. (a subsidiary company of the Company), started to enjoy the country's western development policy from 1 January 2015, and applied the income tax rate of 15.00%.

5. Chongqing Kaibang Motor Manufacture Co., Ltd., a subsidiary company of Zhuhai Kaibang Motor Manufacture Co., Ltd. (a subsidiary company of the Company), started to enjoy the country's western development policy from 1 January 2013, and applied the income tax rate of 15.00%.

## 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" means 1 January 2015; "End of the period" means 31 December 2015; "Previous period" means the year of 2014; "Current period" means the year of 2015.

### (1) Monetary capital

Item	Amount at the end of the period	Amount at the beginning of the period
Cash	2,395,117.18	2,003,105.00
Bank deposits	39,951,097,932.43	20,221,361,881.43
Other monetary capital	7,687,087,609.64	6,220,997,967.35
Deposits in central bank	3,769,666,905.93	4,820,704,007.82
Deposits in other banks	37,409,550,995.35	23,280,606,487.54
Total	88,819,798,560.53	54,545,673,449.14
Total amount deposited abroad	4,729,515,158.98	128,461,866.43

Note:

1) The margin deposit for the banker's acceptance bill in other monetary capital of the Company is RMB 5,410,160,663.66; the loan pledge margin is RMB 2,276,553,945.98; the credit margin is RMB 373,000.00;

2) The reserve requirements on deposit in the Company's deposits in central bank are **RMB** 3,767,694,105.67.

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

### (2) Derivative financial assets



Item	Amount at the end of the period	Amount at the beginning of the period
Derivative financial assets		84,177,518.23
Total		84,177,518.23

Note: To evade the exchange rate risks associated with export collection of foreign exchange and import payment in foreign exchange, the Company has started forward foreign exchange settlement/sale and relevant portfolio businesses with banks. The Company recognized, measured and presented the started foreign exchange businesses in accordance with relevant provisions of Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments and Accounting Standards for Business Enterprises No. 37 - Presentation of Financial Instruments issued by the Ministry of Finance and guidelines thereof.

### (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	14,879,805,537.96	50,480,571,355.46
Total	14,879,805,537.96	50,480,571,355.46

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	1,851,397,827.37
Total	1,851,397,827.37

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	40,843,843,018.77	
Wherein: Endorsed but undue	24,661,633,018.77	
Discounted but undue	16,182,210,000.00	
Total	40,843,843,018.77	

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	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

**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	14.42	335,028,479.96	73.62	120,061,773.65
Accounts receivable with bad debt provision appropriated by aging combination	2,677,694,659.56	84.82	136,408,804.52	5.09	2,541,285,855.04
Other insignificant accounts receivable with single bad debt provision appropriated	24,037,956.63	0.76	24,037,956.63	100.00	
Total	3,156,822,869.80	100.00	495,475,241.11	15.70	2,661,347,628.69

**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	2,896,764,496.40	144,838,224.85	5.00
1 to 2 years	8,916,859.00	1,783,371.81	20.00
2 to 3 years	181,159.10	90,579.56	50.00
Over 3 years	1,972,452.76	1,972,452.76	100.00
Total	2,907,834,967.26	148,684,628.98	5.11

**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	455,090,253.61	335,028,479.96	73.62	Litigation
Total	455,090,253.61	335,028,479.96	73.62	

#### 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	307,811.48	307,811.48	100.00	Bankruptcy
Customer 3	5,556,302.40	5,556,302.40	100.00	Bankruptcy
Customer 4	4,715,115.32	4,715,115.32	100.00	Insolvency
Total	24,037,956.63	24,037,956.63	100.00	

5. The amount of bad debt provision appropriated by the Company in the current period was RMB12,309,031.84, and there was no recovered or reversed bad debt provision.

6. The Company's accounts receivable actually written off in this period was RMB33,207.38, 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 RMB1,204,833,142.43, accounting from 35.57% 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 RMB371,123,253.85.

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	809,311,758.91	95.45	1,486,676,218.13	93.41
1 to 2 years	29,420,687.55	3.47	48,268,461.96	3.03
2 to 3 years	2,743,640.94	0.32	43,214,619.97	2.72

Aging	Amount at the end of the period		Amount at the beginning of the period	
	Amount	Percentage (%)	Amount	Percentage (%)
Over 3 years	6,453,062.31	0.76	13,328,057.88	0.84
Total	847,929,149.71	100.00	1,,591,487,357.94	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 RMB149,081,240.48, accounting for 17.58% of the prepayment balance at the end of the year.

## (6) Interests receivable

### 1. Classification of interests receivable

Item	Amount at the end of the period	Amount at the beginning of the period
Interest on deposit	1,032,368,135.50	1,208,184,974.33
Loan interest	7,150,605.17	7,090,575.81
Interest of bond investment	70,257,709.10	26,870,437.51
Total	1,109,776,449.77	1,242,145,987.65

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

## (7) Other receivables

### 1). Other receivables are disclosed by type

Type	Amount 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 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

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	424,566,839.97	100.00	43,968,325.92	10.36	380,598,514.05
Other insignificant receivables with single bad debt provision appropriated					
Total	424,566,839.97	100.00	43,968,325.92	10.36	380,598,514.05

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

Aging	Amount at the end of the period		
	Other receivable	Bad debt provision	Percentage (%)
Within 1 year	248,696,709.44	12,434,830.50	5.00
1 to 2 years	21,057,910.96	4,211,582.18	20.00
2 to 3 years	1,816,870.66	908,435.38	50.00
Over 3 years	24,241,194.53	24,241,194.53	100.00
Total	295,812,685.59	41,796,042.59	14.13

3. The amount of bad debt provision reversed by the Company in the current period was RMB2,168,052.33.

4. The amount of other receivables actually written off by the Company in the current period was RMB4,231.00, 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	222,155,797.44	217,369,028.28
Hedging fund	73,656,888.15	207,197,811.69
Total	295,812,685.59	424,566,839.97

## 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	73,656,888.15	Within 1 year	24.90	3,682,844.41
Second	Non-related party	13,062,900.00	Within 1 year	4.42	653,145.00
Third	Non-related party	8,613,186.35	Within 1 year	2.91	430,659.32
Fourth	Non-related party	6,656,408.97	Within 1 year	2.25	332,820.45
Fifth	Non-related party	3,840,000.00	Within 1 year	1.30	192,000.00
Total		105,829,383.47		35.78	5,291,469.18

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	Balance at the beginning of the period
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	Balance at the beginning of the period
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	Balance at the beginning of the period
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	3,779,129,197.57	112,001,486.87	3,667,127,710.70
Goods in process	1,292,887,741.96		1,292,887,741.96
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

### Continued

Item	Amount at the beginning of the period		
	Book balance	Provision for price fall	Carrying amount
Raw material	3,362,463,512.86	90,348,850.42	3,272,114,662.44
Goods in process	1,323,445,660.27		1,323,445,660.27
Finished goods	4,038,235,906.49	34,698,133.23	4,003,537,773.26
Total	8,724,145,079.62	125,046,983.65	8,599,098,095.97

### 2). Provision for obsolete stocks

Type of inventories	Amount at the beginning of the period	Increase for 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	90,348,850.42	23,442,180.88			1,789,544.43	112,001,486.87
Finished goods	34,698,133.23	16,102,295.66			10,377,826.59	40,422,602.30
Total	125,046,983.65	39,544,476.54			12,167,371.02	152,424,089.17

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		Sold in the current period
Finished goods	The lower of the inventory cost and net realizable value		Sold in the current period

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 instrument margin	43,205,378.75	58,510,172.50
Subordinated bonds	1,580,000,000.00	400,000,000.00
Input tax to be deducted	61,628,100.79	99,868,743.47
Total	1,684,833,479.54	558,378,915.97

#### (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		
-Loans	5,297,312,000.00	4,138,560,000.00
-Discount	2,777,807,263.38	2,469,011,316.19
Including: discount asset interest adjustment	-24,891,213.22	-27,138,892.20
Total disbursement of corporate loans and advances	8,075,119,263.38	6,607,571,316.19
Less: loan loss provision	202,500,261.92	165,867,755.21
Including: combined appropriation	202,500,261.92	165,867,755.21
Carrying amount of disbursement of corporate loans and advances	7,872,619,001.46	6,441,703,560.98

##### 2. Changes in loss provision for loans

Item	Amount at the end of the period	Amount at the beginning of the period
Balance at the beginning of the year	165,867,755.21	117,891,621.73
Appropriation for the current year	36,632,506.71	47,976,133.48
Balance at the end of the period	202,500,261.92	165,867,755.21

#### (12) Financial assets available for sale

##### 1. Classification of financial assets available for sale

Item	Balance at the end of the period			
	Initial cost	Book balance	Provision for impairment	Carrying amount
Debt instrument available for sale	869,780,950.00	926,838,050.00		926,838,050.00
Equity instrument available for sale	1,853,529,152.09	1,688,781,127.56	900,000.00	1,687,881,127.56



Item	Balance at the end of the period			
	Initial cost	Book balance	Provision for impairment	Carrying amount
Including: amount measured at the fair value	1,852,629,152.09	1,687,881,127.56		1,687,881,127.56
Amount measured by cost	900,000.00	900,000.00	900,000.00	
Trust products	90,000,000.00	90,000,000.00		90,000,000.00
Total	2,813,310,102.09	2,705,619,177.56	900,000.00	2,704,719,177.56

Continued

Item	Balance at the beginning of the period			
	Initial cost	Book balance	Provision for impairment	Carrying amount
Debt instrument available for sale	869,780,950.00	888,898,940.00		888,898,940.00
Equity instrument available for sale	1,236,205,799.23	1,262,099,993.13	900,000.00	1,261,199,993.13
Including: amount measured at the fair value	1,235,305,799.23	1,261,199,993.13		1,261,199,993.13
Amount measured by cost	900,000.00	900,000.00	900,000.00	
Total	2,105,986,749.23	2,150,998,933.13	900,000.00	2,150,098,933.13

## 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	1,852,629,152.09	874,082,523.10	2,726,711,675.19
Fair value	1,687,881,127.56	926,838,050.00	2,614,719,177.56
Amount change in the fair value cumulatively recorded into other comprehensive income	-233,660,321.78	35,313,230.82	-198,347,090.96
Impairment amount appropriated			

## 3. Available-for-sale financial assets measured at cost at the end of the period

Invested entity	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		
Zuhai 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	Balance at the beginning of the year		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.	57,727,107.46				3,164,361.44						60,891,468.90	
Subtotal	57,727,107.46				3,164,361.44						60,891,468.90	
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.	22,331,876.23				-91,992.81						22,423,869.04	
Beijing Gree Technology Co., Ltd.	1,079,175.38				172,857.33						1,252,032.71	
Chongqing Pargo Mechanical Equipment Co., Ltd.	11,074,939.18				183,122.28						10,891,816.907	
Subtotal	36,426,000.14	1,940,009.35			81,727.86						36,507,728.00	1,940,009.35
Total	94,153,107.60	1,940,009.35			3,246,089.30						97,399,196.90	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) Balance at the beginning of the year	570,888,557.32	570,888,557.32
(2) Increased amount in the current period	8,344,219.54	8,344,219.54
Including: amount transferred into construction in progress	8,344,219.54	8,344,219.54
(3) Decreased amount in the current period	5,027,938.34	5,027,938.34
Including: amount transferred into fixed assets	5,027,938.34	5,027,938.34
(4) Balance at the end of the period	574,204,838.52	574,204,838.52
2. Accumulated depreciation and accumulated amortization		
(1) Balance at the beginning of the year	62,987,055.19	62,987,055.19
(2) Increased amount in the current period	19,982,101.58	19,982,101.58
Including: appropriation or amortization	19,982,101.58	19,982,101.58
(3) Decreased amount in the current period	305,167.91	305,167.91
Including: amount transferred into fixed assets	305,167.91	305,167.91
(4) Balance at the end of the period	82,663,988.86	82,663,988.86
3. Provision for impairment		
4. Carrying amount		
(1) Carrying amount at the end of the period	491,540,849.66	491,540,849.66
(2) Carrying amount at the beginning of the period	507,901,502.13	507,901,502.13

2. The original value of the investment real estate of which the certificate of title has not yet obtained by the Company was RMB352,869,063.74 at the end of the period.

## (15) Fixed assets

### 1. Information of fixed assets

Item	Houses and buildings	Machinery equipment	Means of transportation	Electronic equipment	Other equipments	Total
1. Total of original carrying amount:						
(1) Balance at the beginning of the year	10,653,621,633.04	8,240,803,349.36	487,966,012.34	690,345,821.41	358,137,069.74	20,430,873,885.89
(2) Increased amount in the current period	370,108,968.00	1,187,495,228.12	139,977,897.96	66,795,422.33	12,509,920.69	1,776,887,437.10
① Procurement		1,101,746,366.82	139,977,897.96	66,795,422.33	12,509,920.69	1,321,029,607.80
② Amount transferred into construction in progress	365,081,029.66	85,748,861.30				450,829,890.96
③ Amount transferred into investment real estate	5,027,938.34					5,027,938.34
(3) Decreased amount in the current period		294,149,051.99	29,056,144.65	107,042,892.03	54,596,317.30	484,844,405.97
① Disposal or scrap		294,149,051.99	29,056,144.65	107,042,892.03	54,596,317.30	484,844,405.97
(4) Balance at the end of the period	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. Accumulated depreciation						
(1) Balance at the beginning of the year	1,457,957,670.85	3,148,000,355.55	246,671,475.96	421,929,983.42	197,062,456.34	5,471,621,942.12
(2) Increased amount in the current period	357,085,260.73	627,303,189.88	96,157,899.73	101,044,300.91	43,335,747.28	1,224,926,398.53
① Appropriation	356,780,092.82	627,303,189.88	96,157,899.73	101,044,300.91	43,335,747.28	1,224,621,230.62
② Amount transferred into investment real estate	305,167.91					305,167.91
(3) Decreased amount in the current period		272,179,753.91	22,244,235.50	84,488,305.89	45,454,949.60	424,367,244.90
① Disposal or scrap		272,179,753.91	22,244,235.50	84,488,305.89	45,454,949.60	424,367,244.90
(4) Balance at the end of the period	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
3. Provision for impairment						
(1) Balance at the beginning of the year	13,995,429.77	5,512,174.82		124,245.35	340,445.95	19,972,295.89
(2) Increased amount in the current period						
① Increased by amount transferred into construction in progress						
(3) Decreased amount in the current period		1,049,551.82				1,049,551.82
① Disposal or scrap		1,049,551.82				1,049,551.82
(4) Balance at the end of the period	13,995,429.77	4,462,623.00		124,245.35	340,445.95	18,922,744.07
4. Carrying amount						
(1) Carrying amount at the end 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
(2) Carrying amount at the beginning of the period	9,181,668,532.42	5,087,290,818.99	241,294,536.38	268,291,592.64	160,734,167.45	14,939,279,647.88

Notes: The depreciation appropriated in the current period was RMB1,224,621,230.62. The depreciation transferred into investment real estate during the period was RMB305,167.91. The original price of construction in progress transferred into fixed assets during the period was RMB450,829,890.96. The original price of investment real estate transferred into fixed assets during the period was RMB5,027,938.34. As of December 31, 2015, the original value of houses and buildings of which the certificate of title has not yet obtained by the Company is RMB7,402,067,147.32.

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	536,450,543.91		536,450,543.91	480,696,655.26		480,696,655.26
Wuhu Gree project	532,806,043.38		532,806,043.38	384,789,476.28		384,789,476.28
Zhengzhou Gree Phase I project	286,394,999.36		286,394,999.36	197,206,192.92		197,206,192.92
Shijiazhuang Gree project	121,878,738.99		121,878,738.99	51,621,044.84		51,621,044.84
Changsha HVAC project	281,421,364.14		281,421,364.14	8,923,802.32		8,923,802.32
Wuhan Gree project	117,494,691.58		117,494,691.58	51,308,928.91		51,308,928.91
Others	168,391,448.66		168,391,448.66	79,801,103.57		79,801,103.57
Total	2,044,837,830.02		2,044,837,830.02	1,254,347,204.10		1,254,347,204.10

## 2. Changes in construction projects in progress

Item Name	Amount at the beginning of the year	Increase in the current period	Amount transferred into fixed assets	Amount transferred into investment real estate	Amount of capitalization of interests	Including: Amount of capitalization of interests for the current period	Interest capitalization rate for the current period (%)	Amount at the end of the period
Chongqing Gree project	480,696,655.26	55,753,888.65						536,450,543.91
Wuhu Gree project	384,789,476.28	148,556,500.64	539,933.54					532,806,043.38
Zhengzhou Gree Phase I project	197,206,192.92	89,981,870.26	793,063.82					286,394,999.36
Shijiazhuang Gree project	51,621,044.84	95,508,135.23	25,250,441.08					121,878,738.99
Changsha HVAC project	8,923,802.32	272,497,561.82						281,421,364.14
Wuhan Gree project	51,308,928.91	224,935,073.29	154,606,872.34	4,142,438.28				117,494,691.58
Other	79,801,103.57	362,431,706.53	269,639,580.18	4,201,781.26				168,391,448.66
Total	1,254,347,204.10	1,249,664,736.42	450,829,890.96	8,344,219.54				2,044,837,830.02

3. The Company had no provision for 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) Balance at the beginning of the year	2,711,050,124.29	18,297,227.90	2,729,347,352.19
(2) Increased amount in the current period	234,189,444.84	602,614.15	234,792,058.99
Including: Procurement	234,189,444.84	602,614.15	234,792,058.99
(3) Decreased amount in the current period			
(4) Balance at the end of the period	2,945,239,569.13	18,899,842.05	2,964,139,411.18
2. Accumulated amortization			
(1) Balance at the beginning of the year	239,599,615.28	9,453,707.88	249,053,323.16
(2) Increased amount in the current period	58,212,148.63	730,127.65	58,942,276.28
Including: appropriation	58,212,148.63	730,127.65	58,942,276.28
(3) Decreased amount in the current period			
(4) Balance at the end of the period	297,811,763.91	10,183,835.53	307,995,599.44
3. Provision for impairment			
4. Carrying amount			
(1) Carrying amount at the end of the period	2,647,427,805.22	8,716,006.52	2,656,143,811.74
(2) Carrying amount at the beginning of the period	2,471,450,509.01	8,843,520.02	2,480,294,029.03

### (18) Long-term deferred expenses

Item	Amount at the beginning of the period	Increase for the current period	Amortization for the current period	Other decreases	Amount at the end of the period
Long-term deferred expenses	20,948,267.49	1,415,599.99	14,181,491.53		8,182,375.95
Total	20,948,267.49	1,415,599.99	14,181,491.53		8,182,375.95

### (19) Deferred income tax assets/Deferred income tax liabilities

#### 1. Deferred income tax assets not offset

Item	Balance at the end of the period		Balance at the beginning of the period	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Assets depreciation reserves	410,412,835.71	77,110,236.61	374,892,157.41	68,963,151.96



Item	Balance at the end of the period		Balance at the beginning of the period	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Deductible loss	301,321,074.64	75,330,268.67	151,616,423.99	37,904,105.98
Accrued expenses	51,189,425,884.98	7,678,526,424.69	48,342,150,490.18	7,253,156,000.51
Payroll payable	715,736,768.61	107,674,163.51	1,121,610,218.73	171,167,851.84
Changes in fair value of financial assets available for sale	279,832,720.69	46,172,398.92		
Amortization of long-term assets	1,050,783,076.81	157,740,989.92	931,735,439.22	140,132,322.27
Hedging instruments	43,442,850.00	6,516,427.50	49,990,204.44	7,498,530.67
Others	4,079,196,523.74	615,305,226.45	3,414,868,337.46	514,140,040.13
Total	58,070,151,735.18	8,764,376,136.27	54,386,863,271.43	8,192,962,003.36

## 2. Deferred income tax liabilities not offset

Item	Balance at the end of the period		Balance at the beginning of the period	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Interests receivable	1,109,776,449.77	222,911,701.49	1,242,145,987.65	235,903,584.94
Changes in fair value of derivative financial assets			84,177,518.23	12,626,627.73
Changes in fair value of financial assets available for sale	52,755,526.90	13,188,881.73	42,024,392.25	8,305,091.58
Others	48,702,885.64	8,035,976.13	75,915.80	11,387.37
Total	1,211,234,862.31	244,136,559.35	1,368,423,813.93	256,846,691.62

## 3. 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 year
Deductible temporary differences	465,477,018.25	456,988,837.39
Total	465,477,018.25	456,988,837.39

## (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
Pledge loans	1,328,471,206.03	3,578,773,331.48
Borrowing on credit	4,948,188,930.00	

Total	6,276,660,136.03	3,578,773,331.48
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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	17,457,000.00	177,176,109.14	186,633,109.14	8,000,000.00
Total	17,457,000.00	177,176,109.14	186,633,109.14	8,000,000.00

### (22) Deposits from customers and interbank

Item	Amount at the end of the period	Amount at the beginning of the period
Current deposits	60,747,235.82	3,920,497.99
Time deposits	80,865,000.00	61,992,626.49
Draft deposits	425,000,000.00	740,600,000.00
Total	566,612,235.82	806,513,124.48

### (23) Derivative financial liabilities

Item	Balance at the end of the period	Balance at the beginning of the period
Derivative financial liabilities	1,189,028,366.37	215,703,496.13
Total	1,189,028,366.37	215,703,496.13

Note: For details, see Notes 7 (2).

### (24) Notes payable

Item	Amount at the end of the period	Amount at the beginning of the period
Banker's acceptance bill	7,427,635,753.74	6,881,963,087.81
Total	7,427,635,753.74	6,881,963,087.81

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	24,430,253,525.99	26,475,850,893.28
1 to 2 years	285,936,716.79	206,745,263.04
2 to 3 years	26,375,396.94	41,537,766.93
Over 3 years	51,702,732.75	60,818,558.38

Item	Amount at the end of the period	Amount at the beginning of the period
Total	24,794,268,372.47	26,784,952,481.63

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	7,619,598,042.86	6,427,722,358.11
Total	7,619,598,042.86	6,427,722,358.11

2. There was no advance received from customers with aging exceeding 1 year at the end of the period.

## (27) Financial assets sold for repurchase

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
Bonds (Pledge-style Repo)	586,000,000.00	16,274,500,000.00	16,860,500,000.00	
Total	586,000,000.00	16,274,500,000.00	16,860,500,000.00	

## (28) Payroll payable

### 1. Presentation by category

Item	Balance at the beginning of the year	Increase in the current period	Decrease for the current period	Balance at the end of the period
1. Short-term wages and salaries	1,550,436,160.83	5,387,344,792.27	5,240,667,457.20	1,697,113,495.90
2. Separation benefits - defined contribution plan	62,057.85	435,418,922.17	435,311,870.41	169,109.61
Total	1,550,498,218.68	5,822,763,714.44	5,675,979,327.61	1,697,282,605.51

### 2. Short-term wages and salaries

Item	Balance at the beginning of the year	Increase in the current period	Decrease for the current period	Balance at the end of the period
1. Wages, bonuses, subsidies and allowances	1,228,786,796.78	4,624,505,335.40	4,544,864,574.19	1,308,427,557.99
2. Employee welfares		343,580,023.79	343,580,023.79	
3. Social insurance premiums	15,435.20	177,406,306.53	177,347,735.02	74,006.71
Including: Medical insurance premium	11,206.07	142,931,520.31	142,875,473.65	67,252.73
Industrial injury insurance premium	2,114.15	18,387,568.29	18,387,785.49	1,896.95

Item	Balance at the beginning of the year	Increase in the current period	Decrease for the current period	Balance at the end of the period
Birth insurance premium	2,114.98	16,087,217.93	16,084,475.88	4,857.03
4. Housing accumulation funds	765,403.38	104,664,133.99	104,844,336.99	585,200.38
5. Labor union expenditures and employee education funds	320,868,525.47	137,188,992.56	70,030,787.21	388,026,730.82
Total	1,550,436,160.83	5,387,344,792.27	5,240,667,457.20	1,697,113,495.90

### 3. Separation benefits - defined contribution plan

Item	Balance at the beginning of the period	Increase in the current period	Decrease for the current period	Balance at the end of the period
1. Basic endowment insurance premium	58,344.04	405,486,466.15	405,398,368.12	146,442.07
2. Unemployment insurance premium	3,713.81	29,932,456.02	29,913,502.29	22,667.54
Total	62,057.85	435,418,922.17	435,311,870.41	169,109.61

### (29) Taxes payable

Item	Amount at the end of the period	Amount at the beginning of the period
1. Added-value tax	679,065,489.72	3,072,507,673.38
2. House property tax	38,530,202.78	34,935,279.03
3. Urban construction & maintenance tax	104,324,891.82	328,518,864.22
4. Educational surcharges	75,404,279.28	233,009,565.71
5. Business tax	8,597,150.69	5,472,074.09
6. Business income tax	1,945,548,593.78	4,484,494,127.05
7. Individual income tax	27,062,705.92	25,583,825.95
8. Land use tax	14,091,552.32	15,631,963.43
9. Embankment protection fee	2,896,333.78	5,156,500.80
10. Stamp duty	822,964.34	920,523.26
11. Others	81,457,316.12	102,641,729.08
Total	2,977,801,480.55	8,308,872,126.00

### (30) Interests payable

Item	Amount at the end of the period	Amount at the beginning of the period
Loan interest	45,942,872.26	23,991,864.93
Interest on customer bank deposits	2,443,837.49	5,038,203.42
Interest from financial assets sold for repurchase		7,147,857.55
Total	48,386,709.75	36,177,925.90

Note: There was no overdue and unpaid interest at the end of the period.

### (31) Dividends payable

Name of entity	Amount at the end of the period	Amount at the beginning of the period	Cause of nonpayment in excess of 1 year
Corporate shareholder	105,031.73	105,031.73	Temporarily unable to confirm
Public shareholder	602,881.87	602,881.87	Temporarily unable to confirm
Total	707,913.60	707,913.60	

### (32) Other payables

#### 1. Classification

Item	Balance at the end of the period	Balance at the beginning of the year
Intercourse funds	2,098,888,616.86	2,066,958,841.51
Deposit	508,713,319.35	479,418,446.91
Total	2,607,601,936.21	2,546,377,288.42

#### 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	433,562,716.92	1 to 2 years	Amount unsettled
Entity 2	188,000,000.00	Over 3 years	Amount unsettled
Entity 3	40,160,000.00	Over 3 years	Amount unsettled
Total	661,722,716.92		

### (33) 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	2,061,490,867.16
Including: Long-term pledge loans due within one year	2,403,745,557.37	1,173,337,146.11
Long-term credit loans due within one year		888,153,721.05
Total	2,403,745,557.37	2,061,490,867.16

### (34) Other current liabilities

Item	Amount at the end of the period	Amount at the beginning of the period
Installation and repair costs	1,687,646,974.96	1,834,570,397.52
Sales rebate	53,049,708,823.35	46,658,544,443.77
Fair value of hedging instruments	43,442,850.00	49,990,204.44
Others	227,053,219.17	42,207,823.20
Total	55,007,851,867.48	48,585,312,868.93

### (35) Long-term borrowings

Item	Amount at the end of the period	Amount at the beginning of the period
Pledge loans		2,258,969,252.88
Total		2,258,969,252.88

### (36) 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	127,518,492.00	106,716,248.00
Total	127,518,492.00	106,716,248.00

#### 2. Changes in the defined benefit plan

Item	Amount for the current period	Amount for the previous period
1. Beginning balance	106,716,248.00	92,923,563.00
2. Defined benefit cost recorded in the current profits and losses	7,022,449.00	5,602,592.00
1) Service cost of the current period	3,052,868.00	1,241,025.00
2) Net interest	3,969,581.00	4,361,567.00
3. Defined benefit cost recorded in other comprehensive income	17,952,049.00	12,874,330.00
Including: actuarial gains (losses represented by "-")	17,952,049.00	12,874,330.00
4. Other changes	-4,172,254.00	-4,684,237.00
Including: paid benefits (payment represented by "-")	-4,172,254.00	-4,684,237.00
5. Balance at the end of the period	127,518,492.00	106,716,248.00

#### 3. Net liabilities (net assets) of the defined benefit plan

Item	Amount for the current period	Amount for the previous period
1. Beginning balance	106,716,248.00	92,923,563.00
2. Defined benefit cost recorded in the current profits and losses	7,022,449.00	5,602,592.00
3. Defined benefit cost recorded in other comprehensive income	17,952,049.00	12,874,330.00
4. Other changes (payment represented by "-")	-4,172,254.00	-4,684,237.00
5. Balance at the end of the period	127,518,492.00	106,716,248.00

#### 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, 2015. 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	-16,013,002.00
Influence on the present obligation value of defined welfare benefit by decrease of one percentage point	20,077,275.00
Influence on the service cost by increase of one percentage point	-394,122.00
Influence on the service cost by decrease of one percentage point	533,892.00

**(37) Deferred income**

Item	Balance at the beginning of the period	Increase in the current period	Decrease for the current period	Balance at the end of the period
Government subsidies	88,443,188.87	50,169,725.58	4,041,206.42	134,571,708.03
Total	88,443,188.87	50,169,725.58	4,041,206.42	134,571,708.03

Items involving government subsidies:

Item	Balance at the beginning of the year	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/incomes
Environmental protection upgrade project	61,352,673.13	28,042,165.58	168,813.41		89,226,025.30	Pertinent to incomes
Scientific research project of refrigerating field	21,766,432.21	22,066,300.00	3,545,157.17		40,287,575.04	Pertinent to incomes

Others	5,324,083.53	61,260.00	327,235.84		5,058,107.69	Pertinent to incomes
Total	88,443,188.87	50,169,725.58	4,041,206.42		134,571,708.03	

**(38) Stock capital**

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	3,007,865,439.00			3,007,865,439.00			6,015,730,878.00

**(39) Capital reserves**

Item	Amount at the beginning of the	Increase in the current period	Decrease for the current period	Amount at the end of the period
Capital premium (capital stock premium)	3,114,364,528.83		3,007,865,439.00	106,499,089.83
Other capital reserves	76,901,536.88	2,550,000.00		79,451,536.88
Total	3,191,266,065.71	2,550,000.00	3,007,865,439.00	185,950,626.71

Note: As at 2 June 2015, according to the resolution passed at the general meeting of shareholders of the Company for the year 2014, the plan of profit distribution for the year 2014 is as follows: 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.



**(40) Other comprehensive income**

Item	Balance at the beginning of the period	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	120,250.00	-17,952,049.00				-17,952,049.00	-17,831,799.00
Including: Changes due to recalculating and redefining net liabilities and net assets of the benefit plan	120,250.00	-17,952,049.00				-17,952,049.00	-17,831,799.00
Shares enjoyed in other comprehensive income not to be reclassified to profit or loss in the invested entity under the equity method							0.00
2. Other comprehensive income to be reclassified to profit or loss in subsequent periods	17,626,457.54	-204,568,446.81	-42,491,673.77	-40,306,505.60	-124,723,184.57	2,952,917.13	-107,096,727.03
Including: Shares enjoyed in other comprehensive income to be reclassified to profit or loss in the invested entity under the equity method							0.00
Gains and losses from changes in fair value of financial assets available for sale	32,418,803.43	-269,101,586.03		-41,288,608.77	-230,765,894.39	2,952,917.13	-198,347,090.96
Gains and losses from held-to-maturity investments reclassified as financial assets available for sale							0.00
Effective part of cash flow hedging gains and losses	-42,491,673.77	-35,944,319.33	-42,491,673.77	982,103.17	5,565,251.27		-36,926,422.50
Difference arising from translation of financial statements in foreign currency	27,699,327.88	100,477,458.55			100,477,458.55		128,176,786.43
Total	17,746,707.54	-222,520,495.81	-42,491,673.77	-40,306,505.60	-142,675,233.57	2,952,917.13	-124,928,526.03

**(41) Surplus 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
Statutory surplus reserve	1,989,000,298.98	541,582,992.16		2,530,583,291.14
Discretionary surplus reserve	969,088,265.45			969,088,265.45
Total	2,958,088,564.43	541,582,992.16		3,499,671,556.59

**(42) 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	136,364,066.72	71,400,000.00		207,764,066.72
Total	136,364,066.72	71,400,000.00		207,764,066.72

**(43) Undistributed profit**

Item	Amount for the current period	Amount for the previous period	Proportion of appropriation or distribution
Undistributed profit at the end of previous year before adjustment	34,841,323,981.28	25,395,563,880.38	
Total amount of adjusted undistributed profit at the beginning of the year (profit increase adjusted expressed with "+" and profit decrease adjusted expressed with "-")		-105,918,142.00	
Undistributed profit at the beginning of the year after adjustment	34,841,323,981.28	25,289,645,738.38	
Add: Net profit attributable to owners of parent company for the current period	12,532,442,817.66	14,155,167,229.36	
Less: Appropriation of statutory surplus reserve	541,582,992.16		
Appropriation of general risk provisions	71,400,000.00	89,250,000.00	
Ordinary stock dividends payable	9,023,596,317.00	4,511,798,158.50	Distribute RMB30.00 per 10 stocks (tax included)
Others		2,440,827.96	
Undistributed profit at the end of the period	37,737,187,489.78	34,841,323,981.28	

**(44) 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	87,930,981,568.34	57,397,354,027.10	122,745,036,614.31	74,740,318,035.83
Other businesses	9,814,155,625.82	8,619,999,717.99	15,005,321,781.39	13,281,809,635.65

Item	Amount for the current period		Amount for the previous period	
	Revenue	Cost	Revenue	Cost
Total	97,745,137,194.16	66,017,353,745.09	137,750,358,395.70	88,022,127,671.48

**2). Main business (classified by industry)**

Item	Amount for the current period		Amount for the previous period	
	Operating Revenue	Operating Cost	Operating Revenue	Operating Cost
Household appliances manufacturing	87,930,981,568.34	57,397,354,027.10	122,745,036,614.31	74,740,318,035.83
Total	87,930,981,568.34	57,397,354,027.10	122,745,036,614.31	74,740,318,035.83

**3). Main business (classified by product)**

Name of product	Amount for the current period		Amount for the previous period	
	Operating Revenue	Operating Cost	Operating Revenue	Operating Cost
Air Conditioner	83,717,936,071.67	53,581,503,247.77	118,719,140,613.15	71,472,207,409.57
Household Appliances	1,522,676,680.86	1,209,460,671.25	1,786,123,170.24	1,369,321,266.99
Others	2,690,368,815.81	2,606,390,108.08	2,239,772,830.92	1,898,789,359.27
Total	87,930,981,568.34	57,397,354,027.10	122,745,036,614.31	74,740,318,035.83

**4). Main business (classified by region)**

Name of region	Amount for the current period		Amount for the previous period	
	Operating Revenue	Operating Cost	Operating Revenue	Operating Cost
Domestic	74,596,089,512.78	46,279,216,061.59	108,934,550,640.47	63,652,951,884.61
Overseas	13,334,892,055.56	11,118,137,965.51	13,810,485,973.84	11,087,366,151.22
Total	87,930,981,568.34	57,397,354,027.10	122,745,036,614.31	74,740,318,035.83

**(45) Interest revenue and interest expense**

Item	Amount for the current period	Amount for the previous period
Interest revenue	2,816,215,388.45	2,254,051,643.70
Including: interest revenue from deposits in other banks	1,641,482,866.81	1,133,419,013.21
Interest revenue from loans and advances	1,154,283,006.27	1,115,006,908.01
Others	20,449,515.37	5,625,722.48
Interest expense	652,352,307.92	709,764,677.17

Item	Amount for the current period	Amount for the previous period
Including: expense from transactions with financial institutions	636,765,738.01	695,571,352.90
Others	15,586,569.91	14,193,324.27
Net interest revenue	2,163,863,080.53	1,544,286,966.53

#### (46) Business tax and surcharges

Item	Amount for the current period	Amount for the previous period	Calculation and payment standard
Urban maintenance & construction tax	389,355,259.75	671,163,654.03	See the Notes 6
Educational surcharges	287,028,585.33	486,753,032.07	See the Notes 6
Embankment protection fee	19,940,147.05	31,654,654.55	See the Notes 6
Business tax	30,281,898.45	23,905,688.40	See the Notes 6
Channel maintenance fee	1,105,965.85	1,021,873.43	
Commodity circulation tax and industrial product tax of Brazil	24,182,343.52	147,925,949.35	
Others	751,894,199.95	1,362,424,851.83	

#### (47) Sales expenses

Item	Amount for the current period	Amount for the previous period
Sales expense	15,506,341,694.21	28,889,995,658.43
Total	15,506,341,694.21	28,889,995,658.43

#### (48) Overhead expenses

Item	Amount for the current period	Amount for the previous period
Overhead Expense	5,048,746,635.48	4,818,168,572.74
Total	5,048,746,635.48	4,818,168,572.74

#### (49) Financial expenses

Item	Amount for the current period	Amount for the previous period
Interest expense	477,371,585.41	228,427,977.62
Less: Interest revenue	1,163,270,340.63	1,249,561,657.50
Exchange gain and loss	-1,269,372,081.56	48,020,859.16
Bank charges	22,348,829.52	25,023,582.50
Interest charges for defined welfare benefit obligations	3,969,581.00	4,361,567.00
Others	155,176.08	1,482,986.84
Total	-1,928,797,250.18	-942,244,684.38

**(50) Asset impairment loss**

Item	Amount for the current period	Amount for the previous period
Loss on bad debt	10,140,979.51	344,212,393.43
Inventory falling price loss	39,544,476.54	6,228,639.01
Loan loss	36,632,506.71	47,976,133.48
Total	86,317,962.76	398,417,165.92

**(51) 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,,010,322,499.17	-1,381,551,572.38
Total	-1,,010,322,499.17	-1,381,551,572.38

**(52) Income from investments**

Item	Amount for the current period	Amount for the previous period
Long-term equity investment income measured by equity method	3,246,089.30	-3,600,894.26
Investment income from disposal of long-term equity investment		-203,389.23
Investment income from derivative financial instruments	-31,834,830.97	673,093,382.28
Investment income from held-to-maturity investment		5,301,232.87
Investment income from financial assets available for sale	69,975,774.52	48,584,216.84
Investment income from financing products	55,267,887.10	1,189,889.41
Total	96,654,919.95	724,364,437.91

**(53) 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	1,039,883.33	1,460,226.01	1,039,883.33
Including: Gains from disposal of fixed assets	1,039,883.33	1,460,226.01	1,039,883.33
Government subsidies	1,363,726,411.04	681,875,856.67	1,160,736,574.04
Others	39,525,365.48	22,727,702.28	39,525,365.48
Total	1,404,291,659.85	706,063,784.96	1,201,301,822.85

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	1,129,948,692.58	265,232,374.28	Pertinent to incomes
Capital allowance for development projects	200,437,312.96	371,617,950.04	Pertinent to incomes

Item	Amount for the current period	Amount for the previous period	Pertinent to assets/Pertinent to incomes
Technological innovation subsidies income	15,818,285.71	22,878,551.75	Pertinent to incomes
Others	17,522,119.79	22,146,980.60	Pertinent to incomes
Total	1,363,726,411.04	681,875,856.67	

#### (54) 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	9,118,859.43	15,064,547.24	9,118,859.43
Including: Losses from disposal of fixed assets	9,118,859.43	15,064,547.24	9,118,859.43
Other expenses	1,930,318.93	27,795,832.96	1,930,318.93
Total	11,049,178.36	42,860,380.20	11,049,178.36

#### (55) Income tax expenses

##### 1. Classification

Item	Amount for the current period	Amount for the previous period
Current income tax stipulated by Enterprise Income Tax Law	2,829,504,601.40	5,089,152,937.28
Deferred income tax adjustment	-543,817,759.59	-2,589,677,063.46
Total	2,285,686,841.81	2,499,475,873.82

##### 2. Adjustment process of accounting profits and income tax expenses

Item	Amount for the current period
Total profit	14,909,419,462.03
Income tax expenses calculated by the statutory/applicable tax rate	2,236,412,919.30
Impact by different tax rates applicable to subsidiaries	52,181,368.29
Impact by non-deductible costs, expenses and losses	2,750,362.98
Others	-5,657,808.76
Income tax expenses	2,285,686,841.81

#### (56) 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	1,401,723,859.34	695,329,156.68
Interest revenue	1,225,637,912.76	736,975,312.75
Project funds advanced	1,141,778,481.72	

Others	913,499,942.27	702,062,379.80
Total	4,682,640,196.09	2,134,366,849.23

## 2). Other cash payments relating to operating activities

Item	Amount for the current period	Amount for the previous period
Cash repayments for selling expenses	4,825,484,308.95	5,541,947,240.86
Cash repayments for overhead expenses	1,018,131,336.10	980,455,921.26
Net increase in margin of bill pledge	2,723,201,655.00	165,421,518.92
Returned project funds advanced	1,368,170,206.45	2,109,570,643.57
Other expenses	500,197,577.40	473,059,192.35
Total	10,435,185,083.90	9,270,454,516.96

## 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	661,065,307.05
Total	143,435,881.62	661,065,307.05

## 4). Other cash payments relating to investing activities

Item	Amount for the current period	Amount for the previous period
Decrease in monetary funds at the beginning of consolidation period not recorded by Gree (USA) Sales Co., Ltd.		124,336,597.02
Payments from forward foreign exchange settlement and sales	175,286,430.99	
Total	175,286,430.99	124,336,597.02

## 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	1,257,485,012.71	235,620,087.87
Total	1,257,485,012.71	235,620,087.87

## (57) 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 profit	12,623,732,620.22	14,252,954,811.96
Add: Assets depreciation reserves	86,317,962.76	398,417,165.92
Fixed assets depreciation, oil and gas assets accumulated depreciation, productive biological assets	1,244,603,332.20	1,275,713,889.52

Item	Amount for the current period	Amount for the previous period
accumulated depreciation		
Amortization of intangible assets	58,942,276.28	54,996,053.71
Amortization of long-term deferred expenses	14,181,491.53	26,154,900.89
Losses on disposal of fixed assets, intangible assets and other long-term assets (incomes expressed with "-")	8,078,976.10	13,604,321.23
Losses on disposal of fixed assets (incomes expressed with "-")		
Losses from changes in fair value (incomes expressed with "-")	1,010,322,499.17	1,381,551,572.38
Financial expenses (incomes expressed with "-")	-728,541,278.89	283,163,426.86
Investment losses (incomes expressed with "-")	-96,654,919.95	-724,364,437.91
Decrease in deferred income tax assets (increase expressed with "-")	-526,223,837.16	-2,511,556,402.11
Increase in deferred income tax liabilities (decrease expressed with "-")	-17,593,922.42	-78,120,661.35
Decrease of inventories (increase expressed with "-")	-902,221,722.06	4,571,616,595.87
Decrease in operating receivables (increase expressed with "-")	34,387,642,523.89	-5,979,294,766.01
Increase in operating payables (decrease expressed with "-")	-1,111,512,782.02	7,966,604,416.69
Others	-1,672,691,391.97	-1,992,275,379.92
Net cash flow from operating activities	44,378,381,827.68	18,939,165,507.73
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	77,365,016,845.22	43,506,471,113.09
Less: Beginning balance of cash	43,506,471,113.09	29,259,183,063.61
Add: Ending balance of cash equivalents		
Less: Beginning balance of cash equivalents		
Net increase in cash and cash equivalents	33,858,545,732.13	14,247,288,049.48

Note: "others" includes RMB 2,723,201,655.00 net increase of bank's acceptance bills and RMB 1,050,510,263.03 net decrease of legal deposit reserved.

2). Information about acquisition or disposal of subsidiaries and other business units during the current period

The Company was not involved in acquisition or disposal of subsidiaries and other



business units in the current period.

### 3). Composition of cash and cash equivalents

Item	Amount at the end of the period	Amount at the beginning of the period
1. Cash	77,365,016,845.22	43,506,471,113.09
Including: Cash on hand	2,395,117.18	2,003,105.00
Bank deposit for payment at any time	39,951,097,932.43	20,221,361,881.43
Deposit in the central bank for payment	1,972,800.26	2,499,639.12
Deposits in other banks	37,409,550,995.35	23,280,606,487.54
2. Cash equivalents		
Including: Bond investments maturing within three months		
3. Ending balance of cash and cash equivalents	77,365,016,845.22	43,506,471,113.09

### (58) Assets with restricted ownerships or use rights

Item	Amount	Cause of restriction
Monetary capital	11,454,781,715.31	Pledged
Bills receivable	1,851,397,827.37	Pledged
Total	13,306,179,542.68	

### (59) 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			30,144,030,067.47
Wherein: USD	2,659,004,069.39	6.4936	17,266,508,824.99
Euro	5,017,672.06	7.0952	35,601,386.80
HKD	2,684,221,814.12	0.8378	2,248,841,035.87
JPY	195,736,963,483.80	0.0539	10,550,222,331.78
BRL	26,139,974.40	1.6395	42,856,488.03
Accounts receivable			2,500,339,633.31
Wherein: USD	369,270,430.19	6.4936	2,397,894,465.48
Euro	1,250,148.77	7.0952	8,870,055.55
HKD	13,257,692.23	0.8378	11,107,294.55
BRL	50,300,590.26	1.6395	82,467,817.73
Prepaid accounts			22,149,483.63

Item	Balance in foreign currency at the end of period	Exchange rate for conversion	Balance of RMB converted at the end of period
Wherein: USD	3,272,265.64	6.4936	21,248,784.16
HKD	950,188.35	0.8378	796,067.80
JPY	1,941,218.36	0.0539	104,631.67
Other receivables			11,986,196.36
Wherein: USD	1,506,020.62	6.4936	9,779,495.50
HKD	1,766,565.34	0.8378	1,480,028.44
BRL	443,228.07	1.6395	726,672.42
Short-term borrowing			6,276,660,136.03
Wherein: USD	966,591,742.03	6.4936	6,276,660,136.03
Non-current liabilities due within one year			2,403,745,557.37
Wherein: USD	370,171,485.37	6.4936	2,403,745,557.37
Accounts payable			135,362,519.02
Wherein: USD	9,398,359.79	6.4936	61,029,189.13
Euro	381,207.80	7.0952	2,704,745.58
HKD	7,283,440.92	0.8378	6,102,066.80
JPY	50,913,339.95	0.0539	2,744,229.02
Pounds	10.3	9.6159	99.04
BRL	38,293,497.68	1.6395	62,782,189.45
Advance received from customers			238,899,986.91
Wherein: USD	30,645,361.37	6.4936	198,998,718.59
Euro	4,033,101.33	7.0952	28,615,660.56
HKD	950,120.41	0.8378	796,010.88
JPY	168,579,099.40	0.0539	9,086,413.46
BRL	855,860.58	1.6395	1,403,183.42
Other payables			97,903,471.93
Wherein: USD	14,488,898.50	6.4936	94,085,111.30
Euro	194,976.40	7.0952	1,383,396.55
HKD	2,646,218.26	0.8378	2,217,001.66
JPY	365,479.35	0.0539	19,699.34
BRL	120,928.99	1.6395	198,263.08

## 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)
Wuhu GREE Precision Manufacturing Co., Ltd.	Establishment	March 2015	3,000.00	3,000.00	100.00	2,711.13	-288.87
Zhuhai GREE Intelligent Equipment Co., Ltd.	Establishment	September 2015	10,000.00	10,000.00	100.00	9,821.45	-178.55
Zhuhai Hengqin GREE business factoring Co., Ltd.	Establishment	December 2015	5,000.00	5,000.00	100.00	5,000.00	
Gree HVAC Equipment (Wuhan) Co., Ltd.	Establishment	December 2015	4,000.00		100.00		
GREE intelligent equipment (Wuhan) Co., Ltd.	Establishment	December 2015	8,000.00		100.00		
Zhuhai GREE Intelligent Equipment Technology Research Institute Co., Ltd.	Establishment	December 2015	5,000.00		100.00		

## 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

NO.	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
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	Finance	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

NO.	Name	Main location of operation	Place of registration	Nature of business	Shareholding ratio (%)		Voting right percentage (%)	Acquisition mode
					Direct	Indirect		
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
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 (Zhongshan) Small Home Appliances Co., Ltd.	Zhongshan City	Zhongshan City	Commercial manufacture	100.00		100.00	Establishment
24	Shijiazhuang Gree Small Home Appliances Co., Ltd.	Shijiazhuang City	Shijiazhuang City	Commercial manufacture	100.00		100.00	Establishment
25	Gree Green Refrigeration Technology Center Co., Ltd. Of Zhuhai	Zhuhai City	Zhuhai City	Technical research and development	100.00		100.00	Establishment
26	Zhengzhou Gree Green Resources Recycling Co., Ltd.	Zhengzhou City	Zhengzhou City	Commercial manufacture	100.00		100.00	Establishment
27	Shijiazhuang Green Resources Recycling Co., Ltd.	Shijiazhuang City	Shijiazhuang City	Commercial manufacture	100.00		100.00	Establishment
28	Hunan Green Resources Recycling Co., Ltd.	Ningxiang County	Ningxiang County	Commercial manufacture	100.00		100.00	Establishment
29	Tianjin Green Resources Recycling Co., Ltd.	Tianjin City	Tianjin City	Commercial manufacture	100.00		100.00	Establishment
30	Wuhu Green Resources Recycling Co., Ltd.	Wuhu City	Wuhu City	Commercial manufacture	100.00		100.00	Establishment
31	Zhuhai Gree Dakin Device Co., Ltd.	Zhuhai City	Zhuhai City	Commercial manufacture	51.00		51.00	Establishment
32	Zhuhai Gree Daikin Precision Mold Co., Ltd.	Zhuhai City	Zhuhai City	Commercial manufacture	51.00		51.00	Establishment
33	Wuhu Gree Precision Manufacturing Co., Ltd.	Wuhu City	Wuhu City	Commercial manufacture	100.00		100.00	Establishment
34	Zhuhai Ligao Precision Manufacturing Co., Ltd.	Zhuhai City	Zhuhai City	Commercial manufacture	100.00		100.00	Establishment
35	Zhuhai TOSOT Home Appliances Co., Ltd.	Zhuhai City	Zhuhai City	Commercial manufacture	100.00		100.00	Establishment
36	Gree TOSOT (Suqian) Home Appliances Co., Ltd.	Suqian City	Suqian City	Commercial manufacture	100.00		100.00	Establishment

NO.	Name	Main location of operation	Place of registration	Nature of business	Shareholding ratio (%)		Voting right percentage (%)	Acquisition mode
					Direct	Indirect		
37	Zhuhai Gree HVAC Equipment Co., Ltd.	Zhuhai City	Zhuhai City	Commercial manufacture	100.00		100.00	Establishment
38	Changsha Gree HVAC Equipment Co., Ltd.	Changsha City	Changsha City	Commercial manufacture	100.00		100.00	Establishment
39	Gree HVAC Equipment (Wuhan) Co., Ltd.	Wuhan City	Wuhan City	Commercial manufacture	100.00		100.00	Establishment
40	Zhuhai IVP Information Technology Co., Ltd.	Zhuhai City	Zhuhai City	IT	100.00		100.00	Establishment
41	Zhuhai Gree Xinyuan Electronics Co., Ltd.	Zhuhai City	Zhuhai City	Commercial manufacture	100.00		100.00	Business combination involving enterprises under common control
42	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
43	Zhuhai Gree Electric Appliances Sales Co., Ltd.	Zhuhai City	Zhuhai City	Sales	100.00		100.00	Establishment
44	Brazil United Electric Appliances Industry and Commerce Co., Ltd.	Sao Paulo, Brazil	Sao Paulo, Brazil	Sales	100.00		100.00	Establishment
45	Shanghai Gree Air Conditioners Sales Co., Ltd.	Shanghai City	Shanghai City	Sales	90.00	9.70	99.70	Establishment
46	Gree (USA) Sales Co., Ltd.	California, USA	California, USA	Sales	51.00		51.00	Establishment
47	Zhuhai GREE Intelligent Equipment Co., Ltd.	Zhuhai City	Zhuhai City	Commercial manufacture	100.00		100.00	Establishment
48	GREE Intelligent Equipment (Wuhan) Co., Ltd.	Wuhan City	Wuhan City	Commercial manufacture	100.00		100.00	Establishment
49	Zhuhai GREE Intelligent Equipment Technology Research Institute Co., Ltd.	Zhuhai City	Zhuhai City	Commercial manufacture	100.00		100.00	Establishment

Note: The Company directly holds 90% 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 10% stocks, so the Company holds its 99.7% 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	11,018,343.91		120,285,399.93
Zhuhai Gree Group Finance Company Limited	10.75	10.75	63,729,217.89		370,489,998.69

## 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.	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

### Continued

Name	Balance at the beginning of the period			
	Current assets	Non-current assets	Current liabilities	Non-current liabilities
Gree Electric Appliances (Chongqing) Co., Ltd.	4,467,979,135.44	1,174,878,866.57	1,999,453,614.68	1,169,186.73
Zhuhai Gree Group Finance Company Limited	28,595,408,542.11	8,450,041,986.19	34,091,775,035.21	127,555,830.91

### (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.	6,668,782,311.95	367,278,130.36	367,278,130.36	487,964,532.02

Name	Amount for the current period			
	Operating incomes	Net profits	Total comprehensive income	Cash flows from operating activities
Zhuhai Gree Group Finance Company Limited	2,852,036,700.04	592,829,933.87	620,298,930.28	15,342,532,527.17

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.	8,673,211,778.92	469,019,172.05	469,019,172.05	78,425,721.98
Zhuhai Gree Group Finance Company Limited	2,316,356,062.79	434,407,916.53	472,623,899.29	11,319,373,473.72

## (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	288,769,751.43	388,652,805.83
Including: cash and cash equivalents	20,090,818.97	43,167,221.04
Non-current assets	55,741,214.24	13,357,386.48
Total assets	344,510,965.67	402,010,192.31
Current liabilities	196,337,103.69	275,835,638.47
Non-current liabilities	13,546,800.00	2,866,800.00
Total liabilities	209,883,903.69	278,702,438.47
Minority equity	8,475,401.38	8,123,162.98
Equity attributable to the shareholders of the parent company	126,151,660.60	115,184,590.86
Share of net assets calculated by the shareholding ratio	63,075,830.30	57,592,295.43
Operating incomes	219,398,899.40	78,943,052.92
Financial expense	3,133,133.84	-1,064,295.78



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
Income tax expenses	1,205,151.39	23,762.04
Net profits	6,328,722.88	-1,724,747.86
Total comprehensive income	6,328,722.88	-1,724,747.86

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	88,819,798,560.53	54,545,673,449.14
Derivative financial assets		84,177,518.23
Bills receivable	14,879,805,537.96	50,480,571,355.46
Accounts receivable	2,879,212,111.93	2,661,347,628.69
Prepayment	847,929,149.71	1,591,487,357.94
Interests receivable	1,109,776,449.77	1,242,145,987.65
Other receivables	254,016,643.00	380,598,514.05
Buying back the sale of financial assets	1,000,000,000.00	
Disbursement of loans and advances	7,872,619,001.46	6,441,703,560.98
Available-for-sale financial assets	2,704,719,177.56	2,150,098,933.13
Other current assets	1,684,833,479.54	558,378,915.97
Total	122,052,710,111.46	120,136,183,221.24

Continued

Item	Financial liabilities	
	Amount at the end of the period	Amount at the beginning of the period
Short-term borrowing	6,276,660,136.03	3,578,773,331.48
Borrowings from the central bank	8,000,000.00	17,457,000.00
Deposits from customers and interbank	566,612,235.82	806,513,124.48
Derivative financial liabilities	1,189,028,366.37	215,703,496.13
Bills payable	7,427,635,753.74	6,881,963,087.81
Accounts payable	24,794,268,372.47	26,784,952,481.63
Advances from customers	7,619,598,042.86	6,427,722,358.11
Financial assets sold for repurchase		586,000,000.00
Interests payable	48,386,709.75	36,177,925.90
Other payables	2,607,601,936.21	2,546,377,288.42
Non-current liabilities due within one year	2,403,745,557.37	2,061,490,867.16
Long-term borrowing		2,258,969,252.88
Other current liabilities	55,007,851,867.48	48,585,312,868.93
Total	107,949,388,978.10	100,787,413,082.93

### (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, prepayments and other receivables accounted for 2.47% (which was 2.97% 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, prepayments and other receivables, refer to the disclosed information in "7 (4) Accounts receivable, (5) Prepayments, (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 1.13, 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 December 31, 2015, see the "Notes 7 (59) 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, 2015:

Report item	Amount	Interest rate range	Remarks
Short-term borrowing	6,276,660,136.03	1.48%-1.67%	Floating interest rate
Non-current liabilities due within one year	2,403,745,557.37	1.60%-1.85%	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	2,614,719,177.56			2,614,719,177.56
1. Equity instrument investment	1,687,881,127.56			1,687,881,127.56
2. Debt instrument investment	926,838,050.00			926,838,050.00
(2) Derivative financial assets				
(3) Derivative financial liabilities	1,189,028,366.37			1,189,028,366.37

### (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	Dong Mingzhu	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 code
Zhuhai Gree Group Co., Ltd.	18.22	18.22	Zhuhai Municipal State-owned Assets Supervision and Administration Commission	440400000146523

## (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

Name of other related parties	Relationship between other related parties and the Company	Unified social credit code/business license cod
Hebei Jinghai Guaranteed Investment Co., Ltd.	The second largest shareholder of the company	130100000162576
Zhuhai Gree Building Materials Co., Ltd.	Grandson company of holding subsidiary of the parent company	440400000099620
Zhuhai Gree Zhiye Co., Ltd.	Holding subsidiary of the parent company	91440400192551084D
Zhuhai Gree Island Investment Co. Ltd.	Grandson company of holding subsidiary of the parent company	440400000319504
Zhuhai Jianan Group Co., Ltd.	Holding subsidiary of the parent company	440400000208845
Zhuhai Gree Property Management Co., Ltd.	Holding subsidiary of the parent company	440400000136861
Zhuhai Gree New Technology Development Co., Ltd.	Holding subsidiary of the parent company	91440400752091347H
Zhuhai Gree Magneto-Electric Co., Ltd.	Holding subsidiary of the parent company	440400400033940
Zhuhai Gree Service Co., Ltd.	Wholly-owned subsidiary of the parent company	91440400192555907E
Henan Shengshi Xinxing Gree Trading Co., Ltd.	The company in which the Company's supervisor serves as general manager	410100000079061
Hebei Shengshi Xinxing Gree Trading Co., Ltd.	The company in which the Company's director serves as general manager	130100000372367
Zhejiang Shengshi Xinxing Gree Trading Co., Ltd.	The company in which the Company's director serves as general manager	330181000257559

## (5) Related transactions

### (1) Purchase of commodities/receiving of services

Related parties	Type of related transactions	Contents of related transactions	Related transaction pricing principle	Amount for the current period		Amount for the previous period	
				Amount	Proportion to amount of similar transaction (%)	Amount	Proportion to amount of similar transaction (%)

Related parties	Type of related transactions	Contents of related transactions	Related transaction pricing principle	Amount for the current period		Amount for the previous period	
				Amount	Proportion to amount of similar transaction (%)	Amount	Proportion to amount of similar transaction (%)
Zhuhai Gree Group Co., Ltd.	Deposit-taking	Interest expense	Fair market price	1,598,588.12	0.08	528,367.56	0.03
Zhuhai Gree Zhiye Co., Ltd.	Deposit-taking	Interest expense	Fair market price	22.87	0.00	381.49	0.00
Zhuhai Gree Magneto-Electric Co., Ltd.	Deposit-taking	Interest expense	Fair market price	205.28	0.00	190.45	0.00
Zhuhai Gree Property Management Co., Ltd.	Deposit-taking	Interest expense	Fair market price			35.51	0.00
Zhuhai Gree Service Co., Ltd.	Deposit-taking	Interest expense	Fair market price	103,541.89	0.00	124,711.64	0.01
Henan Shengshi Xinxing Gree Trading Co., Ltd.	Deposit-taking	Interest expense	Fair market price	150,953.97	0.01	2,036,644.96	0.12
Zhejiang Shengshi Xinxing Gree Trading Co., Ltd.	Deposit-taking	Interest expense	Fair market price	710,591.75	0.03	1,946,732.79	0.11
Zhuhai Gree Island Investment Co. Ltd.	Deposit-taking	Interest expense	Fair market price	101.26	0.00	52.52	0.00
Zhuhai Jianan Group Co., Ltd.	Purchase of services	Infrastructure project	Fair market price	10,877,679.83	0.84	9,205,698.06	0.73
Liaowang All Media Communication Co., Ltd.	Service sourcing	Publicity and advertising	Fair market price			16,881,027.90	0.06
Beijing Gree Technology Co., Ltd.	Materials procurement	Fittings	Fair market price	19,670,398.04	0.01	18,394,787.96	0.01

## 2. Sales of commodities/rendering of services

Related party	Type of related transactions	Contents of related transactions	Related transaction pricing principle	Amount for the current period		Amount for the previous period	
				Amount	Proportion to amount of similar transaction (%)	Amount	Proportion to amount of similar transaction (%)
Henan Shengshi Xinxing Gree Trading Co., Ltd.	Discounted value	Interest revenue	Fair market price	9,859,319.77	8.29	956,169.02	0.69
Hebei Shengshi Xinxing Gree Trading Co., Ltd.	Discounted value	Interest revenue	Fair market price	13,314,704.27	11.20		
Zhejiang Shengshi Xinxing Gree Trading Co., Ltd.	Discounted value	Interest revenue	Fair market price	5,196,069.01	4.37		
Henan Shengshi Xinxing Gree Trading Co., Ltd.	Sales of commodities	Sales revenue	Market price	6,447,701,610.96	7.70	11,177,450,876.23	7.98
Hebei Shengshi Xinxing Gree Trading Co., Ltd.	Sales of commodities	Sales revenue	Market price	2,671,040,237.44	3.19		

Related party	Type of related transactions	Contents of related transactions	Related transaction pricing principle	Amount for the current period		Amount for the previous period	
				Amount	Proportion to amount of similar transaction (%)	Amount	Proportion to amount of similar transaction (%)
Zhejiang Shengshi Xinxing Gree Trading Co., Ltd.	Sales of commodities	Sales revenue	Market price	5,231,798,174.85	6.25	6,892,131,704.23	4.92

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. 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	23,205,065.00	20,835,626.00

#### (6) Accounts receivable and payable by related parties

Item Name	Related party	Amount at the end of the period	Amount at the beginning of the period
Customer deposit	Zuhai Gree Group Co., Ltd.	52,070,790.24	2,029,539.42
	Zuhai Gree Zhiye Co., Ltd.	5,380.58	
	Henan Shengshi Xinxing Gree Trading Co., Ltd.	1,417.33	
	Zuhai Gree Service Co., Ltd.	2,902,445.42	3,633,655.54
	Zuhai Gree Magneto-Electric Co., Ltd.	8,735.40	48,528.28
	Zhejiang Shengshi Xinxing Gree Trading Co., Ltd.	210,048,073.21	13,555.24
	Hebei Shengshi Xinxing Gree Trading Co., Ltd.	23,434.74	
	Zuhai Gree Island Investment Co. Ltd.	42,004.84	1,921.70
Disbursement of loans and advances	Henan Shengshi Xinxing Gree Trading Co., Ltd.		81,500,790.00
Bills receivable	Henan Shengshi Xinxing Gree Trading Co., Ltd.	1,735,856,740.65	6,171,909,741.00
	Hebei Shengshi Xinxing Gree Trading Co., Ltd.	350,000,000.00	
	Zhejiang Shengshi Xinxing Gree Trading Co., Ltd.	921,084,690.00	4,148,299,025.00
Other receivables	Zuhai Gree Group Co., Ltd.	2,521,000.00	1,427,200.00
Accounts payable	Beijing Gree Technology Co., Ltd.	4,263,831.21	6,768,953.89
Advance received from customers	Henan Shengshi Xinxing Gree Trading Co., Ltd.	479,197,575.37	666,746,829.45
	Hebei Shengshi Xinxing Gree Trading Co., Ltd.	265,591,592.37	

Item Name	Related party	Amount at the end of the period	Amount at the beginning of the period
	Zhejiang Shengshi Xinxing Gree Trading Co., Ltd.	29,565,963.03	61,707,763.48
Interests payable	Zhuhai Gree Zhiye Co., Ltd.	0.69	0.69
	Zhuhai Gree Service Co., Ltd.	65,204.56	83,784.19
	Zhuhai Gree Magneto-Electric Co., Ltd.	4.39	6.23
	Zhuhai Gree Group Co., Ltd.	2,320.30	1,096.08
	Zhejiang Shengshi Xinxing Gree Trading Co., Ltd.	140,006.17	1.74
	Hebei Shengshi Xinxing Gree Trading Co., Ltd.	3.01	
	Zhuhai Gree Island Investment Co. Ltd.	5.39	2.19

### XIII. Share-based payments

The Company had no share-based payments in the current period.

### XIV. Contingencies

On 12 September, 2013, the Company initiatively applied for and gained permission of the US Consumer Product Security 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 (also called Soleus), 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. We have not got any result for the second instance of the case as of the approval date of the report. The Company also had reconciliation talks with MJC according to US law while inviting professional lawyers to actively react to the appeal, but no substantive progress has been seen by now.

### XV. Commitments

As of 31 December, 2015, the Company had no significant commitments to be



disclosed.

### **XVI. Events after the balance sheet date**

Based on the net profit RMB5,415,829,921.64 achieved by the parent company in 2015, the statutory surplus reserve RMB541,582,992.16 was extracted by 10%, plus the undistributed profit RMB14,255,937,572.83 at the beginning of the year and minus the distributed cash dividend RMB9,023,596,317.00, to get the actual distributable profit RMB10,106,588,185.31 of the Company at the end of 2015.

According to the resolution passed at the fifth meeting of the tenth session of the Board of Directors of the Company, the profit distribution plan of the Company for the year 2015 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 RMB15.00 (tax included) per 10 stocks, with the total amount of cashes to be distributed in such a way up to RMB9,023,596,317.00 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 matters**

The Company started to suspend trading from 22 February, 2016 as it planned to issue shares to purchase 100% equity of Zhuhai Yinlong New Energy Co., Ltd. held by Zhuhai Henggu New Energy Technology Co., Ltd. and other related parties. The Company is actively communicating with each related party and discussing about the assets purchase plan by issuing shares. Due to uncertainty of this matter, the Company published the Announcement on Application for Continued Trading Suspension at Expiration of Suspension due to Planning of Share Issuance to Purchase Assets on 5 April, 2016 to continue suspension. The Company was still in the suspension period as of the approval date of the audit report.

### **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		
	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

## Continued

Type	Balance at the beginning of the year				
	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	899,791,647.32	99.48	32,272,041.80	3.59	867,519,605.52
Including: aging combination	639,171,988.53	70.67	32,272,041.80	5.05	606,899,946.73
Consolidation scope combination	260,619,658.79	28.81			260,619,658.79
Other insignificant accounts receivable with single bad debt provision appropriated	4,715,115.32	0.52	4,715,115.32	100.00	
Total	904,506,762.64	100.00	36,987,157.12	4.09	867,519,605.52

## 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	611,492,995.78	30,574,649.79	5.00
1 - 2 years	5,570,723.70	1,114,144.74	20.00

2 - 3 years	176,549.10	88,274.55	50.00
Over 3 years	299,703.16	299,703.16	100.00
Total	617,539,971.74	32,076,772.24	5.19

3. Accounts receivable with insignificant amounts but an independent impairment test conducted at the end of the period

Name of debtor	Book balance	Bad debt amount	Percentage of appropriation (%)	Cause
Customer	4,715,115.32	4,715,115.32	100.00	Corporate liquidation
Total	4,715,115.32	4,715,115.32	100.00	

4. Bad debt provision appropriated, recovered or reversed by the Company in the current period:

The amount of bad debt provision reversed by the Company in the current period was RMB163,284.83.

5. Accounts receivable actually written off within the Report Period was RMB31,984.73.

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 customer	2,507,951,982.01	Within 1 year	72.63	
Second	Related customer	200,105,340.24	Within 1 year	5.80	
Third	Non-related customer	141,224,897.07	Within 1 year	4.09	7,061,244.85
Fourth	Related customer	122,584,627.98	Within 1 year	3.55	
Fifth	Non-related customer	95,269,935.19	Within 1 year	2.76	4,763,496.76
Total	--	3,067,136,782.49		88.83	11,824,741.61

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		
	Book balance	Bad debt provision	Carrying amount

	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

## Continued

Type	Balance at the beginning of the year				
	Book balance		Bad debt provision		Carrying amount
	Amount	Percentage (%)	Amount	Percentage (%)	
Other receivables with significant single amounts and single impairment provision appropriated					
Other receivables with impairment provision appropriated by combination	704,457,194.49	100.00	14,028,590.14	1.99	690,428,604.35
Including: aging combination	271,093,038.09	38.48	14,028,590.14	5.17	257,064,447.95
Consolidation scope combination	433,364,156.40	61.52			433,364,156.40
Other insignificant receivables with single bad debt provision appropriated					
Total	704,457,194.49	100.00	14,028,590.14	1.99	690,428,604.35

## 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	111,663,909.18	5,583,195.46	5.00
1 to 2 years	6,320,479.33	1,264,095.86	20.00
2 to 3 years	39,157.85	19,578.93	50.00
Over 3 years	482,365.54	482,365.54	100.00
Total	118,505,911.90	7,349,235.79	6.20

3. Bad debt provision appropriated, recovered or reversed by the Company in the current period

The amount of bad debt provision reversed by the Company in the current period was RMB6,679,354.35.

4. There were no other receivables actually written off by the Company in the current period.

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	508,314,348.43	497,259,382.80
Hedging instrument funds	73,656,888.15	207,197,811.69
Total	581,971,236.58	704,457,194.49

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	186,569,908.59	Within 1 year	32.06	
Second	Related party	140,898,261.37	Within 1 year	24.21	
Third	Non-related party	73,656,888.15	Within 1 year	12.66	3,682,844.41
Fourth	Related party	54,370,604.01	Within 1 year	9.34	
Fifth	Related party	38,021,132.00	Within 1 year	6.53	
Total	--	493,516,794.12	--	84.80	3,682,844.41

### (3) Long-term equity investment

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 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 Landa Compressor Co., Ltd.	Cost method	968,225,519.93	950,180,791.27	18,044,728.66	968,225,519.93	100.00	100.00			
Gree Electric Appliances (Zhengzhou) Co., Ltd.	Cost method	720,000,000.00	720,000,000.00		720,000,000.00	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			
Gree Electric Appliances (Hefei) Co., Ltd.	Cost method	505,370,626.10	505,370,626.10		505,370,626.10	100.00	100.00			
Zhuhai Gree Dakin Device Co., Ltd.	Cost method	283,117,574.47	283,117,574.47		283,117,574.47	51.00	51.00			28,941,374.91
Gree Electric Appliances (Chongqing) Co., Ltd.	Cost method	223,100,000.00	223,100,000.00		223,100,000.00	97.00	97.00			
Zhuhai Green Refrigeration Technology Center Co., Ltd.	Cost method	676,040,000.00	600,426,941.26	75,613,058.74	676,040,000.00	100.00	100.00			
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			
Zhuhai Gree Electrical Co., Ltd.	Cost method	184,680,359.95	184,680,359.95		184,680,359.95	100.00	100.00			
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 (Shijiazhuang) Co., Ltd.	Cost method	98,940,059.97	98,940,059.97		98,940,059.97	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			
Zhuhai Gree Xinyuan Electronics Co., Ltd.	Cost method	54,290,096.61	54,290,096.61		54,290,096.61	100.00	100.00			
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 Electric Appliances (Wuhu) Co., Ltd.	Cost method	20,000,000.00	20,000,000.00		20,000,000.00	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
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			
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			
Shijiazhuang Green Resources Recycling Co., Ltd.	Cost method	5,000,000.00	5,000,000.00		5,000,000.00	100.00	100.00			
Shanghai GREE Air Conditioners Sales Co., Ltd	Cost method	1,800,000.00	1,800,000.00		1,800,000.00	99.70	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 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 Ligao Precision Manufacturing Co., Ltd.	Cost method	30,000,000.00	30,000,000.00		30,000,000.00	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			
Tianjin Green Resources Recycling Co., Ltd.	Cost method	5,000,000.00	5,000,000.00		5,000,000.00	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	40,000,000.00	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 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	100.00	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
Subtotal		6,759,419,886.99	6,445,762,099.59	313,657,787.40	6,759,419,886.99					28,941,374.913
Chongqing Pargo Mechanical Equipment Co., Ltd.	Equity method	8,503,918.85	11,074,939.18	-183,122.28	10,891,816.90	38.70	38.70			
Songyuan Food Group Co., Ltd.	Equity method	60,600,000.00	57,727,107.46	3,164,361.44	60,891,468.90	50.00	50.00			
Liaowang All Media Communication Co., Ltd.	Equity method	24,500,000.00	22,331,876.23	91,992.81	22,423,869.04	49.00	49.00			
Beijing Gree Technology Co., Ltd.	Equity method	300,000.00	1,079,175.38	172,857.33	1,252,032.71	15.00	15.00			
(Vietnam) Gree Electric Appliances, Inc.	Equity method	10,572,422.97	1,940,009.35		1,940,009.35	31.25	33.75	1,940,009.35		
Subtotal		104,476,341.82	94,153,107.60	3,246,089.30	97,399,196.90			1,940,009.35		
Total		6,863,896,228.81	6,539,915,207.19	316,903,876.70	6,856,819,083.89			1,940,009.35		28,941,374.91



#### (4) Operating revenues and operating costs

Item	Amount for the current period		Amount for the previous period	
	Revenue	Cost	Revenue	Cost
Main business	84,687,595,777.18	63,586,529,934.73	119,675,142,186.39	81,218,003,671.78
Other businesses	8,916,145,362.57	8,428,141,722.16	10,711,730,325.41	10,295,900,873.74
Total	93,603,741,139.75	72,014,671,656.89	130,386,872,511.80	91,513,904,545.52

#### (5) Investment income

Item	Amount for the current period	Amount for the previous period
Long-term equity investment income measured by cost method	24,756,274.91	31,332,303.10
Long-term equity investment income measured by equity method	3,246,089.30	-3,600,894.26
Investment income from disposal of long-term equity investment		732,204.48
Investment income from disposal of derivative financial instruments	143,435,881.55	529,347,334.05
Total	171,438,245.76	557,810,947.37

#### (6) 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	5,415,829,921.64	7,080,003,599.12
Add: Assets depreciation reserves	-3,691,215.17	10,746,773.18
Fixed assets depreciation, oil and gas assets accumulated depreciation, productive biological assets accumulated depreciation	317,991,795.21	299,716,963.81
Amortization of intangible assets	6,484,336.08	6,321,103.53
Amortization of long-term deferred expenses		
Losses on disposal of fixed assets, intangible assets and other long-term assets (incomes expressed with "-")	285,354.33	154,190.40
Losses on disposal of fixed assets (incomes expressed with "-")		
Losses from changes in fair value (incomes expressed with "-")	175,248,617.29	832,188,505.49
Financial expenses (incomes expressed with "-")	439,651,510.70	183,982,453.50
Investment losses (incomes expressed with "-")	-171,438,245.76	-557,810,947.37
Decrease in deferred income tax assets (increase expressed with "-")	-478,341,199.11	-2,253,385,695.04
Increase in deferred income tax liabilities (decrease expressed	-7,776,064.38	-27,290,022.75

Item	Amount for the current period	Amount for the previous period
with “-”)		
Decrease of inventories (increase expressed with “-”)	-2,045,510,987.54	2,670,980,573.46
Decrease in operating receivables (increase expressed with “-”)	32,122,492,266.34	-6,536,217,206.16
Increase in operating payables (decrease expressed with “-”)	3,860,679,104.80	18,450,932,102.58
Others	-2,739,577,313.87	-165,421,518.92
Net cash flows from operating activities	36,892,327,880.56	19,994,900,874.83
<b>2. Major investing and financing activities not involving cash receipts and payment:</b>		
Conversion of debt into capital		
Convertible bonds expiring within one year		
Fixed assets acquired under finance leases		
<b>3. Net changes in cash and cash equivalents:</b>		
Ending balance of cash	81,020,140,360.98	50,371,823,085.36
Less: Beginning balance of cash	50,371,823,085.36	33,405,450,196.45
Add: Ending balance of cash equivalents		
Less: Beginning balance of cash equivalents		
Net increase in cash and cash equivalents	30,648,317,275.62	16,966,372,888.91

Note: “other” is RMB 2,739,577,313.87 net increase of banks’ acceptance bill.

## 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	-8,078,976.10	Profit and loss from disposal of fixed 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)	1,160,736,574.04	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 business in relation to the normal operation of the Company	-916,913,668.52	Investment income, gains and losses from changes in fair value

Item	Amount	Description
Non-operating incomes and expenditures other than the above items	37,595,046.55	
<b>Total non-recurring profit and loss</b>	<b>273,338,975.97</b>	
Less: Influence amount of income tax	44,984,019.01	
<b>Net non-recurring profit and loss</b>	<b>228,354,956.96</b>	
Including: non-recurring profit and loss attributable to owners of the parent company	218,860,247.17	
Non-recurring profit and loss attributable to minority shareholders	9,494,709.79	

## (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	3,007,865,439.00	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			
The weighted average number of outstanding ordinary shares	$i = a + b + c \times d \div e - f \times g \div e - h$	6,015,730,878.00	6,015,730,878.00	
Net profit attributable to shareholders of ordinary stocks of the Company	j	12,532,442,817.66	14,155,167,229.36	
Net profit attributable to shareholders of ordinary stocks of the Company after deduction of non-recurring profit and loss	k	12,313,582,570.49	14,144,950,462.04	
Basic earnings per share	Calculate according to the net profit attributable to shareholders of ordinary stocks of the Company	$l = j \div i$	2.08	2.35
	Calculate according to the net profit	$m = k \div i$	2.05	2.35

Item	Serial Number	Amount for the current period	Amount for the previous period
attributable to shareholders of ordinary stocks of the Company after deduction of non-recurring profit and loss			

## 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	3,007,865,439.00	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			
The weighted average number of outstanding ordinary shares	$i=a+b+c \times d \div e - f \times g \div e - h$	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	12,532,442,817.66	14,155,167,229.36	
Net profit attributable to shareholders of ordinary stocks of the Company after deduction of non-recurring profit and loss	l	12,313,582,570.49	14,144,950,462.04	
Diluted earnings per share	Calculate according to the net profit attributable to shareholders of ordinary stocks of the Company	$m=k \div (i+j)$	2.08	2.35
	Calculate according to the net profit attributable to shareholders of ordinary stocks of the Company after deduction of non-recurring profit and loss	$n=l \div (i+j)$	2.05	2.35

The data for the previous period has been adjusted retrospectively.

## 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	27.31%	2.08	2.08
Net profit attributable to shareholders of ordinary stocks of the Company after deduction of non-recurring profit and loss	26.84%	2.05	2.05

## 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 Lu Mao'an.
- (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](http://www.cninfo.com.cn) within the Report Period.

**GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI**

Legal representative: Dong Mingzhu

29 April, 2016