

Wuxi Little Swan Company Limited

2015 Annual Report



March 2016

Section I. Important Statements, Contents & Terms

The Board of Directors, the Supervisory Committee as well as all directors, supervisors and senior management staff of Wuxi Little Swan Company Limited (hereinafter referred to as “the Company”) warrant that this Report is factual, accurate and complete without any false information, misleading statements or material omissions. And they shall be jointly and severally liable for that.

Mr. Fang Hongbo, chairman of the board, Mr. Sun Yunan, CFO, and Mr. Xu Yunwei, chief of the accounting organ (chief of accounting), hereby guarantee that the Financial Report annexed to this Report is factual, accurate and complete.

All directors attended the board meeting for reviewing this Report.

The Company’s profit distribution preplan upon review and approval of this board meeting: Based on the total shares of 632,487,764, a cash dividend of RMB6.00 (tax included) will be distributed for every 10 shares held by shareholders. No bonus shares will be granted and no capital reserve will be turned into share capital.

This Report involves futures plans and some other forward-looking statements, which shall not be considered as virtual promises to investors. Investors are kindly reminded to pay attention to possible risks.

This Report is prepared in both Chinese and English. Should there be any discrepancy between the two versions, the Chinese version shall prevail.

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Terms

Term	Refers to	Content
Company, the Company or Little Swan	Refers to	Wuxi Little Swan Company Limited
Midea Group	Refers to	Midea Group Co., Ltd.
TITONI	Refers to	TITONI Investments Development Ltd.
Midea Group Finance	Refers to	Midea Group Finance Co., Ltd.
GD Midea Holding	Refers to	GD Midea Holding Co., Ltd.
Hefei Midea Washing Machine	Refers to	Hefei Midea Washing Machine Co., Ltd.
Wuxi Little Swan General Appliance	Refers to	Wuxi Little Swan General Appliance Co., Ltd.
Wuxi FILIN Electronics	Refers to	Wuxi FILIN Electronics Co., Ltd.
Guangzhou Hualing Air Conditioner	Refers to	Guangzhou Hualing Air Conditioner Equipment Co., Ltd.
Attend Logistics	Refers to	Guangzhou Attend Logistics Co., Ltd.
CSRC	Refers to	China Securities Regulatory Commission
Reporting period	Refers to	1 Jan. 2015-31 Dec. 2015

Section II. Company Profile & Financial Highlights

I. Basic information of the Company

Stock abbreviation	Little Swan A, Little Swan B	Stock code	000418, 200418
Stock exchange	Shenzhen Stock Exchange		
Chinese name of the Company	无锡小天鹅股份有限公司		
Abbr. of the Chinese name of the Company	小天鹅		
English name of the Company (if any)	Wuxi Little Swan Company Limited		
Legal representative of the Company	Mr. Fang Hongbo		
Registered address	No. 18, Changjiang Road S., National Hi-tech Development Zone, Wuxi, Jiangsu Province		
Zip code	214028		
Office address	No. 18, Changjiang Road S., National Hi-tech Development Zone, Wuxi, Jiangsu Province		
Zip code	214028		
Internet website of the Company	http://www.littleswan.com		
Email address	IR_littleswan@littleswan.com.cn		

II. For contact

	Company Secretary	Securities Affairs Representative
Name	Ms. Zhou Sixiu	Mr. Zhao Yulin
Contact address	No. 18, Changjiang Road S., National Hi-tech Development Zone, Wuxi	No. 18, Changjiang Road S., National Hi-tech Development Zone, Wuxi
Tel.	0510-81082320	0510-81082377
Fax	0510-83720879	0510-83720879
E-mail address	IR_littleswan@littleswan.com.cn	IR_littleswan@littleswan.com.cn

III. About information disclosure and where this Report is placed

Newspapers designated by the Company for information disclosure	Securities Times, Ta Kung Pao (HK)
Internet website designated by CSRC for disclosing this Report	http://www.cninfo.com.cn
Where this Report is placed	Securities Department of the Company

IV. Changes in the registered information

Organizational code	91320200704046760T
Changes of the main business since listing (if any)	Unchanged
Changes of the controlling shareholder (if any)	The Company was incorporated in November 1993 by raising funds from targeted sources, with Jiangsu Little Swan Group Co., Ltd. as the controlling shareholder. In June 2007, Wuxi Guolian Development (Group) Co., Ltd. became the controlling shareholder as Jiangsu Little Swan Group Co., Ltd. transferred the 87,673,341 Little Swan A-shares to it according to law. In April 2008, GD Midea Holding Co., Ltd. became the controlling shareholder as it took over, upon agreement, all the Company's shares held by Wuxi Guolian Development (Group) Co., Ltd. In September 2013, Midea Group Co., Ltd. became the controlling shareholder as it merged in GD Midea Holding Co., Ltd. in a stock swap.

V. Other information

The CPAs firm hired by the Company:

Name	PricewaterhouseCoopers Zhong Tian LLP
Office address	11/F, PricewaterhouseCoopers Center, 202 Hubin Road, Huangpu District, Shanghai
Signing accountants	Lin Yupeng, Lin Xuyun

Sponsor engaged by the Company to conduct sustained supervision during the reporting period

Applicable Inapplicable

Name	Office address	Sponsor representative	Consistent supervision period
Huatai United Securities Co., Ltd.	25/F, CTS Tower, No. 4011 Shennan Road, Shenzhen, Guangdong	Bian Jianguang	From 4 Aug. 2006 to the date when all non-tradable share holders pay off the considerations that have been paid in advance for them and the non-tradable shares are unlocked.

Financial consultant engaged by the Company to conduct sustained supervision during the reporting period

Applicable Inapplicable

VI. Accounting and financial highlights

Does the Company adjust retrospectively or restate accounting data of previous years due to change of the accounting policy or correction of any accounting error?

Yes No

Unit: RMB Yuan

	2015	2014	Increase/decrease of current year over last year	2013
Operating revenue (RMB Yuan)	13,131,626,932.44	10,804,217,288.60	21.54%	8,727,956,044.37
Net profit attributable to shareholders	919,181,968.58	698,195,731.48	31.65%	413,350,079.54

of the Company (RMB Yuan)				
Net profit attributable to shareholders of the Company after extraordinary gains and losses (RMB Yuan)	903,388,867.00	549,737,253.68	64.33%	310,261,096.43
Net cash flows from operating activities (RMB Yuan)	3,598,695,468.80	1,657,114,317.33	117.17%	904,882,101.01
Basic EPS (RMB Yuan/share)	1.45	1.10	31.82%	0.65
Diluted EPS (RMB Yuan/share)	1.45	1.10	31.82%	0.65
Weighted average ROE (%)	19.32%	16.73%	2.59%	10.88%
	As at 31 Dec. 2015	As at 31 Dec. 2014	Increase/decrease of current year-end than last year-end	As at 31 Dec. 2013
Total assets (RMB Yuan)	14,327,655,366.60	11,376,793,928.71	25.94%	9,222,527,380.74
Net assets attributable to shareholders of the Company (RMB Yuan)	5,124,866,173.14	4,427,982,112.33	15.74%	3,908,897,654.74

Note: In the reporting period, “to make financial investments with the Company’s own funds” was added to the business scope of the Company. As such, gains/losses on financial investments have been restated as recurrent gains/losses. Dismissal expenses have been restated as recurrent gains/losses as well. In order to help investors better understand the business results of the Company, the “net profit attributable to shareholders of the Company after extraordinary gains and losses” of 2014 is restated as follows with the same caliber:

Unit: RMB Yuan

	2015	2014	+/-
Net profit attributable to shareholders of the Company after extraordinary gains and losses	903,388,867.00	695,186,106.92	29.95%

VII. Differences between accounting data under domestic and overseas accounting standards

1. Differences of net profit and net assets disclosed in financial reports prepared under international and Chinese accounting standards

Applicable Inapplicable

No such differences for the reporting period

2. Differences of net profit and net assets disclosed in financial reports prepared under overseas and Chinese accounting standards

Applicable Inapplicable

No such differences for the reporting period

VIII. Financial highlights by quarter

Unit: RMB Yuan

	Q1	Q2	Q3	Q4
Operating revenue	3,293,972,545.08	2,807,931,319.52	3,510,072,100.54	3,519,650,967.30
Net profit attributable to shareholders of the Company	242,314,468.72	188,379,799.83	255,058,086.36	233,429,613.67
Net profit attributable to shareholders of the Company after extraordinary gains and losses	217,515,263.04	154,566,522.55	224,346,001.07	306,961,080.34
Net cash flows from operating activities	394,282,134.54	970,987,348.92	1,207,953,636.35	1,025,472,348.99

Note: In the reporting period, “to make financial investments with the Company’s own funds” was added to the business scope of the Company. As such, gains/losses on financial investments have been restated as recurrent gains/losses. And the “net profit attributable to shareholders of the Company after extraordinary gains and losses” for Q1, Q2 and Q3 in the table above is restated with the same caliber. Figures in other items are consistent with those in the disclosed periodical reports.

IX. Extraordinary gains and losses

Unit: RMB Yuan

Item	2015	2014	2013	Note
Gain/loss on the disposal of non-current assets (including the offset part of the asset impairment provisions)	-280,195.57	-3,482,781.03	-1,078,789.83	
Government grants recognized in the current period, except for those acquired in the ordinary course of business or granted at certain quotas or amounts according to the government’s unified standards	31,893,010.09	19,316,074.38	23,748,858.49	
Gain/loss on debt restructuring		7,708,285.28	2,807,241.09	
Impairment provision reversal of accounts receivable on which the impairment test is carried out separately			733,146.16	
Effect on current gains/losses when a one-off adjustment is made to current gains/losses according to requirements of taxation, accounting and other relevant laws and regulations	2,679,264.25	7,701,506.00	308,469.59	
Non-operating income and expense other than the above	-8,815,676.21	7,821,536.57	9,283,944.96	
Other gain and loss items that meet the definition of an extraordinary gain/loss		162,708,030.89	97,565,087.41	
Dismissal expenses		-17,259,177.65	-5,944,610.29	
Less: Income tax effects	3,899,799.51	11,994,501.34	9,485,975.81	
Minority interests effects (after tax)	5,783,501.47	24,060,495.30	14,848,388.66	
Total	15,793,101.58	148,458,477.80	103,088,983.11	--

Explain the reasons if the Company classifies an item as an extraordinary gain/loss according to the definition in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public—Extraordinary Gains and Losses, or classifies any extraordinary gain/loss item mentioned in the said explanatory announcement as a recurrent gain/loss item

Applicable Inapplicable

Item	Amount (RMB Yuan)	Reason
Gains on financial investment	201,658,430.62	In the reporting period, “to make financial investments with the Company’s own funds” was added to the business scope of the Company. As such, gains/losses on financial investments have been restated as recurrent gains/losses.
Dismissal expenses	-14,322,248.26	Necessary for routine operation

Section III. Business Highlights

I. Main business during the reporting period

As one of the earliest washing machine manufacturers in China, Wuxi Little Swan Company Limited is principally engaged in R&D, production and sale of domestic washing machines. In 1978, China's first fully-auto washing machine greeted the world in the Company. With 37 years of focus on washing machines, the Company mainly produces front-loading washing machines (also known as "roller washing machines") and top-loading washing machines (also "pulsator washing machines"). Pulsator washing machines can be divided into fully-auto ones and double-cylinder ones according to structure. Currently, these three kinds of washing machines are the mainstream in the market. In 2015, the Company produced and sold over 14 million units of such washing machines, with the second largest market share in China's washing machine industry. In addition, the Company can also produce clothes dryers and agitator washing machines. The recent years have witnessed a fast growth in the market of clothes dryers. In 2015, the Company achieved over RMB200 million by selling clothes dryers, representing a considerable growth from the year earlier.

The Company has a sound technological R&D system, including one state-level technological center and two state-recognized labs. Little Swan holds on to independent innovation and has the internationally advanced frequency-changing, intelligent control, structure design, industrial design and other core washing technologies. We own 2 manufacturing bases, one in Wuxi, Jiangsu Province and the other one in Hefei, Anhui Province, with a total floor area of more than 800,000 m² as well as a combined annual production capacity of over 18 million units. We also have domestically and internationally first-class manufacturing equipments and an experienced manufacturing team. Our products are sold to the domestic market as well as over 100 other countries and regions, with the overseas market accounting for more than 20% in our total sales. In domestic sale, we adopt the marketing mode of "agents+direct sale" and simultaneously develop the online and offline channels. In overseas sale, we focus on OEM and attach importance to our own brands at the same time. We adopt a two-brand strategy ("Little Swan" and "Midea") and the business under both brands has seen fast and sound growth in the recent years.

We have been focusing on our main business, improving our product mix according to consumers' needs, and increasing product quality. Therefore, our management efficiency has increased significantly, our profitability has been enhanced and our position in the industry as well as our share in the market have kept increasing, which have made the Company one of the most competitive washing machine manufacturers for all these years.

II. Material changes in main assets

Applicable Inapplicable

III. Core competitiveness analysis

The core competitiveness of the Company is demonstrated in the following aspects:

1. Our knowledge and experience accumulated in the long history of our washing machine business. We are the sole company in China that has focused on the washing machine industry since the end of 1970s. Profound knowledge and experience has been accumulated through these several decades in technology, R&D and innovation, market research, business operation, etc., which has been transformed into tacit knowledge of the Company through the accumulation and inheritance by our talent team and has thus become the most important core competitiveness of the Company.

2. Our capability of seeing the industry clearly and R&D. We have our unique capability of judging and foreseeing developments in the industry and technology. Through constant input of R&D resources over the years, the Company has owned leading technological competitiveness in the industry. The Company has a sound technological R&D system, including one state-level technological center and two state-recognized labs. Little Swan Lab is the first washing machine lab in China to pass the UL North American safety verification and the German VDE verification. Little Swan holds on to independent innovation and has the internationally advanced frequency-changing, intelligent control, structure design, industrial design and other core technologies.

3. Our relationship management capability at the upstream and downstream ends of our business. We keep building a customer-oriented supply chain management system, have set up an industry-leading cross-enterprise procurement platform with the help of Midea Group, constantly increase the efficiency of our supply chain and foster a strategic partnership with our suppliers. In terms of channels, in the domestic first and secondary markets, the Company mainly works with Suning, Gome and some other big regional customers; in the tertiary and fourth markets, the Company combines agent channels, flagship stores and franchised stores to distribute its products to households. In e-commerce, we proactively make plans about online channels by enhancing our cooperation with all famous online shopping platforms and our online sales have achieved a fast growth. Overseas, the Company keeps deepening its cooperation with customers, expanding strategic overseas markets and enhancing the promotion of its own brands in the regional markets. The Company enjoys a good and long-term cooperation with its major customers at home and abroad.

4. Our capability to respond to needs of consumers. As a consumer appliance manufacturer, we have been keeping a watchful eye on market changes, studying consumers' needs, and focusing on improvement of the whole process experience of customers in shopping, product use and after-sales service. In recent years, we have adopted a two-brand strategy ("Little Swan" and "Midea") to further satisfy diversified needs of consumers. With a history of over three decades, Little Swan is considered a very reliable brand among consumers, with the slogan of "Whole-hearted Little Swan" being well-known among them. As for Midea, a comprehensive home appliance brand, its share in the washing machine market keeps rising with increasing recognition.

5. Our capability of innovation and self-improvement. The Company is one of the earliest washer manufacturers in China. Through years of innovation and accumulation, we have developed a corporate culture of R&D innovation, lean production and self-reform. We now have domestically and internationally first-class manufacturing equipment and an experienced manufacturing team. Our wide product range covers roller, wave-wheel full-automatic, double-cylinder and agitator washing machines, clothes dryers, etc., creating incomparable scale competitiveness among washer manufacturers as well as a complete series of product lines.

Along with the constant developments of the market needs, we will further improve our capability of intelligent manufacture. We have established a sound corporate governance mechanism, an effective performance appraisal mechanism, a mature professional manager mechanism and a mature talent cultivating mechanism. Along with changes in the market and this new era, we will keep reforming our organizational structure and operating model so as to ensure our capability of sustainable development.

No significant changes occurred to the core competitiveness of the Company in the reporting period.

Section IV. Discussion & Analysis by Management

I. Business review

I. Macro-environment

In 2015, China's economy was in a "new normal state" featuring stable development at a low level due to structural adjustment and transformation. Affected by the macro economic environment, slow recovery in the real estate market, etc, growth in domestic sale of home appliances was weak. And the export market as a whole was also sluggish because the international economy was being hit by political and economic chaos, considerable fluctuations in exchange rates, fading of the competitive edge of China's home appliances in cost and so on. However, the home appliance industry maintained a good momentum in consumption and transformation by upgrading in spite of the slowdown in growth.

In 2015, the structure of washing machine products was further optimized, with roller, large-capacity, inverter and smart products growing fast and becoming a new engine for the development of the industry. Traditional channels were battered while the e-commerce channel rose quickly. The traditional way of manufacturing, stocking and selling in a large size was in face of a serious challenge. In the reporting period, the washing machine industry became more centralized due to slowing growth and increasing competition. According to statistics from ChinaIOL, China sold a total of 56.1369 million units of washing machines in Jan.-Dec. 2015, down 0.40% from the year earlier, of which 39.0534 million units were sold domestically, representing a YoY growth of 3.78%, and 17.0836 million units were exported, decreasing 8.80% year on year.

II. Main business analysis

In face of rapid changes in domestic and overseas environments, closely adhering to the strategic axis of "leading products, efficiency-driven and global operation", we focused on our main business, firmly pushed forward organizational reform and operating transformation with customers as the center and production & sale as the main line, and kept improving our capability in lean management and profitability. In 2014, we continued to optimize our product structure, improve our product quality and steadily increase the operating efficiency, which further solidified our capability of sustainable development. For the reporting period, the Company achieved operating revenues of RMB13.132 billion, up 21.54% from the year earlier; net profit attributable to shareholders of the Company stood at RMB919 million, representing a YoY growth of 31.65%; and the overall gross profit rate stood at 26.54%, increasing by 0.66 percentage points from last year.

The revenue growth was mainly attributed to an increased sales volume, which was further attributed to optimized structures. Firstly, the product structure was optimized. Through our continuous efforts in product innovation, our product competitiveness and structure continued to improve, with a larger proportion of roller washing machines and a smaller proportion of double-cylinder products. Secondly, the channel structure was optimized. We vigorously pushed forward marketing reform, boosting growth in both the domestic and overseas sales, of which

the domestic online sales increased significantly from last year and the sales to Europe witnessed fast growth. Finally, the brand structure was optimized. Steady growth in the sales of products under the “Little Swan” brand as well as fast growth in the sales of products under the “Midea” brand both contributed to the growth in the total sales. In the reporting period, sales of the Company went up 27% from last year, a lot higher than the average growth in the industry.

The profit growth was attributed to a larger business scale, an increased gross profit margin as well as more investment gains. Our product structure was further optimized, with a larger proportion of high-gross-profit products. Our operating efficiency was obviously improved, with operating costs decreasing from last year due to low prices of raw materials. The Company had more self-owned funds and gained more from investments with the said funds. The reporting period also saw considerable increase in our profitability.

III. Accomplishments in 2015

1. Positively promote the rebuild of the organization and reorganize the operation mode by the Internet

For adapting to the development of the mobile Internet era, the Company positively promoted the rebuild of the organization and reorganize the operation mode by the Internet and regarded the “users and products” as the center, constructed four platforms namely “products, market, manufacture and service”, gave up the bureaucratic system as well as the centralization of the departments, and through infusing the platformization into the thinking and operation, the Company promoted the rebuild of the organization, the team, the performance and the culture, reconstructed the organization system, the appraisal mechanism as well as the management process in order to forge the performance-oriented culture of justness, fairness and open and to really realize the operation mode taking the “users, products and one line” as a center.



For building the high-efficiency operating process management system, forging the internal and external value chain and information flow, the Company powerfully promoted the rebuild projects of the 632 process which including 6 major operating systems, 3 major management platforms and 2 technology platforms and specified, wholly improved the process management process in every field through the unity of the process, data and system, all of which were for the rebuild of the Company organization and the long-term sustainable development.

2. Take the “users, innovation and intelligence” as a core to constantly enhance the products competitiveness

The Company further enlarged the R&D investment and positively promoted the R&D innovation ability construction and set up the projects team in USA for gradually construct the global R&D system; take the “users, innovation and intelligence” as the core and set up the intelligence technology, makers and Geek small team, as well as gradually promoted the products manager system mode for

further motivating the innovation vigor of the R&D; promoted the market-and-user oriented mode, strengthened the users' need research and focused on the whole process experience from purchase, use to after sale; enlarged the R&D power of the intelligent products, positively distributed the intelligent home furnishing market, and during the reporting period, the Company pushed out the i-bigger intelligent washing machines and the Internet des objects washing machines for realizing the functions such as the APP long-range control, the washing appointment, the washing state inquiry and the one-key-repair of intelligent inspection with the favorable reputation of the market selling. During the reporting period, Little Swan washing machines were granted the Innovation Price of 2015 China Home Appliances Appliance Award, the Germany Design "Red Dot Award", the First Price and the Third Price of China Home Appliances Science and Technology Progress Award and the Most "Self-reasoning" Intelligent Home Appliances Award of the China First Intelligent Home Appliances Assessment Activity. During the reporting period, the R&D and innovation ability of the Company products received the widely recognition among the market.

3. Constantly promoted the marketing mode transformation and made the domestic and export sale advanced side by side as well as the e-commerce business developed rapidly

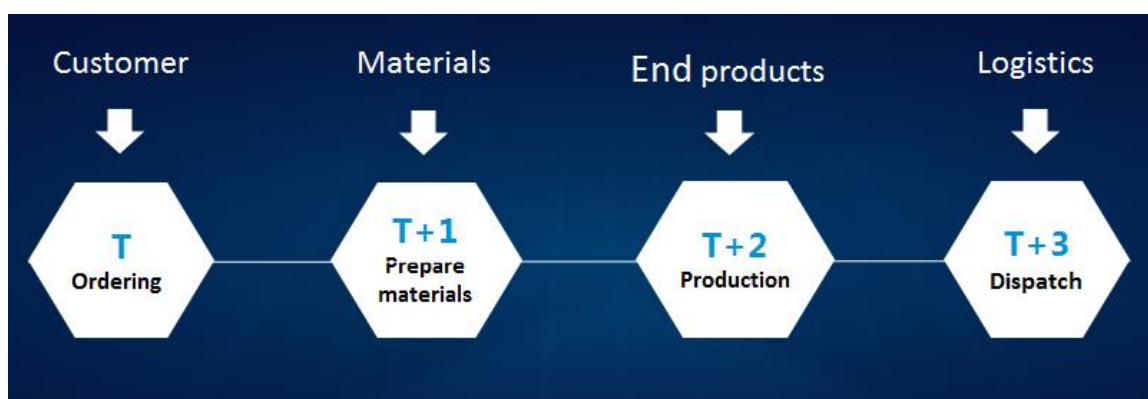
As for the domestic sale, the Company constantly promoted the marketing mode transformation, examined according to the distribution, pulled the transformation of the business team and the commercial agencies, reduced the middle hierarchy for enhancing the terminal competitiveness of the products; put the emphasize on the channel expanding, network construction and terminal distribution of the channel management, positively developed the small-sized and multiple-frequency sales promotion by the whole-network-collaboration; energetically develop the e-commerce channels, constantly enlarge the strategic cooperation with the platforms such as the JD, Tmall and Suning E-commerce, led the offline to develop the online shops and the 2015 value of retail sales made a breakthrough with the amount of RMB2.46 billion of the whole network with the YoY increase of 110%; promoted the CCS storage management system and enlarged the storage supervision, and at the same time forced the management and control by rigidly reducing the storage area; constantly enlarged the brand promotion power and the Company had won the highest award of the China Advertising Industry – 2015 China Advertising Great Wall Award, Media Marketing Gold Award and Interactive Creative Silver Award by the interactive creative advertisement with the young consumers – My Mother Says, and signed the licensing agreement with Disney as well as enhanced the brand impact by making the products line abundant. During the reporting period, according to the data statistics from the Yee, the market shares of the 2015 domestic sale of the Company was of 25.39% with a YoY increase of 4.57 percentage point.

As for the export sale, faced with the board environment of depressed export and market, the Company initiatively executed the transformation and constantly optimized market layout, further consolidated and enlarged the favorable area and positively expanded the strategic market as well as the blank market; adjusted the products and clients structure, enlarged the strategic cooperation strength with the major clients, and accelerated the unique distribution of the Midea brand by the Watertile, automatic release and WIFI Internet des objects technology as well as constantly improved the selling structure of the products; further enlarged the self-brand promotion force and promoted the rapidly increase of the self-brand among the local region market; constantly promoted the offshoring manufacturing, enhanced the terminal market competitiveness of the products. During the reporting

period, according to the date from the customs, the market share of the 2015 export volume of the Company was of 14.63% with a YoY increase of 3.12 percentage point.

4. Forged the new type production-marketing mode with the remarkable execution effect of the T+3 customer order system

For adapting the rapid changes of the market and the risks of the invalid of the traditional marketing mode, the Company vigorously promoted the new type production-marketing mode of T+3 customer order system, which transferred from the originally reserve type production to the customer order type production, promoted the offline directly distribution and reduced the intermediate link such as the transfer in order to accelerate the turnover and enhance the market competitiveness. In order to make sure the smoothly practice of the T+3 customer order system, the sell side led the customers to change the consciousness, intensified the frequently purchase and rapidly selling as well as the order and storage management; enlarged the exclusive supply clean of the supply side, introduced the high-quality resources for improving the supply distribution, sorted out the materials management for the timely supply; constantly simplified the products type of the R&D side, intensified the general utilization, modular design for reducing the number of the products materials and enhancing the standardization degree; enlarged the flexibility, automation and the streamline manufacturing upgrade of the manufacturing side, positively participated in the products design phase in order to improve the manufacturability and forced the enhance of the manufacturability through the production and marketing two-way assessment; to promote the high-end quality products strategies with great efforts of the quality side and to improve the boutique coverage rate as well as to forge the boutique public praise. During the reporting period, the production and marketing of the Company had adopted the T+3 customer order system mode with a remarkable execution effect.



5. Intensified the quality rigid principles and vigorously promoted the high-quality goods project strategies

Constantly promoted the quality management and control system construction intensified the quality rigid principle, resolutely implemented the quality “one-vote veto system”; intensified the management of two sources (design and incoming materials) and one process (manufacturing). Strictly controlled the process such as the products planning, trial-manufacture, trail-produce and the first patch of production on the design stage, which avoided the quality problems from the volume production; strictly carried out process inspection such as the sample confirm, type tests and routine tests on the incoming materials phase, which avoided the quality problems from the production line; strictly controlled the transparency and visualization of the quality management, executed the real-time monitor during the manufacturing for ensuring the products quality. Vigorously promoted

the high-quality goods project strategies, constructed the whole process refined management system and assessment standard through five links such as the precise planning, exquisite R&D, lean manufacturing, choicest quality and sincere service display, in order to gradually improve the boutique coverage rate and forge the boutique reputation. During the reporting period, the market repair rate had an obvious YoY decline of the Company, which meant the products quality had a remarkable improvement.

II. Main business analysis

1. Overview

The Company is mainly engaged in washing machines. And this remained the same during the reporting period. Movements of revenue, cost, expense, etc. are as follows:

Unit: RMB Yuan

Item	2015	2014	+/-	+/-%
Operating revenues	13,131,626,932.44	10,804,217,288.60	2,327,409,643.84	21.54%
Operating costs	9,646,390,824.36	8,007,492,218.69	1,638,898,605.67	20.47%
Period expense	2,387,468,126.14	1,945,862,660.03	441,605,466.11	22.69%
Operating profit	1,210,303,981.45	908,408,806.48	301,895,174.97	33.23%
Total profit	1,225,421,617.93	934,002,673.29	291,418,944.64	31.20%
Net profit attributable to the Company	919,181,968.58	698,195,731.48	220,986,237.08	31.65%

2. Revenues and costs

(1) Operating income form

Unit: RMB Yuan

	2015		2014		YoY +/-%
	Amount	Ratio of the operating income	Amount	Ratio of the operating income	
Total of the operating income	13,131,626,932.44	100%	10,804,217,288.60	100%	21.54%
Classified by industries					
Manufacture of the home appliances	11,929,121,727.57	90.84%	9,880,602,020.03	91.45%	20.73%
Other	1,202,505,204.87	9.16%	923,615,268.57	8.55%	30.20%
Classified by products					
Washing machines	11,929,121,727.57	90.84%	9,880,602,020.03	91.45%	20.73%
Other	1,202,505,204.87	9.16%	923,615,268.57	8.55%	30.20%
Classified by regions					

China	10,440,519,133.71	79.51%	8,691,506,064.61	80.45%	20.12%
Other countries	2,691,107,798.73	20.49%	2,112,711,223.99	19.55%	27.38%

(2) List of the industries, products or regions exceed 10% of the operating income or operating profits of the Company

Unit: RMB Yuan

	Operating income	Operating cost	Gross margin	YoY increase/decrease of the operating income	YoY increase/decrease of the operating cost	YoY increase/decrease of the gross margin
Classified by industries						
Manufacture of the home appliances	11,929,121,727.57	8,713,461,567.66	26.96%	20.73%	21.36%	-0.37%
Classified by products						
Washing machines	11,929,121,727.57	8,713,461,567.66	26.96%	20.73%	21.36%	-0.37%
Classified by regions						
China	9,238,013,928.84	6,329,146,939.40	31.49%	18.93%	21.22%	-1.29%
Other countries	2,691,107,798.73	2,384,314,628.26	11.40%	27.38%	21.73%	4.11%

Under the circumstances that the statistical standards for the Company's main business data adjusted in the Reporting Period, the Company's main business data in the recent year is calculated based on adjusted statistical standards at the end of the Reporting Period

Applicable Inapplicable

(3) Whether the Company's goods selling revenue higher than the service revenue

Yes No

Industries	Items	Units	2015	2014	YoY +/-%
Home appliances	Sales volume	Unit	14,294,646	11,293,335	26.58%
	Output	Unit	14,567,161	11,043,520	31.91%
	Stock	Unit	1,071,418	798,903	34.11%

Reasons for any over -30% YoY movement of the data above:

Applicable Inapplicable

The YoY increase of the output exceeded 30%, which mainly due to the YoY increase of the sales scope;

The YoY increase of the stock exceeded 30%, which mainly due to the increase of the scope and the digestion of the channel inventory of the fourth quarter of 2015.

(4) Execution of the significant sales contracts signed by the Company up to the reporting period

Applicable Inapplicable

(5) Operating cost form

Unit: RMB Yuan

Industries	Items	2015		2014		YoY +/-%
		Amount	Ratio of the operating income	Amount	Ratio of the operating income	
Washing machines	Raw materials	8,054,839,050.08	92.44%	6,582,063,431.60	91.67%	1.78%
Washing machines	Labor wages	398,109,632.96	4.57%	348,951,663.73	4.86%	-0.29%
Washing machines	Depreciation	136,687,138.85	1.57%	140,082,517.01	1.95%	-0.38%
Washing machines	Energy sources	59,950,304.43	0.69%	53,119,840.68	0.74%	-0.05%

(6) Whether the consolidated scope changed during the reporting period

Applicable Inapplicable

(7) List of the significant changes or adjustment of the industries, products or services of the Company during the reporting period

Applicable Inapplicable

(8) List of the major trade debtors and major suppliers

List of the major trade debtors of the Company

Total sales to the top 5 customers (RMB Yuan)	4,278,464,118.88
Ratio of the total sales to the top 5 customers to the annual total sales	32.57%

Information of the top 5 customers of the Company

Serial No.	Name of customer	Sales amount (RMB Yuan)	Proportion in annual total sales
1	No. 1	1,955,298,317.81	14.89%
2	No. 2	1,173,063,150.23	8.93%

3	No. 3	717,270,820.75	5.46%
4	No. 4	239,370,401.59	1.82%
5	No. 5	193,461,428.50	1.47%
Total	--	4,278,464,118.88	32.57%

List of the major suppliers of the Company

Total purchase to the top 5 suppliers (RMB Yuan)	2,160,665,511.17
Ratio of the total purchase to the top 5 suppliers to the annual total purchase	22.03%

Information of the top 5 suppliers of the Company

No.	Name of supplier	Purchase amount (RMB Yuan)	Ratio to the annual purchase amount
1	No. 1	1,268,205,039.86	12.93%
2	No. 2	255,967,175.78	2.61%
3	No. 3	237,422,588.66	2.42%
4	No. 4	223,982,428.53	2.28%
5	No. 5	175,088,278.34	1.79%
Total	--	2,160,665,511.17	22.03%

3. Expenses

Unit: RMB Yuan

	2015	2014	YoY +/-%	Notes of the significant changes
Selling expenses	1,957,833,768.25	1,519,482,348.76	28.85%	
Management expenses	539,747,209.80	441,240,435.76	22.32%	
Financial expenses	-110,112,851.91	-14,860,124.49	-641.00%	Increase of the interests on deposit and the exchange earnings

4. R&D investment

During the reporting period, the Company was market-oriented and took the customers' needs as the center and further enlarged the R&D innovation ability construction as well as forged the long-term sustainable development competition advantages. The expenditure of the R&D of the Company mainly applied in: 1. enlarged the R&D strength of the intelligent products, constructed the competition advantages in the intelligent washing field and positively distributed the intelligent home furnishing market; 2. constantly intensified the investigation on the customers' needs and constantly promoted the improvement of the whole process experience for the users; 3. constantly promoted the expenditures management work, improved the manufacturability and constructed the continuous cost advantages of the products; 4. constantly enlarged the introduction work of the high-end talents. In 2015, the expenditures of the investment on R&D of the Company was of RMB0.557 billion, which of 9.31%

to the audited net assets of 2015 and of 4.24% to the total operating income of 2015 of the Company.

List of the R&D investment of the Company

	2015	2014	Varied ratio
Number of the R&D personnel (person)	564	633	-10.9%
Ratio to the R&D personnel	7.16%	7.45%	-0.29%
Investment amount of the R&D (RMB10,000')	55,731.96	43,803.47	27.23%
Ratio of the R&D investment to the operating income	4.24%	4.05%	0.19%
Amount of the capitalized R&D investment (RMB Yuan)	0.00	0.00	0.00%
Ratio of the capitalized R&D investment to the R&D investment	0.00%	0.00%	0.00%

Reason of remarkable changes over the last year of the ratio of the total R&D investment amount to the operating income

Applicable Inapplicable

Reason of the greatly change of the ratio of the R&D investment capitalization and its reasonable explanation

Applicable Inapplicable

List of the patents number of the recent 2 years

Applicable Inapplicable

	Applied	Gained	Accumulative gained up to the period-end
Patent for invention	528	30	49
Utility model	524	444	879
Appearance design	142	113	311
List of the changes of the core technology team or the key technology personnel of 2015	During the reporting period, there was no any change of the core technology team or the key technology personnel which had significant influences on the core competitiveness of the Company as well as no any influence on the production and operation of the Company.		
Whether belongs to the high-tech enterprises recognized by the MOST	Yes		

5. Cash flow

Unit: RMB Yuan

Item	2015	2014	YoY +/-%
Subtotal of cash inflows from operating activities	12,873,994,461.09	8,891,098,192.24	44.80%
Subtotal of cash outflows from operating activities	9,275,298,992.29	7,233,983,874.91	28.22%
Net cash flows from operating activities	3,598,695,468.80	1,657,114,317.33	117.17%
Subtotal of cash inflows from investing activities	8,525,242,206.01	10,280,083,245.17	-17.07%

Subtotal of cash outflows from investing activities	10,570,010,753.52	11,785,485,490.22	-10.31%
Net cash flows from investing activities	-2,044,768,547.51	-1,505,402,245.05	-35.83%
Subtotal of cash inflows from financing activities	215,915,154.66	103,860,740.00	107.89%
Subtotal of cash outflows from financing activities	502,603,592.68	297,147,898.14	69.14%
Net cash flows from financing activities	-286,688,438.02	-193,287,158.14	-48.32%
Net increase in cash and cash equivalents	1,275,945,523.83	-41,465,061.67	3177.16%

Notes of the major effects on the YoY significant changes occurred of the data above

Applicable Inapplicable

Reason of the YoY increase of the net amount of the cash flow from operating activities: the increase of the received cash led by the increase of the net profits, decrease of the accounts receivable and the increase of the accounts received in advance;

Reason of the YoY decrease of the net amount of the cash flow from investment activities: the increase of the bank financing and the structured deposit scale;

Reason of the YoY decrease of the net amount of the cash flow from financing activities: the increase of the cash paid for the dividends distribution;

Reason of the YoY increase of the net increased amount of the cash and cash equivalents: the sharply increase of the net amount of the cash flow from operating activities.

Notes to the reason of the significant differences between the net cash flow from the operating activities and the net profits of 2015 of the Company during the reporting period

Applicable Inapplicable

During the reporting period, the net cash flow from operating activities amounted to RMB 3.599 billion the net profit amounted to RMB 1.053 billion. The material gap mainly comes from the decrease of receivables and increase of payables, owing to better cash management of the Company.

III. Analysis of the non-core business

Applicable Inapplicable

IV. List of the assets and liabilities

1. List of the significant changes of the assets form

Unit: RMB Yuan

	As at 31 Dec. 2015		As at 31 Dec. 2014		Proportion change	Explain any major change
	Amount	Proportion in total assets	Amount	Proportion in total assets		
Monetary funds	3,042,843,924.81	21.24%	3,059,914,956.21	26.90%	-5.66%	

Accounts receivable	896,075,475.63	6.25%	856,343,229.70	7.53%	-1.28%	
Inventories	745,412,967.52	5.20%	605,616,993.25	5.32%	-0.12%	
Investing real estate	68,843,047.52	0.48%	73,229,177.52	0.64%	-0.16%	
Long-term equity investment			2,850,040.45	0.03%	-0.03%	
other current assets	5,733,188,604.23	40.01%	1,947,972,214.72	17.12%	22.89%	With the increasingly amount of financial products, the structured deposits were reclassified from cash and cash equivalents to other current assets.
Fixed assets	1,019,528,291.60	7.12%	1,065,820,898.65	9.37%	-2.25%	

2. Assets and liabilities measured at fair value

Unit: RMB Ten thousand yuan

Item	Opening amount	Gain/loss on fair value change in the reporting period	Cumulative fair value change recorded into equity	Impairment provisions in the reporting period	Purchased amount in the reporting period	Sold amount in the reporting period	Closing amount
Financial assets							
1. Derivative financial assets	24.89	-24.89					0.00
2. Available-for-sale financial assets	190,020.03	19,891.57	5,567.56	-10.03	604,230.00	-514,431.57	305,267.56
Total of the above	190,044.92	19,866.67	5,567.56	-10.03	604,230.00	-514,431.57	305,267.56
Financial liabilities	0.00						0.00

Did any significant change occur to the attribute of the Company's main asset measurement during the reporting period?

Yes No

V. List of the investment

1. Overall condition

Investment amount of the reporting period (RMB Yuan)	Investment amount of the same period of last year (RMB Yuan)	Variation amount
144,419,272.00	90,486,260.00	59.60%

2. List of the significant equity investment acquired from the reporting period

Applicable Inapplicable

3. List of the significant non-equity investment has been executing during the reporting period

Applicable Inapplicable

4. Investment on the financial assets**(1) List of the securities investment**

There was no such situation of the Company during the reporting period.

(2) List of the derivative investment

Unit: RMB Ten Thousand Yuan

Operator	Relation	Related-party transaction or not	Type of derivative investment	Initial investment amount	Beginning date	Ending date	Opening investment amount	Impairment provision (if any)	Sold amount	Amount of the provision for impairment losses (if any)	Closing investment amount	Proportion of the closing investment amount in the Company's closing net assets (%)	Actual gain/losses in reporting period
Bank	No	No	Forward exchange contract	5,770	16 May 2013	19 May 2015	5,770	0	5,770		0	0.00%	35
Total				5,770	--	--	5,770	0	5,770		0	0.00%	35
Capital source for derivative investment				All self-owned funds									
Lawsuit situations (if applicable)				Inapplicable									
Disclosure date of the board announcement approving the wealth management entrustment (if any)				20 Mar. 2015									
Disclosure date of the general meeting announcement approving the wealth management				21 Apr. 2015									

entrustment (if any)	
<p>Analysis on risks and control measures of derivative products held in the reporting period (including but not limited to market risk, liquidity risk, credit risk, operation risk, law risk, etc.)</p>	<p>The Company has formulated the Management Methods for Exchange Funds upon review to thoroughly assess and control derivative investment risks, which are detailed as follows:</p> <p>1. Market risk</p> <p>Fluctuations of exchange rates may incur a great market risk in the foreign exchange funds business. Meanwhile, if the Company fails to input foreign exchanges on time for contract execution in the foreign exchange funds business, contract breach risk may incur. Counter-measures: The Company will not carry out speculative trading in its foreign exchange funds business. And the Company will stick to the principle of being prudent in operations. A from-the-bottom-up management mechanism is adopted. When subsidiaries or product enterprises file applications for funds business, they will give a risk analysis on conditions or circumstances that might affect gains and losses, estimate the maximum gain and loss, and state the ratio or total amount of guarantee deposits they can bear. And the Company will, according to their applications, update operations in time in its funds business and make funds arrangements before the maturity date.</p> <p>2. Operation risk</p> <p>The Company may suffer loss in its hedging business and foreign exchange funds business due to faulty internal procedures, staff, systems and external events. Counter-measures: Responsibility division and approval procedures for the hedging and foreign exchange business have been specified in relevant management rules. And a sound supervision mechanism has been established. And operation risk can be effectively reduced by enhancing risk control over procedures for operation, decision-making and trading.</p> <p>3. Risk concerning laws and regulations</p> <p>The Company carries out its foreign exchange business in compliance with applicable laws and regulations, with rights and duties between the Company and agencies being stated clearly. Counter-measures: The Company urges responsible departments to understand better about relevant laws, regulations and market rules; be strict in contract re-checks; make clear relevant rights and duties; and enhance compliance checks to make sure that the Company operates derivative investments in compliance with applicable laws, regulations and the Company's internal management rules.</p>
<p>Changes of market prices or fair values in the reporting period of the invested derivatives. And the analysis on the fair value of the derivatives should include the specific use methods and the relevant assumptions and parameters.</p>	<p>The Company adopts forward foreign exchange quotations declared by the People's Bank of China in its analysis on fair values of derivative products.</p>
<p>Whether significant changes occurred to the Company's</p>	<p>No significant changes.</p>

accounting policy and specific accounting principles of derivatives in the reporting period compared to the previous reporting period	
Specific opinion from independent directors on the Company's derivatives investment and risk control	Independent directors of the Company believe that: The Company has formulated derivative investment rules such as the Management Methods for Exchange Funds to help it effectively control risks involved; the Company's derivative investments in the reporting period mainly targeted its exports. It signed forward exchange contracts with domestic financial institutions, which helped it to lock up the exchange rate and avoid the risk of exchange rate fluctuations. The Company conducted no speculative operations, so there was no credit risk. And transaction periods were determined according to expectations and payment receiving and making, with no influence on the Company's fluidity.

5. Use of raised funds

There was no such situation of the Company during the reporting period.

VI. Selling of the significant assets and the equities

1. List of the selling of the significant assets

There was no such situation of the Company during the reporting period.

2. List of the selling of the significant equities

Applicable Inapplicable

VII. Analysis of the major controlling and stock-participating companies

Unit: RMB Ten Thousand Yuan

Name	Type	Main services	Registered capital	Total assets	Net assets	Operating revenues	Operating profit	Net profit
Hefei Midea Washing Machine Co., Ltd.	Subsidiary	washing machine manufacture	USD13,552	556,040.00	220,026.31	616,535.01	33,457.98	28,427.67
Wuxi Little Swan General Electrical Appliances Co., Ltd	Subsidiary	Washer-dryer manufacture	2,800	27,916.52	19,014.74	26,472.71	2,630.97	2,264.97
Wuxi FILIN	Subsidiary	Development and manufacture of new electronic	USD362.4564	68,645.79	51,770.73	59,733.28	15,901.55	14,947.50

		components						
--	--	------------	--	--	--	--	--	--

Subsidiaries acquired or disposed during the reporting period:

Applicable Inapplicable

VIII. List of the structured main bodies controlled by the Company

Applicable Inapplicable

IX. Outlook of the Company's future development

I. Tendency of the industry development

In 2016, the growth of the macro-economy slows down, and the market segmentation of the property aggravates, so the depression of the consumer market will continue and the global economy will still be difficult to completely walk out the crisis shadow, as well as influenced by the factors such as the slow growth of the trading and the exchange rate fluctuation, the home appliances industry will continue to face with the challenge of the insufficient growth impetus.

In 2016, under the overall background of “supply-side structural reforms”, the products transformation upgrade and the consumer upgrade will continue to develop; the consumer structure of the urban and rural residents will transit to the higher level with the consumer renewed requirements will be further released: the Internet, cloud computing, big data and Internet des objects will deeply integrate with the manufacture industry, which will form the new commerce mode the economy growth point; while the differentiated demand on the products of the users has been changing remarkably and the consumer had stepped into the era of diversification, personalization and customization; the domestic and overseas home appliances industry had deeply adjusted which is beneficial to the realizing of the global expansion of the China home appliances industry; the intelligent manufacture such as the automation and the intelligent factories are guiding the manufacture reform; the emerging channels namely the e-commerce developed rapidly, which will rebuilding the industry value chain system and the marketing mode. On a whole, the home appliances industry will step into the industry and consumer upgrade phase and transformed from the factors investment type growth to the innovation driven growth, while the transformation and the upgrade are the theme of the whole industry and be seen in the long run, the opportunities and challenges will be side by side that the home appliances industry still possesses the potential for sustainable growth.

II. Development plan of the Company

In 2016, the Company will continue to insist on the professionalized development path, focus on the core main business of the washing machines, continue to take the “products prevailing, efficiency driven and global operating” as the strategic principal axis and constantly promote the rebuild of the organization and the transformation of the operating as well as forge the sustainable development capacity facing with the future of the Company.

In 2016, the main work of each platform such as the products, market, manufacture and service are as follows embracing the organization rebuild and operating transformation:

1. Products platform

As for the R&D of the products, the Company will focus on the products innovation upgrade which will take the consumers as the core and intensify the global products planning and platform construct; will enlarge the users demand investigation and the demonstration of the planning phase, and improve the planning ability as well as the hit rate; will enlarge and the R&D ability of the intelligent products, improve the networking rate of the users and enhance the users operation and maintain as well as the analysis ability of the background big data; comprehensively carries out the products manager system, stimulate the R&D innovation ability and the organization vigor through the reform of the examination mechanism, salary incentive and the organization process; will constantly promote the standardized management work, simplify the products modularization degree. As for the products quality, to build the products quality management and control system based on the high-quality standard and to realize the quality prevention management; will constantly hold the boutique projects strategic development in order to promote the enhance of the products whole value chain.

2. Market platform

As for the domestic market, the Company will further deepen the channel management, put the emphasis on the e-commerce, the TOP customers and the construction of the flagship store, lead the commission agent transform to the operating platform and enhance the terminal dynamic selling and distribution ability. To intensify the double brand operation mechanism: to promote the rejuvenation and to keep the vigor of the Little Swan Brand through the listing of the Disney products and the sponsor of the China Fencing Team; accelerates the market share enhancing of the Midea brand through the differentiation of the products line and terminal layout. To forge the high-end products image with great efforts for constantly enhancing the market shares of the high and medium quality products. To enlarge the development strength of the innovative projects and to positively promote the Wechat campus washing machine projects and so on. As for the export market, the Company will positively

strengthen the strategic cooperation with the major clients, support the increase of the potential customers and constantly enhance the market shares. To constantly consolidate the advantageous regions, to enlarge the power of the products distribution, the channel expansion and brand promotion of the weak market, and to rapidly enhance the market scale. To constantly promote the offshoring manufacturing, to improve the market competitiveness and the profitable ability through the realization of the local manufacturing with the clients. To further enlarge the promotion strength of the self-owned brand, which should firstly achieve the key breakthrough on parts of the regional market then secondly gradually expand and promote the global operating.

3. Manufacture platform

To deeply promote the T+3 customer order system production-marketing mode, to increase the offline directly distribution proportion, to enhance the softly production capacity and to constantly shorten the delivery cycle of the orders. To enlarge the automation and intelligent manufacturing investment strength, to build up and gradually promote the automatic benchmarking production line, and to gradually construct the digital, intelligent manufacture factories depends on the combination of the 632 new system and the information technology. To construct the strategic cooperation supply and demand mode with the suppliers and to positively develop the cooperation with the excellent suppliers on the innovation aspect of the supply and to constantly improve the quality and innovativeness of the supply products in order to realize the mutual interests sharing and the mutual grow up of the both parties of the supply and demand. To further enlarge the cleaning strength of the exclusive supplier and to positively introduce the excellent suppliers among the industry in order to constantly optimize the suppliers' resources and the supply distribution. To shorten the purchase cycle and to strengthen the abnormal situation management and control of the supply products in order to guarantee the quality of the incoming materials and the promptness for supporting the supply protection of the T+3 customer order system and to enhance of the production efficiency.

4. Service platform

To constantly promote the organization rebuild and the operating transformation, to optimize the organization system and the management process, and to promote the examination and the reform of the salary mechanism to further stimulate the organization vigor. To embrace the achievement of the operation target, to strengthen the process management and to supervise the operation risks as well as to improve the internal management mechanism. To constantly enlarge the elaborate management level, to strengthen the basic management ability, to enhance the resources cooperation and turnover efficiency, to optimize the whole logistics layout of the park and

the workshop in order to improve the organization operation efficiency. To enlarge the excellent talents among the industry and the strength of the Internet talents introduction, to intensify the employees training and the capability construction, through internal cultivation and external introduce as well as construct the talent team to satisfy the sustainable development of the Company. To constantly improve the govern mechanism of the Company in order to ensure the sustainable normative operation.

X. List of the received researches, visits and interviews

1. Particulars about researches, visits and interviews received in this reporting period

Time of reception	Way of reception	Visitor type	Index of the researches basic information
22 Jan. 2015	Field research	Institution	www.cninfo.com.cn of the Record Chart of the Investor Relation Activities on 22 Jan. 2015 (No.: 2015-01)
23 Apr. 2015	Field research	Institution	www.cninfo.com.cn of the Record Chart of the Investor Relation Activities on 23 Apr. 2015 (No.: 2015-02)
27 Apr. 2015	Field research	Institution	www.cninfo.com.cn of the Record Chart of the Investor Relation Activities on 27 Apr. 2015 (No.: 2015-03)
6 May 2015	Field research	Institution	www.cninfo.com.cn of the Record Chart of the Investor Relation Activities on 6 Jun. 2015 (No.: 2015-04)
15 May 2015	Field research	Institution	www.cninfo.com.cn of the Record Chart of the Investor Relation Activities on 15 May 2015 (No.: 2015-05)
30 Jun. 2015	Field research	Institution	www.cninfo.com.cn of the Record Chart of the Investor Relation Activities on 30 Jun. 2015 (No.: 2015-06)
12 Aug. 2015	Field research	Institution	www.cninfo.com.cn of the Record Chart of the Investor Relation Activities on 21 Aug. 2015 (No.: 2015-07)
19 Aug. 2015	Field research	Institution	www.cninfo.com.cn of the Record Chart of the Investor Relation Activities on 19 Aug. 2015 (No.: 2015-08)
11 Sep. 2015	Field research	Institution	www.cninfo.com.cn of the Record Chart of the Investor Relation Activities on 11 Sep. 2015 (No.: 2015-09)
15 Sep. 2015	Field research	Institution	www.cninfo.com.cn of the Record Chart of the Investor Relation Activities on 15 Sep. 2015 (No.: 2015-10)
18 Nov. 2015	Field research	Institution	www.cninfo.com.cn of the Record Chart of the Investor Relation Activities on 18 Nov. 2015 (No.: 2015-11)
3 Dec. 2015	Field research	Institution	www.cninfo.com.cn of the Record Chart of the Investor Relation Activities on 3 Dec. 2015 (No.: 2015-12)
4 Dec. 2015	Field research	Institution	www.cninfo.com.cn of the Record Chart of the Investor Relation Activities on 4 Dec. 2015 (No.: 2015-13)

8 Dec. 2015	Field research	Other	www.cninfo.com.cn of the Record Chart of the Investor Relation Activities on 8 Dec. 2015 (No.: 2015-14)
Reception times		14	
Number of reception institutions		40	
Number of reception person		47	
Number of receipting other targets		0	
Whether disclose, reveal or let out unpublished significant information		No	

2. Particulars about researches, visits and interviews received from the period-end to the disclosure date

Time of reception	Way of reception	Visitor type	Index of the researches basic information
22 Jan. 2016	Field research	Institution	www.cninfo.com.cn of the Record Chart of the Investor Relation Activities on 22 Jan. 2016 (No.: 2016-01)
Reception times		1	
Number of reception institutions		16	
Number of reception person		18	
Number of receipting other targets		0	
Whether disclose, reveal or let out unpublished significant information		No	

Section V. Significant Events

I. List of the profits distribution of the common shares and turning capital reserve into share capital of the Company

List of the dividend distribution proposal (preplan) of the common shares and the proposal (preplan) of turning capital reserve into share capital of the Company of the recent 3 years:

2015 profits distribution proposal: based on the 2015 total share capital of 632,487,764 shares, the Company distributed a cash dividend of RMB6 (tax included) for every 10 shares held by its shareholders and there was no turn from capital reserve to share capital. The proposal had reviewed and approved by the Board of Directors and planned to submit to the Annual General Meeting for approval.

2014 profits distribution proposal: based on the 2014 total share capital of 632,487,764 shares, the Company distributed a cash dividend of RMB4.5 (tax included) for every 10 shares held by its shareholders and there was no turn from capital reserve to share capital. The proposal had completed the execution in Jun. 2015.

2013 profits distribution proposal: based on the 2013 total share capital of 632,487,764 shares, the Company distributed a cash dividend of RMB3 (tax included) for every 10 shares held by its shareholders and there was no turn from capital reserve to share capital. The proposal had completed the execution in Jun. 2014.

Cash dividend distribution of the common shares of the Company of the recent 3 years (including the reporting period)

Unit: RMB Yuan

Dividend year	Amount of cash dividend (including tax)	Net profit belonging to shareholders of the listed company in consolidated statement of dividend year	The ratio accounting in net profit which belongs to shareholders of the listed company in consolidated statement	Amount of the cash dividend by other methods	Ratio of the cash dividend by other methods
2015	379,492,658.40	919,181,968.58	41.29%	0.00	0.00%
2014	284,619,493.80	698,195,731.48	40.77%	0.00	0.00%
2013	189,746,329.20	413,350,079.54	45.90%	0.00	0.00%

The Company (including its subsidiaries) made profit in the reporting period and the profits distribution of the common shares held by the shareholders of the Company (without subsidiaries) was positive, but it did not put forward a preplan for cash dividend distribution of the common shares:

Applicable Inapplicable

II. Pre-plan for profit allocation and turning capital reserve into share capital for the reporting period

Bonus shares for every 10 shares (share)	0
Dividend for every 10 shares (RMB Yuan) (tax included)	6.00
Turning capital reserve into share capital for every 10 shares (share)	0
Total shares as the basis for the allocation preplan (share)	632,487,764
Total cash dividends (RMB Yuan) (tax included)	379,492,658.40
Distributable profit (RMB Yuan)	2,224,114,783.65
Percentage of the cash bonus of the total profits dividends	100.00%
Cash dividend situation	
Other	
Details about the profit allocation or turning capital reserve into share capital	
<p>The Audit Report issued by Price Waterhouse Coopers Zhongtian CPAs (LLP) indicated: the 2015 realized net profits of the parent company was of RMB621,002,598.61, plus with the retained earnings of the last year-begin of RMB1,887,731,678.84, the total amount of the distributable profits was added up to RMB2,508,734,277.45; distributed the 2014 annual dividends of RMB284,619,493.80 and the profits affordable for the distribution of the shareholders at the period-end was of RMB 2,224,114,783.65.</p> <p>The preplan of the 2015 distribution: planed to base on the total share capital of 632,487,764 shares at the year-end, the Company distributed a cash dividend of RMB6 (tax included) for every 10 shares held by its shareholders, which amounted to RMB379,492,658.40 by cash with the retained profits transferred to the following years. And there was no turn from capital reserve to share capital in 2015.</p>	

III. Performance of commitments

1. Commitments completed by the Company, the shareholders, the actual controllers, the purchasers, the Directors, the Supervisors and the Senior Executives or the other related parties during the reporting period and those hadn't been completed execution up to the period-end

Commitment	Commitment maker	Commitment type	Contents	Time of making commitment	Period of commitment	Fulfillment
Commitment on share reform	Controlling shareholder	Commitment of shareholding reducing	Where the controlling shareholder GD Midea Holding Co., Ltd. (Midea Holding) plans to sell the Company's shares released from trading moratorium held by it via the bid trading system of the Shenzhen Stock Exchange, and Midea Holding decreases over 5% shares within six months since the first reduction of holdings, Midea Holding will disclose the suggestive announcement on share selling through the Company two trading days before its first reduction of	28 Feb. 2008	Long-term	In the process of implementation

			holdings.			
Commitment in the acquisition report or the report on equity changes	Controlling shareholder and actual controller	Commitment of avoiding horizontal competition	<p>1. As for the commitment of avoiding horizontal competition, Midea Group (the controlling shareholder) and Mr. He Xiangjian (the actual controller) has promised that, for the period after the said transaction when the Company's controlling shareholder and actual controller remain unchanged, the actual controller Mr. He Xiangjian, his immediate family, Midea Group and its controlled other enterprises neither recently nor in the future will engage in any production or operation activity the same as or similar to the recently main business of Little Swan or its controlled enterprises, as well as will neither engage in nor participate in any competitive business the same as the recently main business of Little Swan or its controlled enterprises through controlling other economic entities, institutions, economic organizations. If Little Swan and its controlled enterprises further developed its scope of the operation business on the basis of the recently business, and if the actual controller Mr. He Xiangjian, his immediate family, Midea Group and its controlled other enterprises had executed production of that, would solve the corresponding horizontal competition problems within the reasonable period. If recently there was no any production or operation, would not engage in the similar new business that competed with Little Swan and its controlled enterprises. If there was any situation violated the above commitments, the profits gained from the business related to operation were belongs to Little Swan.</p>	1 Dec. 2010, 6 Jun. 2014	Long-term	In the process of implementation
	Controlling shareholder and actual controller	Commitment on the specification of the related-party transaction	<p>2. The commitment by Midea Group and the actual controller on the specification of the related-party transaction. Midea Group (the controlling shareholder) and Mr. He Xiangjian (the actual controller) has promised that, for the period after the said transaction when the Company's controlling shareholder and actual controller remain unchanged, the actual controller Mr. He Xiangjian, his immediate family, Midea Group and its controlled other enterprises will specify and try their best to reduce the related-party transactions with Little Swan and its controlled enterprises. If occurred the unavoidable related transactions with Little Swan and its controlled enterprises, would sign the normative related-party transactions agreement Little Swan according to laws and would execute the approval procedure according to the relevant regulations to ensure the fairness of the price of the</p>	1 Dec. 2010, 6 Jun. 2014	Long-term	In the process of implementation

			related-party transactions; ensure to execute the information disclose obligation of related-party transactions according to the relevant regulations; ensure not to make advantage of the related-party transactions for illegally transferring the assets and profits of Little Swan, as well as not to make advantage of the related-party transactions for harming to the interests of Little Swan and the shareholders; would not require Little Swan to offer any more favorable condition compared with that offered to the independent third party in any fair trade market transaction; execute the voting debar obligation when involved in the voting of the related events of the actual controller Mr. He Xiangjian, his immediate family, Midea Group and its controlled other enterprises. If Midea Group and Mr. He Xiangjian violated the above commitments and promises that led to the harm for the equity of Little Swan or other shareholders, Midea Group and Mr. He Xiangjian should take the responsibility of the corresponding liability for damage.			
Controlling shareholder and actual controller	Commitment on independence	3. As for the commitment on independence, Midea Group has promised to protect Little Swan's independence in terms of assets, staff, finance, organization and business. 3. As for the commitment on independence, Midea Group and the actual controller Mr. He Xiangjian has promised that, to further ensure the independent operation of Little Swan, Mr. He Xiangjian, Midea Group and its controlled other enterprises would maintain the mutual independent in terms of personnel, finance, assets, business and institutions with Little Swan according to the relevant laws and regulations as well as the normative documents.	1 Dec. 2010, 6 Jun. 2014	Long-term	In the process of implementation	
Controlling shareholder	Commitment on related-party deposits and borrowings	4. As for the commitment on related-party deposits and borrowings, up to 8 Apr. 2010, the Financial Settlement Center of Midea Group had settled all internal deposits and borrowings with Hefei Midea Washing Machine Co., Ltd.; and Midea Group has promised that there will be no more deposits, borrowings or other funds flows incurred between the Financial Settlement Center and Hefei Midea Washing Machine Co., Ltd..	1 Dec. 2010	Long-term	In the process of implementation	
Controlling shareholder	Commitment on housing properties with no ownership	5. The commitment by Midea Group on housing properties with no ownership certificates of the target company for sale is detailed as follows. Two pieces of the buildings of Hefei Midea Washing Machine Co., Ltd. assessed and sold to the Company are of no ownership certificates—the warehouse for half-finished products (176 square meters)	1 Dec. 2010	Long-term	In the process of implementation	

	certificates	and the workshop for injection molding (834 square meters), both located in the old factory on Hewa Road, Hefei. Midea Group has promised that if loss occurs due to the said two buildings without ownership certificates in the asset disposal process in the future, it will assume the loss thus caused and make compensation to the Company.			
Controlling shareholder	Commitment on trademarks	6. The commitment by Midea Group on trademarks is detailed as follows. (1) Concerning the “Midea” trademark: Upon approval and implementation of the equity transfer transaction, Midea Group has promised that it will make sure that Hefei Midea Washing Machine Co., Ltd. uses the “Midea” trademark in a proper manner. Hefei Midea Washing Machine Co., Ltd. will be allowed to use the “Midea” trademark with a trademark use fee not more than that paid by Midea Group (the controlling shareholder of Midea Group) and its subsidiaries (currently 3% of the annual sales income generated by products using the “Midea” trademark), and upon negotiation and signing of the “Agreement for Trademark Use”. The related-party transactions incurred due to the said use of the “Midea” trademark will be submitted to the decision-making organ of the Company for approval according to the stipulated procedure. As such, interests of the Company and its minority shareholders will be safeguarded. (2) Concerning the “Royalstar” trademark: Midea Group has signed the “Contract for Trademark Use” with Hefei Royalstar Group and obtained the ordinary use rights of the “Royalstar” (or “RongShiDa”) trademark. As the transferor in the transfer transaction of equity interests of Royalstar Washing Equipment, Midea Group has promised that within the scope as agreed in the “Contract for Trademark Use”, if any dispute arises between Hefei Midea Washing Machine Co., Ltd. and Hefei Royalstar Group over the former’s execution of the “Contract for Trademark Use”, Little Swan will not be involved. If Hefei Midea Washing Machine Co., Ltd. and Little Swan have to assume any responsibility or loss due to the aforesaid dispute, Midea Group is willing to take on the responsibility instead and make compensations to Hefei Midea Washing Machine Co., Ltd. and Little Swan at full amount.	1 Dec. 2010	No. (2), RongShiDa a trademark is due by March 31, 2013 and won’t renew its contract; Other items for a long term implement	In the process of implementation
Controlling shareholder	Commitment on social security	7. The commitment by Midea Group on social security payment and tax risks is detailed as follows. Midea Group has promised that upon the completion of the said equity transfer deal, if Hefei Midea Washing Machine Co., Ltd. is	1 Dec. 2010	Long-term	In the process of implementation

	der	payment and tax risks	obliged to take on any responsibility or pay relevant fares as required by relevant government authorities due to its social security payment before the said deal, Midea Group is willing to pay relevant fares for Hefei Midea Washing Machine Co., Ltd. to relevant government authorities in a timely manner and assume any other liability. If any loss thus occurs to Hefei Midea Washing Machine Co., Ltd. or Little Swan, Midea Group is willing to assume relevant responsibilities for compensation. Upon the completion of the said equity transfer deal, if income tax evasion or any other tax risk is found in Hefei Midea Washing Machine Co., Ltd., Midea Group is willing to assume relevant legal responsibilities and risks and pay relevant taxes in a timely manner to relevant government authorities; and if any loss thus occurs to Little Swan, Midea Group will assume the corresponding responsibility for compensation.			tation
	Controlling shareholder	Commitment on capital safety	8. The commitment by Midea Group on capital safety at the finance companies of the Company: during the validity period of the Financial Services Agreement, when Midea Group occurred emergency situation of payment difficulty at finance companies, it should adopt the effective measures such as increase the capital fund of the finance companies according to the actual needs of solving the payment difficulty to ensure the capital safety of the Company.	18 Mar. 2015	3 years validity	In the process of implementation
Commitments made upon the assets reorganization						
Commitments made upon IPO or refinancing						
Commitment on equity incentive						
Other commitments made to minority shareholders						

Executed timely or not?	Yes
If the commitments failed to complete the execution when expired, should specifically explain the reasons of unfulfillment and the next stage of the working plan	Inapplicable

2. Assets or projects existing profit forecast, which were still in the profit forecast period, the Company made note and explain to the assets or project arrived at original profit forecast

Applicable Inapplicable

IV. Occupation of the Company's capital by the controlling shareholder or its related parties for non-operating purposes

No such cases in the reporting period.

V. Explanation by the Board of Directors and the Supervisory Committee about the "non-standard audit report" issued by the CPAs firm for the reporting period

Applicable Inapplicable

VI. Explanation of the changes of the accounting policy, the accounting estimates and the accounting methods compared to the last financial report

Applicable Inapplicable

No such cases in the reporting period.

VII. Explain retrospective restatement due to correction of significant accounting errors in the reporting period

Applicable Inapplicable

No such cases in the reporting period.

VIII. Explain change of the consolidation scope as compared with the financial reporting of last year

Applicable Inapplicable

No such cases in the reporting period.

IX. Particulars about engagement and disengagement of CPAs firm

CPAs firm engaged at present

Name of domestic CPAs firm	PricewaterhouseCoopers (Special general partnership)
Remuneration for domestic CPAs firm for the reporting period (RMB Ten Thousand Yuan)	235
Consecutive years of the audit services provided by domestic CPAs firm	1
Name of domestic CPAs firm	Lin Yupeng, Lin Xuyun

Reengage the CPAs firm at current period or not?

Yes No

Reengage the CPAs firm during auditing period or not?

Yes No

Perform the approval procedures or not when change the CPAs firm?

Yes No

Notes:

The Company's original CPAs firm, Jiangsu Gongzheng Tianye Certified Public Accountants LLP (Hereinafter as "Gongzheng Tianye") was the internal audit institution of financial report for 2015. Due to the Gongzheng Tianye auditing team had serve for 8 years for the Company, in order to ensure the Independence and objectivity of auditing for the listed company meanwhile better to adapt to the demand of future development of the Company, after the deliberation, the Company decided to engaged PricewaterhouseCoopers (Special general partnership) as the internal audit institution of financial report and internal control for 2015. The aforesaid event was reviewed and approved by the Third Meeting of 8th Board of Directors on 17 Nov. 2015 and the Second Special Meeting of the Board of Directors on 4 Dec. 2015.

Particulars on engaging the audit firm for the internal control, financial adviser or sponsor

Applicable Inapplicable

During the reporting period, the Company hired PricewaterhouseCoopers (Special general partnership) as the accountant firm of internal control. During reporting period, the total amount of the audit expenses of the Financial Report the external audit expenses paid for PricewaterhouseCoopers (Special general partnership) was RMB2.35 million. During reporting period, And Huatai United Securities Co., Ltd. was as continuous supervision sponsor institution of the equity division reform of the Company that continued to carry out the supervision responsibility of the reporting period.

X. Particulars about trading suspension and termination faced after the disclosure of annual report

Applicable Inapplicable

XI. Bankruptcy and reorganization

Applicable Inapplicable

No such cases in the reporting period.

XII. Significant lawsuit or arbitration

Applicable Inapplicable

No such cases in the reporting period.

XIII. Punishment and rectification

Applicable Inapplicable

No such cases in the reporting period.

XIV. The honesty situations of the Company, its controlling shareholders and actual controller

Applicable Inapplicable

During reporting period, there was no effective judgment of a court and large amount of debt maturity that the Company, its controlling shareholders and actual controller failed to perform or pay off.

XV. Actual implementation of the stock incentive plan, ESOP, or other Staff incentives

Applicable Inapplicable

No such cases in the reporting period.

XVI. Significant related-party transactions

1. Related-party transactions relevant to routine operation

For the specific content of the daily related transactions, please refer to the Notes XIII. Related-party and related-party transactions of Section IX. Financial Report.

2. Related-party transactions incurred by assets or equity purchase

Applicable Inapplicable

No such cases in the reporting period.

3. Related-party transactions common external investment

Applicable Inapplicable

No such cases in the reporting period.

4. Credits and liabilities with related parties

Applicable Inapplicable

No such cases in the reporting period.

(5) Other significant related-party transactions

(1) About the Financial Service Agreement which signed with the Midea Group Finance Co., Ltd. of related transaction

It was agreed that, the financial company should provide the service of deposit, loan, note discount, guarantee, settlement, and the series of the financial services that approved by the CBRC according to the requirements of the Company as well as its subsidiaries. During the three-year validity after date of the validation of the agreement, the maximum of the deposit balance that the Company and its subsidiaries disposed in the financial company should not exceed the amount of RMB2 billion per day; and the maximum of the outstanding loan principal and interest balance that the financial company granted to the Company and its subsidiaries should not exceed the amount of RMB2 billion per day.

At the report-end, the deposit balance of the Company at Midea Group Finance Co., Ltd. was of RMB 0.99 billion, with no any loan. (2) About trademark license of related transactions

①The Company permitted GD Midea Holding Co., Ltd. and its controlled subsidiaries to use trademark of

LITTLE SWAN and picture in air conditioner commodities; permitted Hubei Midea Refrigerator Co., Ltd. and its controlled subsidiaries to use to use trademark of LITTLE SWAN and picture in the refrigerators and the freezers; at the same time GD Midea Holding Co., Ltd. permitted the Company and subsidiaries of the Company to use trademark of Midea in production, sales and ad campaign of washing machines and dryers. The aforesaid licensing contracts were all contracted with 0.3% charges of net sales revenue of products with the authorized trademark as trademark license fees, and the permitting period last from the 1 Jan. 2014 to 31 Dec. 2016.

(Notes: Approved by [2013] No. 1014 document of China Securities Regulatory Commission, Midea Group had made share swap absorption merger of the original controlling shareholder—GD Midea Holding Co., Ltd. on 18 Sep. 2013, after which, Midea Group inherited and carried on the whole obligations and right such as the whole assets and liabilities of GD Midea Holding Co., Ltd. as a remainder enterprise as well as had completed the relevant share transfer registration procedures on 31 Dec. 2013.)

②The Company permitted Midea Group Co., Ltd. and its controlled subsidiaries to use trademark of Beverly in water heater, water purification equipment and machinery, which was charged with 0.3% charges of net sales revenue of products with the authorized trademark as trademark license fees, and the permitting period last from the 1 Dec. 2015 to 31 Dec. 2018.

(3) The Company held the 2014 Annual General Meeting on 20 Apr. 2015 which reviewed and approved the Proposal on Estimating the Amount of the 2015 Daily Related Transactions.

(4) The Company held the 16th Meeting of the 7th Board of Directors on 4 Aug. 2015, which reviewed and approved the Proposal on Adjusting the Amount of the 2015 Daily Related Transactions.

(5) The Company held the 2nd Meeting of the 8th Board of Directors on 26 Oct. 2015, which reviewed and approved the Proposal on Adjusting the Amount of the 2015 Daily Related Transactions.

Index for the interim announcements on significant related-party transactions disclosed on the relevant website:

Title of the interim announcement	Disclosure date	Disclosure website
Announcements about Trademark License of Related Transactions (No. 2013-18)	6 Aug. 2013	www.cninfo.com.cn
Announcements about the Financial Service Agreement of Related Transaction (No. 2015-08)	20 Mar. 2015	www.cninfo.com.cn
Announcements about the Estimating the Amount of the 2015 Daily Related Transactions.(No. 2015-04)	20 Mar. 2015	www.cninfo.com.cn
Announcements about the Adjusting the Amount of the 2015 Daily Related Transactions (No. 2015-16)	6 Aug. 2015	www.cninfo.com.cn

Announcements about the Adjusting the Amount of the 2015 Daily Related Transactions (No. 2015-29)	27 Oct. 2015	www.cninfo.com.cn
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XVII. Significant contracts and their execution

1. Trusteeship, contracting and leasing

(1) Trusteeship

Applicable Inapplicable

No such cases in the reporting period.

(2) Contracting

Applicable Inapplicable

No such cases in the reporting period.

(3) Leasing

Applicable Inapplicable

No such cases in the reporting period.

2. Significant guarantees

Applicable Inapplicable

(1) Guarantees provided by the Company

Unit: RMB Thousand Yuan

Guarantees provided by the Company for external parties (excluding those for subsidiaries)								
Guaranteed party	Disclosure date of relevant announcement	Amount for guarantee	Actual occurrence date (date of agreement)	Actual guarantee amount	Type of guarantee	Period of guarantee	Executed or not	Guarantee for a related party or not
Total external guarantee line approved during the reporting period (A1)				0	Total actual occurred amount of external guarantee during the reporting period (A2)			0
Total external guarantee line that has been approved at the end of the reporting period (A3)				0	Total actual external guarantee balance at the end of the reporting period (A4)			0
Guarantees provided by the Company for its subsidiaries								

Guaranteed party	Disclosure date of relevant announcement	Amount for guarantee	Actual occurrence date (date of agreement)	Actual guarantee amount	Type of guarantee	Period of guarantee	Executed or not	Guarantee for a related party or not
Hefei Midea Washing Machine Co., Ltd.	7 Mar. 2014	127,000	22 Sep. 2014	26.31	General guarantee	22 Sep. 2014-22 Mar. 2015	Yes	No
Total guarantee line approved for the subsidiaries during the reporting period (B1)		125,000		Total actual occurred amount of guarantee for the subsidiaries during the reporting period (B2)		26.31		
Total guarantee line that has been approved for the subsidiaries at the end of the reporting period (B3)		125,000		Total actual guarantee balance for the subsidiaries at the end of the reporting period (B4)		0		
Guarantees provided by the subsidiaries of the Company for subsidiaries								
Guaranteed party	Disclosure date of relevant announcement	Amount for guarantee	Actual occurrence date (date of agreement)	Actual guarantee amount	Type of guarantee	Period of guarantee	Executed or not	Guarantee for a related party or not
Total guarantee line approved for the subsidiaries during the reporting period (C1)		0		Total actual occurred amount of guarantee for the subsidiaries during the reporting period (C2)		0		
Total guarantee line that has been approved for the subsidiaries at the end of the reporting period (C3)		0		Total actual guarantee balance for the subsidiaries at the end of the reporting period (C4)		0		
Total guarantee amount provided by the Company (total of the above-mentioned three kinds of guarantees)								
Total guarantee line approved during the reporting period (A1+B1+C1)		125,000		Total actual occurred amount of guarantee during the reporting period (A1+B1+C1)		26.31		
Total guarantee line that has been approved at the end of the reporting period (A1+B1+C1)		125,000		Total actual guarantee balance at the end of the reporting period (A1+B1+C1)		0		
Proportion of total guarantee amount (A4+B4+C4) to the net assets of the Company				0.00%				
Of which:								

Amount of guarantee for shareholders, actual controller and related parties (D)	0
Amount of debt guarantee provided for the guaranteed party whose asset-liability ratio is not less than 70% directly or indirectly (E)	0
Part of the amount of the total guarantee over 50% of net assets (F)	0
Total amount of the above three guarantees (D+E+F)	0
Explanation on possibility to bear joint liability due to undue guarantees (if any)	Inapplicable
Explanation on the external guarantees in violation of stipulated procedures (if any)	Inapplicable

(2) Illegal external guarantee

Applicable Inapplicable

No such case during reporting period

3. Cash assets management entrustment

(1) Wealth management entrustment

Unit: RMB Thousand Yuan

Name of the trustee	Related transaction or not	Type	Amount	Initial date	Ended Date	Remuneration determination method	Principal amount actually received in reporting period	Withdrawn impairment provisions (if any)	Estimate profit	Amount of actual profits or losses in reporting period	Actual withdrawn of profits or losses in reporting period
Bank	No	Financial Product	639,905	1 Jan. 2015	31 Dec. 2015	Floating interest rate, the highest annual yield of contract assumpsit	520,715		20,166	20,166	20,166
Total			639,905	--	--	--	520,715		20,166	20,166	--
Capital resources			All self-owned capital of the Company The amount of wealth management entrustment was the cumulative amount, the capital amount used for wealth management entrustment was no more than RMB4.4 billion reviewed by the Company.								
Cumulative amount of principal and earnings maturity that fail to recover			0								
Cases involving lawsuit (if applicable)			Inapplicable								
Disclosure date of announcement on			20 Mar. 2015								

wealth management entrustment reviewed and approved by the Board of Directors	
Disclosure date of announcement on wealth management entrustment reviewed and approved by the Board of Shareholders	21 Apr. 2015
Whether there is wealth management entrustment plan in future or not?	On 8 Mar. 2016, the Company held the 4th Meeting of 8th Board of Directors, the Meeting reviewed and approved the Proposal on the Self-own Idle Fund Entrusting Wealth Management, the Board of Directors agree to put its self-own idle fund no more than RMB6 million into wealth management entrustment, the aforesaid amount can be rolled and used for investing short-term low-risk investment products. The proposal had not yet been reviewed and approved and submitted to the Board of Directors.

(2) Entrustment loans

Applicable Inapplicable

No such cases in the reporting period.

(4) Other significant contracts

Applicable Inapplicable

No such cases in the reporting period.

XVIII. Other significant events

Applicable Inapplicable

No such cases in the reporting period.

XIX. Significant events of subsidiaries

Applicable Inapplicable

XX. Social responsibilities

The Company positively executed the social responsibility, paid attention on maintaining the legal equities of each benefit-related party, insisted to harmonious coexist with each party. The Company positively participated in the social and public welfare undertakings, paid attention on the environmental protection and positively responded to the national appeal of energy saving and emission-reduction that made great efforts to contribute to the sustainable

development of the society as well as environment, with the specific work situation as follows:

(I) Safeguarding legitimate rights and interests of consumers: Being market-oriented, the Company centered on the customers' needs and keeps improving quality management to offer products with a quality higher than the expectation of consumers and an improved users experience. It has a national service hotline—4008228228—to answer to customers' questions and complaints, ensure that they would be satisfied.

(II) Positively paying back for the shareholders. The Company constructed a more perfect corporate governance structure and formulated a corresponding management system for ensure the shareholders to fully enjoy each legal interests stipulated by the laws and regulations. In line with the stipulation of the Articles of Association, the Company realized the allocable profit positive, and there were no significant investment plan or significant cash expenditure events (excluding raise funds investment events). Any within three consecutive years, the Company allocated the profits in cash accumulatively no less than 30% of the average distributive profits realized in recent three years. When allocating profits, the Cash bonus should take the minimum proportion of 20% in the profits allocation. The Company attached great importance to the retribution and had been executing the cash dividends for recent years.

(III) Constructing strategic partnership. The Company positively constructed the strategic partnership with suppliers and customers, complied with the business rule, paid attention on the communication and cooperation with each related party, built up interests community with the partners for growing together and sharing achievements, ensured the interests and relevant equities of the partners and jointly dedicated to maintain the sustainable healthy development of the industry.

(IV) Safeguarding rights and interests of employees. The Company strictly implemented the state laws and regulations to positively guarantee the legal interests of the staff. The Company offered a favorable working and living environment for its staff and built as well as improved the salary standard and the incentive system, and provided competitive salary reward with improving space. The Company offered various kinds of training to promote the career development of the staff by the method combined either in internal or external. It also conducts many leisure activities to enrich employees' life.

(V) Promoting energy saving and environmental protection. The Company carried out and promoted the energy conservation and emission reduction and executed the social responsibility under the low-carbon time through innovation in management, technology and products. During the progress of produce, the Company realized 100% of the recycle and the reuse of the industrial water consumption; the Company explored the Accurate Automatic Launch Detergent Technology, which gained the authentication of the international authority-UK Intertek, and at

the same time received the green leave label of Carbon Footprint that meant the Company be the first enterprise that received that label in the domestic washing machine industry.

(VI) Paying attention on the public welfare. At the activity named “Jiangsu Province Disabled-aiding Welfare Project” held by Jiangsu Province Disabled Persons' Federation and Jiangsu Province Disabled Person Welfare Foundation, the Company actively donated RMB80000 etc., which manifested the social responsibility by practical action.

Does the listed company or its subsidiaries belong to the heavily polluting industries stipulated by the environmental protection authorities of the country?

Yes No

Whether issue social responsibility report or not?

Yes No

XXI. Corporation bonds

Whether existing corporation bonds public issued and listed in Stock Exchange and maturity or maturity but not fully paid on the approval report date of annual report

Yes No

Section VI. Change in Shares & Shareholders

I. Changes in shares

I. Changes in shares

Unit: share

	Before the change		Increase/decrease (+/-)					After the change	
	Amount	Proportion	Newly issue share	Bonus shares	Capitalization of public reserves	Other	Subtotal	Amount	Proportion
I. Restricted shares	3,686,890	0.58%					24,300	3,711,190	0.59%
1. Shares held by domestic investors	3,686,890	0.58%					24,300	3,711,190	0.59%
Among which: shares held by domestic legal person	3,686,890	0.58%						3,686,890	0.58%
Shares held by domestic natural person							24,300	24,300	0.01%
II. Shares not subject to trading moratorium	628,800,874	99.42%					-24,300	628,776,574	99.41%
1. RMB ordinary shares	437,765,002	69.21%					-24,300	437,740,702	69.21%
2. Domestically listed foreign shares	191,035,872	30.20%						191,035,872	30.20%
III. Total shares	632,487,764	100.00%						632,487,764	100.00%

Reason for the change in shares

The original Deputy GM Mao Zhiliang purchase 24,300 shares of the Company share on 28 May 2015, and left his post on 26 Aug. 2015. In line with the stipulation No. 141 of Corporation Law, the Company's directors, supervisors and senior executives cannot transfer the shareholding of the Company within six months after demission. Thus, Mao Zhiliang's holding of 24,300 shares of the Company share became restricted shares of the Company.

Approval of the change in shares

 Applicable Inapplicable

Reason for the change in shares

 Applicable Inapplicable

Effects of the change in shares on the basic EPS, diluted EPS, net assets per share attributable to common

shareholders of the Company and other financial indexes over the last year and last period

Applicable Inapplicable

Other contents that the Company considered necessary or were required by the securities regulatory authorities to disclose

Applicable Inapplicable

2. Changes in restricted shares

Unit: share

Name of shareholder	Number of opening restricted share	Number of unlocked restricted shares	Increase number of restricted share	Number of closing restricted share	Reason	Date of unlocked
Mao Zhiliang	0	0	24,300	24,300	The original Deputy GM Mao Zhiliang purchase 24,300 shares of the Company share on 28 May 2015, and left his post on 26 Aug. 2015. In line with the stipulation No. 141 of Corporation Law, the Company's directors, supervisors and senior executives cannot transfer the shareholding of the Company within six months after demission. Thus, Mao Zhiliang's holding of 24,300 shares of the Company share became restricted shares of the Company.	2016-2-26
Total	0	0	24,300	24,300	--	--

II. Issuance and listing of securities

1. Issuance of securities over the past three years

Applicable Inapplicable

2. Explanation on changes in share capital & the structure of shareholders, the structure of assets and liabilities

Applicable Inapplicable

3. Existent shares held by internal staffs of the Company

Applicable Inapplicable

III. Particulars about the shareholders and actual controller

1. Total number of shareholders and their shareholding

Unit: share

Total number of common shareholders at period-end	22,046	Total number of common shareholders at pervious month-end of this Report's disclosure	20,833	Total number of preference shareholders with resumed voting rights at period-end (if any) (see note 8)	0	Total number of preference shareholders with resumed voting rights at pervious month-end of this Report's disclosure (if any) (see note 8)	0	
Shareholding of shareholders holding more than 5% shares								
Name of shareholder	Nature of shareholder	Holding percentage (%)	Number of shareholding at the end of the reporting period	Increase and decrease of shares during reporting period	Number of shares held subject to trading moratorium	Number of shares held not subject to trading moratorium	Pledged or frozen shares	
							Status of shares	Amount
MIDEA GROUP CO., LTD.	Domestic non-state-owned corporation	37.78%	238,948,117	0		238,948,117		
TITONI INVESTMENTS DEVELOPMENT LTD.	Overseas corporation	14.89%	94,204,942	0		94,204,942		
GAOLING FUND,L.P.	Overseas corporation	3.43%	21,694,456	-5,033,230		21,694,456		
FINANCE BUREAU OF WUXI	On behalf of government	2.70%	17,054,071	-5,003,586		17,054,071		
GREENWOODS CHINA ALPHA MASTER FUND	Overseas corporation	1.90%	11,993,381	11,993,381		11,993,381		
CHINA SECURITIES FINANCE CORP.	State-owned corporation	1.73%	10,940,659	10,940,659		10,940,659		
CENTRAL HUIJIN ASSET MANAGEMENT CO., LTD.	State-owned corporation	1.61%	10,156,300	10,156,300		10,156,300		
NATIONAL SOCIAL SECURITY FUND PORTFOLIO 101	Domestic non-state-owned corporation	1.35%	8,561,323	8,561,323		8,561,323		
NATIONAL SOCIAL SECURITY FUND PORTFOLIO 102	Domestic non-state-owned corporation	1.03%	6,500,029	-1,999,971		6,500,029		
ICBC—GF LARGE-CAP GROWTH MIXED FUND	Domestic non-state-owned corporation	0.95%	6,000,809	6,000,809		6,000,809		

Strategic investors or the general legal person due to the placement of new shares become the top 10 shareholders (if any) (note 3)		Inapplicable	
Explanation on associated relationship or/and persons		GD MIDEA HOLDING CO., LTD. and TITONI INVESTMENTS DEVELOPMENT LTD. are parties acting in concert.	
Particulars about shares held by top 10 shareholders not subject to trading moratorium			
Name of shareholder	Number of shares held not subject to trading moratorium at the end of the period	Type of share	
		Type of share	Amount
MIDEA GROUP CO., LTD.	238,948,117	RMB ordinary shares	
TITONI INVESTMENTS DEVELOPMENT LTD.	94,204,942	Domestically listed foreign shares	
GAOLING FUND,L.P.	21,694,456	Domestically listed foreign shares	
FINANCE BUREAU OF WUXI	17,054,071	RMB ordinary shares	
GREENWOODS CHINA ALPHA MASTER FUND	11,993,381	Domestically listed foreign shares	
China Securities Finance Corp,	10,940,659	RMB ordinary shares	
Central Huijin Asset Management Co., Ltd.	10,156,300	RMB ordinary shares	
NATIONAL SOCIAL SECURITY FUND PORTFOLIO 101	8,561,323	RMB ordinary shares	
NATIONAL SOCIAL SECURITY FUND PORTFOLIO 102	6,500,029	RMB ordinary shares	
ICBC-GF Large-Cap Growth Mixed Type Fund	6,000,809	RMB ordinary shares	
Explanation on associated relationship among the top ten shareholders of tradable share not subject to trading moratorium, as well as among the top ten shareholders of tradable share not subject to trading moratorium and top ten shareholders, or explanation on acting-in-concert	GD MIDEA HOLDING CO., LTD. and TITONI INVESTMENTS DEVELOPMENT LTD. are parties acting in concert.		
Particular about shareholder participate in the securities lending and borrowing business (if any)	Inapplicable		

Did any of the Company's top 10 common shareholders or top 10 non-restricted common shareholders conduct any agreed buy-back in the reporting period?

Yes No

2. Particulars about the controlling shareholder

Name of controlling shareholder	Legal representative / company principal	Date of establishment	Organization code	Business scope
MIDEA GROUP CO., LTD.	Fang Hongbo	7 Apr. 2000	91440606722473344C	Manufacture and sales of household electrical appliances
Shares held by the controlling shareholder in other listed companies by holding or shareholding during the reporting period	The Company's controlling shareholder is MIDEA GROUP CO., LTD. with the securities code of 000333, whose shares held in other listed companies by holding or shareholding is published on www.cninfo.com.cn.			

Change of the controlling shareholder during the reporting period

Applicable Inapplicable

The controlling shareholder did not change during the reporting period

3. Particulars about actual controller

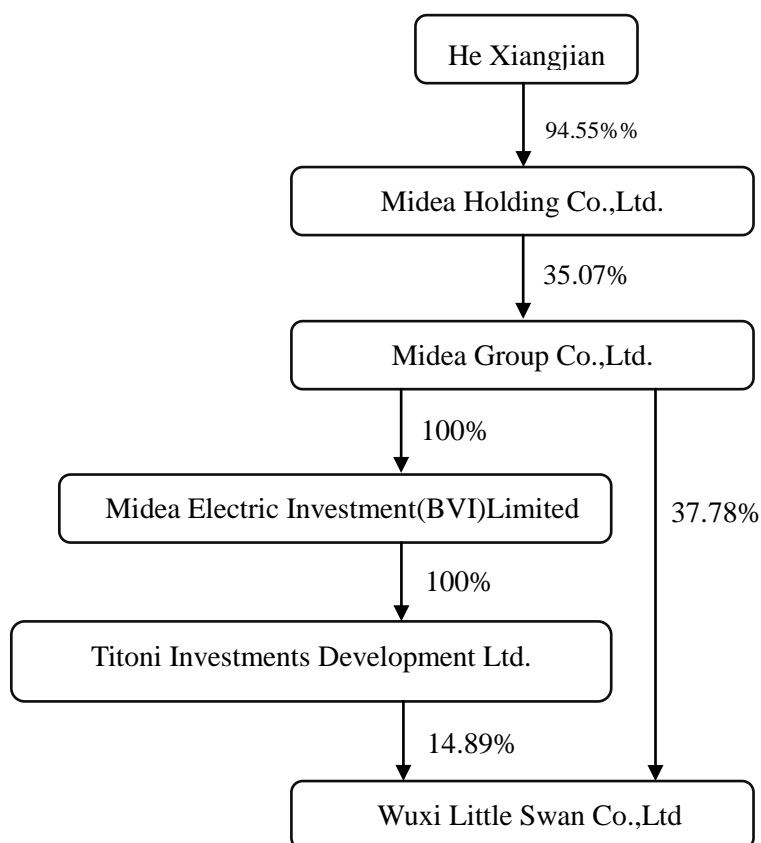
Name of the actual controller	Nationality	Whether gain the right of residence in other countries or regions or not
He Xiangjian	The People's Republic of China	No
Occupation and position	Current Chairman of the Board in Midea Holding and Midea Group	
Particulars on his controlling listed companies over the past ten years	Midea Holding (000527.SZ), Welling Holding (00382.HK) and Little Swan (A: 000418.SZ;B:200418)	

Change of the actual controller during the reporting period

Applicable Inapplicable

The actual controller did not change during the reporting period

The ownership and controlling relationship between the actual controller of the Company and the Company is detailed as follows



The actual controller controls the Company via trust or other ways of asset management

Applicable Inapplicable

4. Particulars about other corporate shareholders with shareholding proportion over 10%

Name of corporate shareholder	Legal representative / company principal	Date of establishment	Registered capital	Main business or management activity
TITONI	Xiao Mingguang	7 Feb. 2007	USD 50,000	As share holding company hold share equity of Little Swan

5. Particulars about restriction of reducing holding-shares of controlling shareholders, actual controller, restructuring parties and other commitment entities

Applicable Inapplicable

Section VII. Directors, Supervisors, Senior Management Staff & Employees

I. Changes in shareholding of directors, supervisors and senior management staff

Name	Position	Current/ former	Gender	Age	Initial date	Ended Date	Shares held at the year-begin (share)	Amount of shares increased at the reporting period (share)	Amount of shares decreased at the reporting period (share)	Other changes increase/ decrease	Shares held at the year-be gin (share)
Fang Hongbo	Chairman of the Board	Current	Male	48	9 May 2008	25 Aug. 2018	0	0	0		0
Yin Bitong	GM	Current	Male	47	2 Aug. 2013	25 Aug. 2018	0	0	0		0
	Director	Current	Male	47	27 Aug. 2013	25 Aug. 2018	0	0	0		0
Xiao Minggua ng	Director	Current	Male	45	12 Jan. 2010	25 Aug. 2018	0	0	0		0
Zhang Zhaofen g	Director	Current	Male	40	2 Nov. 2012	25 Aug. 2018	0	0	0		0
Zhou Sixiu	Company Secretary	Current	Femal e	42	10 Jan. 2007	25 Aug. 2018	0	0	0		0
	Director	Current	Femal e	42	21 Aug. 2012	25 Aug. 2018	0	0	0		0
Sun Yunan	CFO	Current	Male	37	24 Nov. 2014	25 Aug. 2018	0	0	0		0
	Director	Current	Male	37	26 Aug. 2015	25 Aug. 2018	0	0	0		0
Jiang Qingyun	Independent director	Current	Male	51	22 Aug. 2014	25 Aug. 2018	0	0	0		0
Tao Xiangna n	Independent director	Current	Male	49	20 Apr. 2015	25 Aug. 2018	0	0	0		0
Zhu Heping	Independent director	Current	Male	51	26 Aug. 2015	25 Aug. 2018	0	0	0		0
Liang Pengfei	Supervisory Board	Current	Male	38	22 Aug. 2014	25 Aug. 2018	0	0	0		0

	Chairman										
Wang Shouhu	Supervisor	Current	Male	34	22 Aug. 2014	25 Aug. 2018	0	0	0		0
Xu Pengcheng	Staff representative supervisor	Current	Male	46	5 Aug. 2014	25 Aug. 2018	0	0	0		0
Chai Xinjian	Vice chairman of the Board	Former	Male	52	2 Aug. 2013	26 Aug. 2015	0	0	0		0
Yu Lihui	Independent director	Former	Female	50	16 Sep. 2009	26 Aug. 2015	0	0	0		0
Liu Chunlin	Independent director	Former	Male	45	22 Aug. 2014	20 Apr. 2015	0	0	0		0
Fu Wei	Vice GM	Former	Male	39	21 Aug. 2012	26 Aug. 2015	0	0	0		0
Mao Zhiliang	Vice GM	Former	Male	58	21 Aug. 2012	26 Aug. 2015	0	24,300	0		24,300
Total	--	--	--	--	--	--	0	24,300	0		24,300

II. Particulars about changes of Directors, Supervisors and Senior Executives

Name	Position	Type	Date	Reason
Chai Xinjian	Vice chairman of the Board	Left as serve term expired	26 Aug. 2015	Left as serve term expired
Yu Lihui	Independent director	Left as serve term expired	26 Aug. 2015	Left as serve term expired
Liu Chunlin	Independent director	Former	20 Apr. 2015	Resigned owing to personal reason
Fu Wei	Vice GM	Left as serve term expired	26 Aug. 2015	Left as serve term expired
Mao Zhiliang	Vice GM	Left as serve term expired	26 Aug. 2015	Left as serve term expired
Sun Yunan	Director, CFO	Engaged	26 Aug. 2015	General election
Tao Xiangnan	Independent director	Engaged	20 Apr. 2015	By-election independent director
Zhu Heping	Independent director	Engaged	26 Aug. 2015	General election

III. Resumes of important personnel

Main working experience of current directors, supervisors and senior management staff

(1) Mr. Fang Hongbo, was born in Jan. 1967, master degree. He now serves in the Company as the Chairman of the Board, as the Chairman of the Board and concurrently President in Midea Group Co., Ltd. He ever took the posts of General Manager and President of GD Midea Holding Co., Ltd., etc.

(2) Mr. Yin Bitong, was born in Dec. 1968, master degree. He now acts as Director and General Manager of the

Company. He ever served as Assistant General Manager, Marketing Chief in Midea Air-conditioner Marketing Company in China, Marketing General Manager in China in Midea (Guangzhou) Hualing Air Conditioner Equipment Co., Ltd. Domestic Marketing General Manager of Hefei Midea Washing Equipment Manufacturing Co., Ltd. ,etc.

(3) Mr. Xiao Mingguang, was born in Feb. 1970, master degree, CPAs. He now serves as Director in the Company, Business Management Director of Midea Group. He ever took the posts as Deputy Director of financial management of GD Midea Holding Co., Ltd., chief of Audit and Supervision Department Midea Group and Director of GD Midea Holding Co., Ltd. ,etc.

(4) Mr. Zhang Zhaofeng, was born in Aug. 1975, master degree. Now he acts as the GM of Financial center of Midea Group. He ever took the posts of Supervisor, Director and CFO of the Company and Media Group Co., Ltd., as Chief of the Audit and Supervision Department of GD Midea Holding Co., Ltd., etc.

(5) Ms. Zhou Sixiu, was born in Feb. 1973, bachelor degree, CPAs. Now, she holds the posts of Director and Secretary to the Board in the Company. She ever served as Securities Affair Representative and other positions in Wuxi Qingfeng Stock Co., Ltd., etc.

(6) Sun Yunan, was born in May, 1978, master degree. He ever served as Finance Minister of Automatic Factory of the Company, Refrigerator Career Dept. Factory and Manager of Accounting and Process Management of Midea Group , etc.

(7) Jiang Qingyun, was born in Jun. 1964, doctor degree. He now serves as Independent Director of the Company, Marketing Director of School of Management Fudan University. He ever acted as Associate Professor and Deputy Dean of East China University of Science and Technology School of Business, Associate professor and Deputy Market Director of School of Management of Fudan University, etc.

(8) Tao Xiangnan was born in Jan. 1966, doctor degree. He now serves as Independent Director of the Company, Associate Professor of Nanjing University Business School, Adjunct Associate Professor of MUST and Independent Director of Shenzhen Maida Digital Co., Ltd.

(9) Zhu Heping was born in Apr. 1964, doctor degree. He now serves as Independent Director of the Company, Accounting Professor of school of business Jiangnan university, Member of CICPA and Independent Director of Jiangsu New Yuancheng Cable Co., Ltd., Yoke Technology Co., Ltd. and Jiangsu Yataiqing Alloy Technology Co., Ltd..

(10) Liang Pengfei was born in Aug. 1977, bachelor. He now serves as Chairman of the Board of Supervisor, Director of Operating and Human Resources. He ever acted as Manager of Marketing Center Compressor Dept.,

Manager of Supply Chain Management Dept. Minister of Manufacturing Management Dept. and Director of Operating management of Midea Group etc.

(11) Wang Shouhu, was born in Sep. 1981, bachelor, He now serves as Supervisor Manager of Internal Audit. He ever acted as Director of Management Audit of Media Daily Appliance Group and Supervision of Integrity officer of Media Group, etc.

(12) Xu Pengcheng, was born in Dec. 1969, bachelor. He now serves as Staff Representative Supervisor and Director of R&D of the Company. He ever acted as Minister of impeller Development Dept. officer of R&D of Automatic Washing Machine Company and GM of Hefei Midea Washing Machine Co., Ltd., etc.

Post-holding in shareholder units

Name of the person holding any post in any shareholder unit	Name of the shareholder unit	Position in the shareholder unit	Beginning date of office term	Ending date of office term	Receives payment from the shareholder unit?
Fang Hongbo	Midea Group	Chairman of the Board	25 Aug. 2012	17 Sep. 2018	Yes
Fang Hongbo	Midea Group	CEO	15 Oct. 2013	17 Sep. 2018	Yes
Xiao Mingguang	Midea Group	Director of finance and economics	2 Dec. 2015		Yes
Xiao Mingguang	TITONI	Director	23 Dec. 2013		No
Zhang Zhaofeng	Midea Group	GM of Financial Center	2 Dec. 2015		Yes

Post-holding in other units

Name of the person holding any post in any shareholder unit	Name of other unit	Position in other unit	Beginning date of office term	Ending date of office term	Receives payment from the shareholder unit?
Jiang Qingyun	School of Management Fudan University	Professor and Marketing Director	1 Aug. 1999		Yes
Tao Xiangnan	Nanjing University Business School	Associate Professor	1 Jan. 2005		Yes
Zhu Heping	School of Business Jiangnan university	Professor	1 Sep. 2007		Yes

Particulars about the Company's current directors, supervisors and senior executives 'punishments from Securities Regulatory Institution of recent three years in reporting period

Applicable Inapplicable

IV. Remuneration for directors, supervisors and senior management

Decision-making procedure, determining basis and actual payment for the remuneration of directors, supervisors

and senior management

(1) Decision-making procedure for the remuneration of directors, supervisors and senior management: The remuneration of directors, supervisors and senior management receiving remuneration from the Company is decided after the approval of the Board of Directors.

(2) Determining basis for the remuneration of directors, supervisors and senior management: The remuneration of directors, supervisors and senior management receiving remuneration from the Company consist of the basic annual salary and performance annual salary. The basic annual salary is decided according to the duties, risks, pressure and other factors born by the directors, supervisors and senior management, and it stays unchanged; while the performance annual salary is linked with the profit completion rate and the appraisal results of target responsibility system of the Company. The remuneration system of the directors, supervisors and senior management of the Company serves for its operating strategy, which is adjusted according to the changes of operation situation of the Company so as to adapt to the needs of the further development of the Company. The adjustment basis for the remuneration of directors, supervisors and senior management of the Company is as follows: (1) the increase level of remuneration in the same industry; (2) the earnings of the Company; (3) the adjustment of organization structure; (4) adjustment on positions. The allowance for independent directors approved by the Board of Directors is RMB100, 000 (tax included) per year which reviewed and approved by the First General Meeting of Shareholders of 2015 on 26 Aug. 2015, and the expenses occurred to execute their responsibilities are born by the Company.

(3) Actual payment for the remuneration of directors, supervisors and senior management: The basic salary of directors, supervisors and senior management receiving remuneration from the Company is paid monthly; the allowance for independent directors is paid quarterly.

Remuneration of the directors, supervisors and senior management of the Company during the reporting period

Unit: RMB Thousand Yuan

Name	Position	Gender	Age	Current /former	Total before-tax remuneration gained from the Company	Whether gained remuneration from the related parties of the Company
Fang Hongbo	Chairman of the Board	Male	48	Current		Yes
Yin Bitong	Director, GM	Male	47	Current	269.73	
Xiao Mingguang	Director	Male	45	Current		Yes
Zhang Zhaofeng	Director	Male	40	Current		Yes

Zhou Sixiu	Company Secretary	Female	42	Current	123.02	
Sun Yunan	Director, CFO	Male	37	Current	130.25	
Jiang Qingyun	Independent director	Male	51	Current	8.50	
Tao Xiangnan	Independent director	Male	49	Current	6.50	
Zhu Heping	Independent director	Male	51	Current	3.33	
Liang Pengfei	Supervisory Board Chairman	Male	38	Current	129.44	
Wang Shouhu	Supervisor	Male	34	Current	32.46	
Xu Pengcheng	Staff representative supervisor	Male	46	Current	274.58	
Chai Xinjian	Vice chairman of the Board	Male	52	Former		Yes
Yu Lihui	Independent director	Female	50	Former	6.00	
Liu Chunlin	Independent director	Male	45	Former	2.00	
Fu Wei	Vice GM	Male	39	Former	145.17	
Mao Zhiliang	Vice GM	Male	58	Former	94.84	
Total	--	--	--	--	1,225.82	--

Situations of equity incentives awarded to the directors, supervisors and senior management of the Company during the reporting period

Applicable Inapplicable

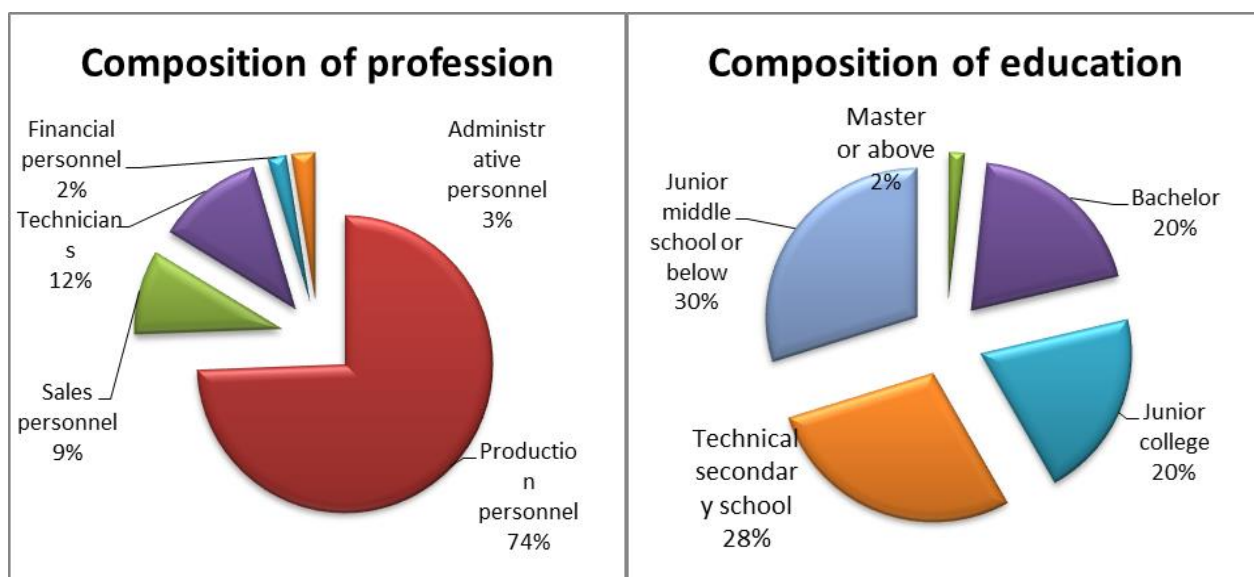
V. About employees

Employee's remuneration policy and training plan

(1) Employee's remuneration policy: It will adopt irregular work system and integrated working hours for employee's remuneration according to the nature and content of the positions, and sign the collective wage contract by collective wage consultation system.

(2) Employee's training: It will decide the training content for employees from different levels and groups according to the post qualification, and promote the training of entire staff, so as to build a learning organization.

As of 31 Dec. 2015, on-job employees 7872, retired staff of need to bear the cost were 430, and the structure was as followed:



Situation of remuneration cost of Company

	Reporting period
Total number of employees accepted salaries(person)	8,206
Total salaries (Ten thousand Yuan)	89,398.91
Proportion of operation revenue in reporting period	6.81%
Average salary of senior executives (Ten thousand Yuan/person)	174.33
Average salary of total employees (Ten thousand Yuan/person)	10.89

Section VIII. Corporate Governance

I. Basic details of corporate governance

The Company continuously perfected its corporate governance; promote the improvement of its operation and formulate the corresponding internal control system, prevented and controlled risks and safeguarded the legitimate rights and interests of the Company and the shareholders in accordance with the requirements of relevant laws and rules such as Company Law, Securities Law issued by CSRC. The actual situation of the Company's corporate governance is in accordance with the requirements of Administrative Rule for Listed Companies issued by CSRC

The Company set up Rules of Procedure for the operation of Board of Directors, Supervisory Board and Shareholders' General Meeting, Rules of Procedure, The Disclosure of Information Management System, Raise Money Management System, Related Transaction Management System, Information Source Insider Registration Management System, Internal Report System for the Major Issues, System of Accountability for Management etc files of standard management for the Special Committee of the Board. During the reporting period, the Company held Second Special Meeting of the Board of Directors in according to the need of actual operation and stipulation of relevant laws and regulations, the meeting reviewed and approved the formulating or revising of External Guarantee Decision-making System, Directors, Supervisors and Senior Executive remuneration Management System, Rule of Procedure of Shareholders' Meeting and Revision of Article of Association, which further perfect the corporate governance

In line with the relevant provisions of Company Law, the Articles of Association etc., the Company established a comparative perfect organization control structure system The Board of Director conducted the resolutions of general meeting of shareholders, response for the significant decision-making events and general meeting of stockholders; the Company appointed GM by law, presided over the daily production operation and management, organized the implementation of resolution of the Board, was responsible for the Board of Directors; the supervisor of the Company was the supervisory organization for the Company which supervised the behaviors of the directors, GM and the finance of the Company. The four committees, Strategy Committee, the Remuneration and Appraisal Committee, Audit Committee, the Nomination Committee were under the Board of Directors. the Company's General Meeting of shareholders, Board of Directors, Board of directors and operation managerial personnel with clear responsibilities and rights, performing their duties, effective checks and balances, scientific decision-making and coordinate operations, which laid a solid foundation for sustained, stable and healthy development of the Company.

During reporting period, the Company acquired the Most Respectable Listed Company Finalist of China in 2015 hosted by Association of Chinese Listed Companies together with China Securities Investors Protection Fund Limited Company, SSE, SZSE, SAC and Assets Management Association of China , and undertaken by Securities Times

Whether it exists any difference between the corporate governance and the Company Law and relevant

rules of CSRC or not?

Yes No

There is no difference between the corporate governance and the Company Law and relevant rules of CSRC.

II. Particulars about the Company's separation from the controlling shareholder in respect of business, personnel, assets, organization and financial affairs

The Company totally kept separation from the controlling shareholder in respect of business, personnel, assets, organization and financing that it owned an independent and complete business as well as self-operation capability.

1. In respect of business, the Company owned independent and integrated system of R&D, purchasing, production and sales. Main business of the Company is washing machine that there isn't any horizontal competition between the Company and the controlling shareholder. The Company was completely separated from the controlling shareholder in business.

2. In respect of personnel, in terms of labor, personnel and salary management, the Company and the controlling shareholder were independent each other, there existed no mixed operation and management between the Company and the controlling shareholder. Such senior management staff as General Manager, Deputy General Managers, CFO and Secretary to the Board. And they did not take any post other than Director in Shareholding Companies respectively.

3. In respect of assets, the Company's assets were complete, and there was the clear property right relationship between the Company and the controlling shareholder.

4. In respect of organization, the Company has set up the organization that was independent from the controlling shareholder completely, the Board of Directors, the Supervisory Committee and internal organization could operate independently.

5. In respect of financing, the Company owned independent financial department, established independent accounting system and financial management system, opened independent bank account, paid tax in line with laws.

III. Horizontal competition

Applicable Inapplicable

IV. Particulars about the annual shareholders' general meeting and special shareholders' general meetings held during the reporting period

Particulars about the shareholders' general meeting in reporting period

Session	Type	Proportion of investors' participation	Convening date	Disclosure date	Index to the disclosed
The Annual Shareholders' General Meeting of 2014	The Annual Shareholders' General Meeting	58.06%	20 Apr. 2015	21 Apr. 2015	(Announcement No.: 2015-13) was published on www.cninfo.com.cn
The First Special	Special	57.29%	26 Aug. 2015	27 Aug. 2015	(Announcement No.: 2015-23) was

Shareholders' General Meeting for 2015	Shareholders' General Meeting				published on www.cninfo.com.cn
The Second Special Shareholders' General Meeting for 2015	Special Shareholders' General Meeting	57.61%	4 Dec. 2015	7 Dec. 2015	(Announcement No.: 2015-39) was published on www.cninfo.com.cn

2. Special Shareholders' General Meeting applied by the preferred stockholder with restitution of voting right

Applicable Inapplicable

V. Performance of the Independent Directors

1. Particulars about the independent directors attending the board sessions and the shareholders' general meetings

1. Particulars about the independent directors attending the board sessions						
Independent director	Sessions required to attend during the reporting period	Attendance in person	Attendance by way of telecommunication	Entrusted presence (times)	Absence rate	Non-attendance in person for two consecutive times
Jiang Qingyun	6	3	3	0	0	No
Yu Lihui	3	1	1	1	0	No
Liu Chunlin	1	1	0	0	0	No
Tao Xiangnan	5	2	3	0	0	No
Zhu Heping	3	1	2	0	0	No
General meetings sat in on by independent directors		3				

2. Particulars about independent directors proposing objection on relevant events

Whether independent directors propose objection on relevant events or not?

Yes No

During the reporting period, no independent directors proposed any objection on relevant events of the Company.

3. Other explanations about the duty performance of independent directors

Whether advices to the Company from independent directors were adopted or not

Yes No

Note to advices to the Company from independent directors were adopted or not adopted

During the reporting period, the independent directors of the Company in strict accordance with the relevant laws, regulations and rules of Articles Of Association, focus on the operation of the Company, perform their duties independently and put forward the professional opinions to complete the system of the Company and daily management decisions , for those events need issued opinions, the independent directors put forward independent and impartial advice, which play a proper role to improve the company governance mechanism, safeguard the legitimate rights and interests of the Company and all shareholders.

VI. Performance of the Special Committees under the Board during the reporting period

During the reporting period, the performance of the Special Committees under the Board was as follows:

1. The Audit Committee under the Board convened four meetings, at which reviewed and approved the Annual Financial Statement Report 2014, Annual Report and Its Abstract 2014, Summary Report of the Audit Committee on the 2014 Annual Audit Work, Proposal on Engaging the Audit Firm for the 2015 Annual Financial Report, Proposal on Engaging the Audit Firm for the 2015 Annual Internal Control, Proposal on the Company's Write-off Asset Impairment Provision, 2015 Semi-annual Report, 2015 Third Quarter Report and Proposal on the Change of appointment of Accounting Firm
2. The strategy Committee under the Board convened one meeting, at which reviewed and approved the proposal on Mid-term Development Plan of the Company (2015-2017);
3. The Remuneration and Appraisal Committee under the Board convened two meetings, at which reviewed and approved the Proposal on Paying the 2014 Annual Remuneration to the Senior Management; Remuneration Management System for Directors, Supervisors and Senior Executives, and Proposal on Adjustment to the Remuneration for Independent Directors.
4. The Nomination Committee under the Board convened three meetings, at which reviewed and approved the Proposal on the By-election of Independent Directors of the Company, Proposal on General Election of the Board of Directors, Proposal on Appointment of GM of the Company, Proposal on the Appointment of CFO of the Company and Proposal on Appointment of Secretary to the Board of Directors.

VII. Performance of the Supervisory Committee

During the reporting period, the Supervisory Committee found whether there was risk in the Company in the supervisory activity

Yes No

The Supervisory Committee has no objection on the supervised events during the reporting period.

VIII. Performance Evaluation and Incentive Mechanism for Senior Management Staff

The selection, appraisal and incentive system of the senior management staff of the Company were implemented according to relevant regulations of the Company Law and the Articles of Association of the Company. The Company established examination and evaluation system on the basis of the target responsibility, determine the evaluation index, evaluation method and evaluation method relate to the assessment results, according to the annual signing of the Target Responsibility Assessment System Agreement with senior management. During the reporting period, the Company had in accordance with the measures for the management of target responsibility system exam and the rate the senior management, and had reflected in an annual performance remuneration, which effectively improved the senior management's responsibility and work enthusiasm.

IX. Internal Control

1. Particulars about significant defects found in the internal control during reporting period

Yes No

2. Self-appraisal report on internal control

Disclosure index of the Auditor's Report on Internal Control		10 Mar. 2016
Disclosure index of the Auditor's Report on Internal Control		For details about the Self-appraisal Report on the 2015 Annual Internal Control, please refer to www.cninfo.com.cn, which is the information disclosure website designated by Shenzhen Stock Exchange.
The proportion of total assets included in evaluation scope entities in the Company's total assets of the consolidated financial statements		100.00%
The proportion of operation revenue included in evaluation scope entities in the Company's operation revenue of the consolidated financial statements		100.00%
Defect judging standards		
Category	Financial Report	Non-Financial Report
Qualitative criteria	For details, please refer to Section III. (III) Judgment of evaluation and defect judging standards of internal control disclosed on the Self-appraisal Report on the 2015 Annual Internal Control on 10 Mar. 2016	For details, please refer to Section III. (III) Judgment of evaluation and defect judging standards of internal control disclosed on the Self-appraisal Report on the 2015 Annual Internal Control on 10 Mar. 2016
Quantitative criteria	For details, please refer to Section III. (III) Judgment of evaluation and defect judging standards of internal control disclosed on the Self-appraisal Report on the 2015 Annual Internal Control on 10 Mar. 2016	For details, please refer to Section III. (III) Judgment of evaluation and defect judging standards of internal control disclosed on the Self-appraisal Report on the 2015 Annual Internal Control on 10 Mar. 2016
Number of significant defects of financial report (Piece)		0
Number of significant defects of non-financial report (Piece)		0
Number of important defects of financial report (Piece)		0
Number of important defects of non-financial report (Piece)		0

X. Audit report on internal control

Audit opinion paragraphs in the Audit Report on Internal Control	
The audit firm for internal control believes that the Company makes valid internal control on financial report in all significant aspects on 31 Dec. 2015 according to the Basic Rules on Enterprise Internal Control and other relevant stipulations.	
Particulars about Audit Report on Internal Control	Disclosure
Disclosure date of the Audit Report on Internal Control	10 Mar. 2016
Disclosure index of the Audit Report on Internal Control	For details about the Self-appraisal Report on the 2015 Annual Internal Control, please refer to www.cninfo.com.cn, which is the information disclosure website designated by Shenzhen Stock Exchange.
Type of Audit Report on Internal Control	Unqualified auditor's report
Whether there is significant defect in non-financial report	No

Whether the CPAs firm issues an Audit Report on Internal Control with non-standard opinion or not?

Yes No

Whether the Audit Report on Internal Control from the CPAs firm is in consistent with the Self-appraisal Report from the Board or not?

Section IX. Report of the Auditor

PwC ZT Shen Zi (2016) No.10009

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To the shareholders of Wuxi Little Swan CO., Ltd.

We have audited the accompanying financial statements of Wuxi Little Swan CO., Ltd. (hereinafter “the Company”), which comprise the consolidated and company balance sheets as at 31 December 2015, and the consolidated and company income statements, the consolidated and company statements of changes in shareholder’s equity and the consolidated and company cash flow statements for the year then ended, and the notes to the financial statements.

Management’s Responsibility for the Financial Statements

Management of the Company is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of Accounting Standards for Business Enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with China Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PwC ZT Shen Zi (2016) No.10009

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Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company's financial position of the Company as at 31 December 2015, and their financial performance and cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises.

PricewaterhouseCoopers Zhong Tian CPAs LLP

Shanghai, the People's Republic of China

8th March 2016

WUXI LITTLE SWAN CO., LTD.**II Financial statements****CONSOLIDATED BALANCE SHEET****AS AT 31 DECEMBER 2015**

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

ASSETS	31 December 2015 Consolidated	31 December 2014 Consolidated
Current assets		
Cash at bank and in hand	3,042,843,924.81	3,059,914,956.21
Financial assets measured at fair value with changes included in current profits and losses	-	248,907.75
Notes receivable	2,205,189,379.10	3,147,153,535.61
Accounts receivable	896,075,475.63	856,343,229.70
Advances to suppliers	97,628,578.17	142,977,522.28
Interests receivable	22,932,602.74	-
Other receivables	9,208,180.08	34,611,969.22
Inventories	745,412,967.52	605,616,993.25
Other current assets	5,733,188,604.23	1,947,972,214.72
Total current assets	12,752,479,712.28	9,794,839,328.74
Non-current assets		
Available-for-sale financial assets	200,000.00	200,000.00
Long-term equity investments	-	2,850,040.45
Investment properties	68,843,047.52	73,229,177.52
Fixed assets	1,019,528,291.60	1,065,820,898.65
Intangible assets	197,521,625.03	202,760,577.70
Long-term prepaid expenses	4,238,244.38	1,851,978.15
Deferred tax assets	251,881,220.89	235,241,927.50
Other non-current assets	32,963,224.90	-
Total non-current assets	1,575,175,654.32	1,581,954,599.97
TOTAL ASSETS	14,327,655,366.60	11,376,793,928.71

WUXI LITTLE SWAN CO., LTD.

CONSOLIDATED BALANCE SHEET (continued)

AS AT 31 DECEMBER 2015

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

LIABILITIES AND OWNER'S EQUITY	31 December 2015 Consolidated	31 December 2014 Consolidated
Current liabilities		
Notes payable	1,953,065,274.06	1,173,851,127.31
Accounts payable	2,419,807,341.95	2,166,696,911.21
Advances from customers	1,652,908,781.44	851,592,826.03
Employee benefits payable	248,280,716.92	220,566,191.81
Taxes and other levies payable	325,108,227.91	273,648,854.64
Dividends payable	5,400,652.06	4,088,128.36
Other payables	171,807,137.94	144,292,658.48
Other current liabilities	1,521,734,293.24	1,351,628,660.52
Total current liabilities	8,298,112,425.52	6,186,365,358.36
Non-current liabilities		
Long-term employee benefits payable	28,439,299.25	29,811,618.11
Specific payables	-	2,073,957.30
Provisions	9,981,021.44	9,960,830.74
Deferred income	3,395,533.29	3,848,733.33
Deferred tax liabilities	-	37,336.16
Total non-current liabilities	41,815,853.98	45,732,475.64
Total liabilities	8,339,928,279.50	6,232,097,834.00
OWNERS' EQUITY		
Share capital	632,487,764.00	632,487,764.00
Capital surplus	1,164,014,947.85	1,139,956,336.03
Other comprehensive income	34,813,284.64	-3,449,689.57
Surplus reserve	332,594,722.29	332,594,722.29
Retained earnings	2,960,955,454.36	2,326,392,979.58
Equity attributable to the shareholders of the Company	5,124,866,173.14	4,427,982,112.33
Minority interests	862,860,913.96	716,713,982.38
Total owners' equity	5,987,727,087.10	5,144,696,094.71
TOTAL LIABILITIES AND OWNERS' EQUITY	14,327,655,366.60	11,376,793,928.71

The accompanying notes form an integral part of these financial statements.

Legal representative: _____ Principal in charge of accounting: _____ Head of accounting department: _____

WUXI LITTLE SWAN CO., LTD.**BALANCE SHEET OF THE COMPANY****AS AT 31 DECEMBER 2015**

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

ASSETS	31 December 2015 Company	31 December 2014 Company
Current assets		
Cash at bank and in hand	2,092,430,579.63	1,911,559,698.48
Financial assets measured at fair value with changes included in current profits and losses	-	169,471.35
Notes receivable	1,410,210,597.47	1,995,701,371.99
Accounts receivable	1,183,394,794.67	599,080,895.73
Advances to suppliers	98,437,350.05	82,118,815.39
Interests receivable	18,918,219.18	-
Other receivables	6,351,010.17	16,162,292.29
Inventories	482,807,868.13	391,600,972.50
Other current assets	3,178,113,808.28	1,024,148,072.06
Total current assets	8,470,664,227.58	6,020,541,589.79
Non-current assets		
Available-for-sale financial assets	150,000.00	150,000.00
Long-term equity investments	1,306,323,041.57	1,342,544,532.02
Investment properties	8,040,536.02	9,112,459.48
Fixed assets	514,950,803.50	536,196,976.55
Intangible assets	95,281,467.96	97,971,768.25
Long-term prepaid expenses	3,873,799.88	1,525,311.48
Deferred tax assets	159,759,565.25	156,000,386.72
Other non-current assets	23,027,173.60	-
Total non-current assets	2,111,406,387.78	2,143,501,434.50
TOTAL ASSETS	10,582,070,615.36	8,164,043,024.29

WUXI LITTLE SWAN CO., LTD.**BALANCE SHEET OF THE COMPANY (continued)
AS AT 31 DECEMBER 2015**

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

LIABILITIES AND OWNER'S EQUITY	31 December 2015 Company	31 December 2014 Company
Current liabilities		
Notes payable	1,519,749,295.73	584,317,575.73
Accounts payable	2,038,397,769.71	1,606,513,789.06
Advances from customers	1,060,643,231.20	536,032,679.79
Employee benefits payable	184,287,498.34	156,971,021.63
Taxes and other levies payable	224,024,964.68	178,868,538.14
Dividends payable	5,400,652.06	4,088,128.36
Other payables	95,009,275.20	72,352,698.24
Other current liabilities	944,905,437.98	884,584,189.21
Total current liabilities	6,072,418,124.90	4,023,728,620.16
Non-current liabilities		
Deferred tax liabilities	-	25,420.70
Total non-current liabilities	-	25,420.70
Total liabilities	6,072,418,124.90	4,023,754,040.86
OWNERS' EQUITY		
Share capital	632,487,764.00	632,487,764.00
Capital surplus	1,319,496,538.02	1,300,124,962.20
Other comprehensive income	13,608,826.40	-
Surplus reserve	319,944,578.39	319,944,578.39
Retained earnings	2,224,114,783.65	1,887,731,678.84
Total owners' equity	4,509,652,490.46	4,140,288,983.43
TOTAL LIABILITIES AND OWNERS' EQUITY	10,582,070,615.36	8,164,043,024.29

The accompanying notes form an integral part of these financial statements.

Legal representative: _____ Principal in charge of _____ Head of
 accounting: _____ accounting department: _____

WUXI LITTLE SWAN CO., LTD.

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

Items	2015 Consolidated	2014 Consolidated
Sales	13,131,626,932.44	10,804,217,288.60
Less: Costs of sales	9,646,390,824.36	8,007,492,218.69
Taxes and surcharges	66,761,675.48	67,429,778.79
Selling and distribution expenses	1,957,833,768.25	1,519,482,348.76
General and administrative expenses	539,747,209.80	441,240,435.76
Finance income - net	-110,112,851.91	-14,860,124.49
Asset impairment losses	22,451,935.85	38,221,081.62
Add: Losses from changes in fair value	-	-14,767,832.25
Investment income	201,749,610.84	177,965,089.26
Including: Share of results of associates	-263,002.04	-319,108.43
Operating profit	1,210,303,981.45	908,408,806.48
Add: Non-operating income	63,387,660.89	39,803,014.02
Including: Gain on disposal of non-current assets	444,371.81	2,789,994.04
Less: Non-operating expenses	48,270,024.41	14,209,147.21
Including: Losses on disposal of non-current assets	724,567.38	6,272,775.07
Profit before tax	1,225,421,617.93	934,002,673.29
Less: Income tax expenses	172,296,831.78	143,176,568.98
Net profit	1,053,124,786.15	790,826,104.31
Attributable to shareholders of the Company	919,181,968.58	698,195,731.48
Minority interests	133,942,817.57	92,630,372.83
Other comprehensive income for the year, net of tax	48,553,778.03	-70,614.41
Attributable to shareholders of the Company, net of tax	38,262,974.21	-70,614.41
Items that may be subsequently reclassified subsequently to	38,262,974.21	-70,614.41
Including: Gain (loss) on value of available-for-sale financial	37,033,422.18	-180,638.60
Currency translation difference	1,229,552.03	110,024.19
Minority interests, net of tax	10,290,803.82	-
Total comprehensive income	1,101,678,564.18	790,755,489.90
Attributable to shareholders of the Company	957,444,942.79	698,125,117.07
Minority interests	144,233,621.39	92,630,372.83
Earnings per share		
Basic earnings per share	1.45	1.10
Diluted earnings per share	1.45	1.10

The accompanying notes form an integral part of these financial statements.

Legal representative: _____ Principal in charge of _____ Head of _____
 accounting: _____ accounting department: _____

WUXI LITTLE SWAN CO., LTD.**INCOME STATEMENT OF THE COMPANY
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

Items	2015 Company	2014 Company
Sales	9,844,644,562.96	7,916,825,870.36
Less: Cost of sales	7,456,129,294.02	5,946,187,059.49
Taxes and surcharges	42,679,139.04	47,038,494.76
Selling and distribution expenses	1,413,834,422.46	1,132,598,650.92
General and administrative expenses	382,512,004.73	299,648,027.37
Finance income - net	-70,967,103.94	-4,529,436.09
Asset impairment losses	12,035,597.15	72,545,358.11
Add: Losses from changes in fair value	-	-8,558,268.65
Investment income	110,021,226.68	83,294,245.14
Including: Share of results of associates	-263,002.04	-319,108.43
Operating profit	718,442,436.18	498,073,692.29
Add: Non-operating income	27,773,563.63	16,433,978.91
Including: Gain on disposal of non-current assets	184,324.80	2,305,062.47
Less: Non-operating expenses	34,731,819.32	10,639,169.83
Including: Losses on disposal of non-current assets	111,821.73	4,046,903.42
Profit before tax	711,484,180.49	503,868,501.37
Less: Income tax expenses	90,481,581.88	87,504,963.40
Net profit	621,002,598.61	416,363,537.97
Other comprehensive income for the year, net of tax	13,608,826.40	-180,638.60
Items that may be subsequently reclassified to profit or loss	13,608,826.40	-180,638.60
Including: Gain (loss) on value of available-for-sale financial assets	13,608,826.40	-180,638.60
Total comprehensive income	634,611,425.01	416,182,899.37

The accompanying notes form an integral part of these financial statements.

Legal representative: _____ Principal in charge of _____ Head of _____
 accounting: _____ accounting department: _____

WUXI LITTLE SWAN CO., LTD.

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

Items	2015 Consolidated	2014 Consolidated
I. Cash flows from operating activities		
Cash generated from sales of goods or rendering of services	12,740,160,550.07	8,798,376,928.14
Refund of taxes and surcharges	77,145,657.15	33,025,802.90
Cash received relating to other operating activities	56,688,253.87	59,695,461.20
Sub-total of cash inflows	12,873,994,461.09	8,891,098,192.24
Cash paid for goods and services	6,084,201,536.57	4,594,554,278.14
Cash paid to and on behalf of employees	893,989,108.53	708,166,899.31
Payments of taxes and surcharges	543,482,333.15	608,666,666.17
Cash paid relating to other operating activities	1,753,626,014.04	1,322,596,031.29
Sub-total of cash outflows	9,275,298,992.29	7,233,983,874.91
Net cash flows from operating activities	3,598,695,468.80	1,657,114,317.33
II. Cash flows from investing activities		
Cash received from return of investments	8,274,398,907.76	10,101,899,999.97
Cash received from returns on investments	202,012,612.84	170,532,691.69
Net cash received from disposal of fixed assets and intangible assets	6,561,716.52	7,650,553.51
Cash received relating to other investing activities	42,268,968.89	-
Sub-total of cash inflows	8,525,242,206.01	10,280,083,245.17
Cash paid to acquire fixed assets, intangible assets and other long-term	113,960,753.52	78,485,490.25
Cash paid to acquire investments	10,456,050,000.00	11,706,999,999.97
Sub-total of cash outflows	10,570,010,753.52	11,785,485,490.22
Net cash flows from investing activities	-2,044,768,547.51	-1,505,402,245.05
III. Cash flows from financing activities		
Cash received from borrowings	215,915,154.66	100,360,740.00
Cash received from other financing activities	-	3,500,000.00
Sub-total of cash inflows	215,915,154.66	103,860,740.00
Cash repayments of borrowings	215,915,154.66	100,360,740.00
Cash payments for interests and distribution of dividends	286,688,438.02	194,602,667.45
Cash payments relating to other financing activities	-	2,184,490.69
Sub-total of cash outflows	502,603,592.68	297,147,898.14
Net cash flows from financing activities	-286,688,438.02	-193,287,158.14
IV. Effect of foreign exchange rate changes on cash		
	8,707,040.56	110,024.19
V. Net increase/(decrease) in cash	1,275,945,523.83	-41,465,061.67
Add: Opening balance of cash	1,516,739,804.86	1,558,204,866.53
VI. Ending balance of cash	2,792,685,328.69	1,516,739,804.86

The accompanying notes form an integral part of these financial statements.

Legal representative: _____ Principal in charge of accounting: _____ Head of accounting department: _____

WUXI LITTLE SWAN CO., LTD.

CASH FLOW STATEMENT OF THE COMPANY
FOR THE YEAR ENDED 31 DECEMBER 2015

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

Items	2015 Company	2014 Company
I. Cash flows from operating activities		
Cash generated from sales of goods or rendering of services	8,364,432,765.46	5,576,570,283.92
Cash received relating to other operating activities	29,865,585.50	28,571,367.48
Sub-total of cash inflows	8,394,298,350.96	5,605,141,651.40
Cash paid for goods and services	3,793,842,616.29	2,482,442,035.78
Cash paid to and on behalf of employees	595,390,188.36	443,649,148.78
Payments of taxes and surcharges	274,650,446.03	532,166,355.14
Cash paid relating to other operating activities	1,444,764,032.80	1,125,528,055.81
Sub-total of cash outflows	6,108,647,283.48	4,583,785,595.51
Net cash flows from operating activities	2,285,651,067.48	1,021,356,055.89
II. Cash flows from investing activities		
Cash received from disposal of investments	5,295,471,450.01	5,380,000,000.00
Cash received from returns on investments	110,453,700.06	84,477,225.22
Net cash received from disposal of fixed assets and intangible assets	1,952,876.70	4,087,145.88
Net cash received from disposal of subsidiaries and other business units	-	191,485,872.35
Cash received relating to other investing activities	35,092,311.37	-
Sub-total of cash inflows	5,442,970,338.14	5,660,050,243.45
Cash paid to acquire fixed assets, intangible assets and other long-term	70,559,477.51	39,089,960.84
Cash paid to acquire investments	6,112,000,000.00	6,735,100,000.00
Sub-total of cash outflows	6,182,559,477.51	6,774,189,960.84
Net cash flows from investing activities	-739,589,139.37	-1,114,139,717.39
III. Cash flows from financing activities		
Cash received from borrowings	16,404,201.00	-
Sub-total of cash inflows	16,404,201.00	-
Cash repayments of borrowings	16,404,201.00	-
Cash payments for interests and distribution of dividends and profits	283,468,922.78	189,398,353.17
Sub-total of cash outflows	299,873,123.78	189,398,353.17
Net cash flows from financing activities	-283,468,922.78	-189,398,353.17
IV. Effect of foreign exchange rate changes on cash	3,619,003.80	-
V. Net increase/(decrease) in cash and cash equivalent	1,266,212,009.13	-282,182,014.67
Add: Opening balance of cash and cash equivalent	600,231,105.51	882,413,120.18
VI. Ending balance of cash and cash equivalent	1,866,443,114.64	600,231,105.51

The accompanying notes form an integral part of these financial statements.

Legal representative: _____	Principal in charge of accounting: _____	Head of accounting department: _____
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WUXI LITTLE SWAN CO., LTD.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

	Attributable to the shareholders of the Company					Minority interests	Total owners' equity
	Share capital	Capital surplus	Other comprehensive income	Surplus reserve	Retained earnings		
I. As at 31 December 2014	632,487,764.00	1,139,956,336.03	-3,449,689.57	332,594,722.29	2,326,392,979.58	716,713,982.38	5,144,696,094.71
II. As at 1 January 2015	632,487,764.00	1,139,956,336.03	-3,449,689.57	332,594,722.29	2,326,392,979.58	716,713,982.38	5,144,696,094.71
III. Increase/(decrease)	-	24,058,611.82	38,262,974.21	-	634,562,474.78	146,146,931.58	843,030,992.39
(I) Total comprehensive income	-	-	38,262,974.21	-	919,181,968.58	144,233,621.39	1,101,678,564.18
(II) Increase/(decrease) in capital	-	24,058,611.82	-	-	-	1,913,310.19	25,971,922.01
1. Capital contribution by the	-	-	-	-	-	-	-
2. share-based payments recognized in shareholders' equity	-	22,544,356.36	-	-	-	1,353,341.72	23,897,698.08
3. Others	-	1,514,255.46	-	-	-	559,968.47	2,074,223.93
(III) Appropriation	-	-	-	-	-284,619,493.80	-	-284,619,493.80
1. Transfer to surplus reserve	-	-	-	-	-	-	-
2. Appropriation of General risk	-	-	-	-	-	-	-
3. Attribution to the shareholders	-	-	-	-	-284,619,493.80	-	-284,619,493.80
4. Others	-	-	-	-	-	-	-
IV. As at 31 December 2015	632,487,764.00	1,164,014,947.85	34,813,284.64	332,594,722.29	2,960,955,454.36	862,860,913.96	5,987,727,087.10

WUXI LITTLE SWAN CO., LTD.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

	Attributable to the shareholders of the Company					Minority interests	Total owners' equity
	Share capital	Capital surplus	Other comprehensive income	Surplus reserve	Retained earnings		
I. As at 31 December 2013	632,487,764.00	1,129,250,666.31	-3,379,075.16	290,958,368.49	1,859,579,931.10	625,431,730.92	4,534,329,385.66
II. As at 1 January 2014	632,487,764.00	1,129,250,666.31	-3,379,075.16	290,958,368.49	1,859,579,931.10	625,431,730.92	4,534,329,385.66
III. Increase/(decrease)	-	10,705,669.72	-70,614.41	41,636,353.80	466,813,048.48	91,282,251.46	610,366,709.05
(I) Total comprehensive income	-	-	-70,614.41	-	698,195,731.48	92,630,372.83	790,755,489.90
(II) Increase/(decrease) in capital	-	10,705,669.72	-	-	-	-1,348,121.37	9,357,548.35
1. Common shares invested by shareholders	-	-	-	-	-	-	-
2. Share-based payments recognized in shareholders' equity	-	10,805,421.89	-	-	-	836,369.32	11,641,791.21
3. Others	-	-99,752.17	-	-	-	-2,184,490.69	-2,284,242.86
(III) Appropriation	-	-	-	41,636,353.80	-231,382,683.00	-	-189,746,329.20
1. Transfer to surplus reserve	-	-	-	41,636,353.80	-41,636,353.80	-	-
2. Appropriation of General risk reserve	-	-	-	-	-	-	-
3. Attribution to the shareholders	-	-	-	-	-189,746,329.20	-	-189,746,329.20
4. Others	-	-	-	-	-	-	-
IV. As at 31 December 2014	632,487,764.00	1,139,956,336.03	-3,449,689.57	332,594,722.29	2,326,392,979.58	716,713,982.38	5,144,696,094.71

The accompanying notes form an integral part of these financial statements.

Legal
representative:

Principal in charge of

Head of

WUXI LITTLE SWAN CO., LTD.

STATEMENT OF CHANGES IN EQUITY OF THE COMPANY
FOR THE YEAR ENDED 31 DECEMBER 2015

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

	Share capital	Capital surplus	Other comprehensive income	Surplus reserve	Retained earnings	Total owners' equity
I. As at 31 December 2014	632,487,764.00	1,300,124,962.20	-	319,944,578.39	1,887,731,678.84	4,140,288,983.43
II. As at 1 January 2015	632,487,764.00	1,300,124,962.20	-	319,944,578.39	1,887,731,678.84	4,140,288,983.43
III. Increase/(decrease)	-	19,371,575.82	13,608,826.40	-	336,383,104.81	369,363,507.03
(I) Total comprehensive income	-	-	13,608,826.40	-	621,002,598.61	634,611,425.01
(II) Increase/(decrease) in owner's capital	-	19,371,575.82	-	-	-	19,371,575.82
1. Common shares invested by shareholders	-	-	-	-	-	-
2. Share-based payments recognized in shareholders' equity	-	19,371,309.18	-	-	-	19,371,309.18
3. Others	-	266.64	-	-	-	266.64
(III) Appropriation	-	-	-	-	-284,619,493.80	-284,619,493.80
1. Transfer to surplus reserve	-	-	-	-	-	-
2. Attribution to the shareholders	-	-	-	-	-284,619,493.80	-284,619,493.80
3. Others	-	-	-	-	-	-
IV. As at 31 December 2015	632,487,764.00	1,319,496,538.02	13,608,826.40	319,944,578.39	2,224,114,783.65	4,509,652,490.46

WUXI LITTLE SWAN CO., LTD.

STATEMENT OF CHANGES IN EQUITY OF THE COMPANY (continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

(All amounts in Renminbi yuan unless otherwise stated)

	Share capital	Capital surplus	Other comprehensive income	Surplus reserve	Retained earnings	Total owners' equity
I. As at 31 December 2013	632,487,764.00	1,291,302,721.54	180,638.60	278,308,224.59	1,702,750,823.87	3,905,030,172.60
II. As at 1 January 2014	632,487,764.00	1,291,302,721.54	180,638.60	278,308,224.59	1,702,750,823.87	3,905,030,172.60
III. Increase/(decrease)	-	8,822,240.66	-180,638.60	41,636,353.80	184,980,854.97	235,258,810.83
(I) Total comprehensive income	-	-	-180,638.60	-	416,363,537.97	416,182,899.37
(II) Increase/(decrease) in owner's capital	-	8,822,240.66	-	-	-	8,822,240.66
1. Common shares invested by shareholders	-	-	-	-	-	-
2. Share-based payments recognized in shareholders' equity	-	8,820,742.83	-	-	-	8,820,742.83
3. Others	-	1,497.83	-	-	-	1,497.83
(III) Appropriation	-	-	-	41,636,353.80	-231,382,683.00	-189,746,329.20
1. Appropriation of surplus reserves	-	-	-	41,636,353.80	-41,636,353.80	-
2. Appropriation of General risk reserve	-	-	-	-	-	-
3. Attribution to the shareholders	-	-	-	-	-189,746,329.20	-189,746,329.20
4. Others	-	-	-	-	-	-
IV. Balance at 31 December 2014	632,487,764.00	1,300,124,962.20	-	319,944,578.39	1,887,731,678.84	4,140,288,983.43

The accompanying notes form an integral part of these financial statements.

Legal representative: _____ Principal in charge of _____ Head of
 accounting: _____ accounting department: _____

III General information

Wuxi Little Swan Co., Ltd. (hereinafter ‘the Company’) was formerly a SOE founded and reorganized as a private placement limited liability company by the approval of Jiangsu Provincial Commission for Economic Restructuring (SuTiGaiSheng (1993) No.253 Document) on 29th Nov,1993. As approved by Jiangsu Provincial Government ((1996) No.52 Document), Securities Regulatory Commission under State Council (ZhengWeiFa (1996) No.14 Document) and Shenzhen Securities and Exchange Commission (ShenZhengBanhan (1996) No.4 Document), the Company publicly issued 70 million RMB foreign shares (B-shares) in China, after which the Company’s share capital came to RMB 310 million.

In March 1997, as approved by China Securities Regulatory Commission (ZhengJianFaZi (1997) No.54 Document and ZhengJianFaZi (1997) No.55 Document), the Company publicly issued 60 million RMB common shares (including 90 million staff shares). The public offerings raised 720.83 million RMB yuan and the A-shares were formally listed at Shenzhen Stock Exchange in Mar, 1997. The abbreviation for A-shares is “Little Swan A”. A-share code is 000418.

On 20 July 2006, the Company’s proposal on reformation of segregated stocks was approved by relevant shareholders’ meeting. To gain liquidity for the restricted stocks of the Company, the holders of the restricted stocks of the Company agreed to pay the following consideration: based on the stock registration as of 4 August 2006, the Company issued bonus shares on 7 August 2006 at the ratio of 2.5 shares to every 10 A-shares to liquidated A-share holders which went public on the same day. After this bonus issue, the total number of shares of the Company remained unchanged with corresponding changes in the composition of share holdings.

Pursuant to the resolution at the Annual General Meeting on 9 May 2008, programme of transference from capital surplus to share capital at the ratio of 10 shares to 5 shares was approved. Additional 182,551,920 shares were allotted at par from the capital surplus of the Company. As a result, the total shares of the Company increased to 547,655,760.

In accordance to the resolution of the 4th session of the 6th board meeting and the 1st temporary shareholders meeting in 2010, as well as Document ZhengJianXuKe (2010) No. 1577 “The approval of significant assets reorganization of Wuxi Little Swan Co., Ltd. and stock offering with assets purchase to Guangdong Midea Electric Appliances Co., Ltd.” issued by China Securities Regulatory Commission, a placement in A share was completed in which additional 84,832,000 shares were issued to Guangdong Midea Electric Appliances Co., Ltd. (Midea Electric Appliances), while 69.47% equity interest of Hefei Midea Washing Machine Limited (formerly as Hefei Royal star Washing Machine Manufacture Limited) was acquired. Through the non-public offering of A share, the Company’s capital share increased by RMB 84,832,000.

On 18 September 2013, Midea Group Co., Ltd. (hereinafter ‘the Midea Group’) combined the Company’s former controlling shareholder Midea Electric Appliances through shares exchanges according to Document ZhengJianXuKe (2013) No. 1014 *The approval of the merger of Guangdong Midea Electric Appliances Co., Ltd. to Midea Group Co., Ltd.* issued by China Securities Regulatory Commission. After the consolidation by merger, the equity interest held by Midea Electric Appliances

previously was held by the Group and registration procedures for shares transfer were completed by 31 December, 2013. Thus, the Group became the first major shareholder of the Company.

As of 31 December 2015, the total share capital of the Company mounted to 632,487,764, 0.59% of which are 3,711,190 A shares with restriction of trading, 69.21% of which are 437,765,002 A shares without restriction of trading, and 30.20% of which are 191,011,572 B shares without restriction of trading.

III General information (continued)

The address of the Company's registered office is No.18 Changjiang South Road, National High-tech Industrial Development Zone, Wuxi, Jiangsu Province. The headquarters office address is No. 18, Changjiang South Road, Wuxi, Jiangsu Province.

The Company is engaged in the industry of household electric appliances, the approved scope of business of which includes manufacture, sales and after-sales service of household electric appliances, industrial ceramic products, environmental-friendly dry cleaning equipment, washing apparatus for typical machines, processing equipment and fittings. The Company provides laundry service, machining; exports and imports, or be agent for a variety of products and technologies (excluding unauthorized or forbidden products and technologies for operation according to state regulations for enterprises). It also provides appliance technical services, certified outsourcing services (operated with a valid qualification certificate) and invests in financial instruments with surplus funds.

The financial statements were authorized for issue by the board of directors of the Company on 8 March 2016.

Principle subsidiaries included in the scope of consolidation are listed in Note IX.

IV The basis of preparation of the financial statements

1 The basis of preparation

The Group prepared the financial statements with the Basic Standard of the Accounting Standards for Business Enterprises, accounting policies and other regulations (hereafter referred to as "the Accounting Standard for Business Enterprises" or "CAS") issued by the Ministry of Finance on and after 15 February 2006, and No. 15 Listing Rules on Disclosure Information for Public Business Entities – preparation of financial statements issued by China Securities Regulatory Commission.

2 Going concern basis

The company is operating healthily. With an overall assessment of information obtained, there are no factors affecting continuous operation of the company for the next twelve months since end of the reporting period. The financial statements for the year are thus prepared on sustainable operation.

V Summary of significant accounting policies and accounting estimates

The Company and its subsidiaries determine the specific accounting policies and accounting estimates according to the production management characteristics, shown mainly on the bad debt provision withdrawing method for account receivable (Note V(10)), measurement of inventory (Note V(11)), depreciation for PP&E, amortization for intangible asset and depreciation and amortization for investment property (Note V(14), (17), (13)), judgement basis for impairment of long-term asset (Note V(18)) and recognition timing of revenue (Note V(24)), etc.

V Summary of significant accounting policies and accounting estimates (continued)

1 Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements of the Company for the year ended 31 December 2015 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the financial position of the Group and the Company as of 31 December 2015 and the operating results, cash flows and other information of the Group and the Company for the year then ended.

2 Accounting period

The accounting year starts on 1 January and ends on 31 December.

3 Operating period

The operating period of the company refers to process from procurement of assets for manufacture to the realization of cash and cash equivalents. The operating period of the company is twelve months.

4 Functional currency

The functional currency is Renminbi (RMB).

5 Accounting method for business combinations involving enterprises under common control and not under common control

(a) Business combinations involving enterprises under common control

The consideration paid and net assets obtained by the absorbing party in a business combination are measured at the carrying amount. The difference between the carrying amount of the net assets obtained from the combination and the carrying amount of the consideration paid for the combination is treated as an adjustment to capital surplus (share premium). If the capital surplus (share premium) is not sufficient to absorb the difference, the remaining balance is adjusted against retained earnings. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

(b) Business combinations involving enterprises not under common control

The cost of combination and identifiable net assets obtained by the acquirer in a business combination are measured at fair value at the acquisition date. Where the cost of the combination

exceeds the acquirer's interest in the fair value of the acquirer's identifiable net assets, the difference is recognised as goodwill; where the cost of combination is lower than the acquirer's interest in the fair value of the acquirer's identifiable net assets, the difference is recognised in profit or loss for the current period. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

V Summary of significant accounting policies and accounting estimates (continued)

6 Basis of preparation of consolidated financial statements

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries.

Subsidiaries are consolidated from the date on which the Company obtains control and are de-consolidated from the date that such control ceases. For a subsidiary that is acquired in a business combination involving enterprises under common control, it is included in the consolidated financial statements from the date when it, together with the Company, comes under common control of the ultimate controlling party. The portion of the net profits realised before the combination date is presented separately in the consolidated income statement.

In preparing the consolidated financial statements, where the accounting policies and the accounting periods of the Company and subsidiaries are inconsistent, the financial statements of the subsidiaries are adjusted in accordance with the accounting policies and the accounting period of the Company. For subsidiaries acquired from business combinations involving enterprises not under common control, the individual financial statements of the subsidiaries are adjusted based on the fair value of the identifiable net assets at the acquisition date.

All significant intra-group balances, transactions and unrealised profits are eliminated in the consolidated financial statements. The portion of a subsidiary's equity and the portion of a subsidiary's net profits, losses and comprehensive income for the period not attributable to the Company are recognised as minority interests and presented separately in the consolidated financial statements within equity, net profits and total comprehensive income respectively. Unrealised gain or loss from selling assets to subsidiaries fully offsets the net income attributable to equity holders of the company. Unrealised gain or loss from purchasing assets from subsidiaries offsets the net income attributable to equity holders of the company and attributable to the minority interest by the distribution proportion regarding the company and the subsidiary. Unrealised gain or loss from transaction between subsidiaries offsets the net income attributable to equity holders of the company and attributable to the minority interest by the distribution proportion regarding the company and the selling side of the subsidiaries.

If different recognition perspectives for the same transaction arise within different accounting identities setup, there is adjustment for the transaction from the Group's perspective.

7 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily drawn on demand, and short-term and highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

V Summary of significant accounting policies and accounting estimates (continued)

8 Foreign currency business and translation

(a) Foreign currency transactions

Foreign currency transactions are translated into RMB using the exchange rates prevailing at the dates of the transactions.

At the balance sheet date, monetary items denominated in foreign currencies are translated into RMB using the spot exchange rates on the balance sheet date. Exchange differences arising from these translations are recognised in profit or loss for the current period, except for those attributable to foreign currency borrowings that have been taken out specifically for the acquisition or construction of qualifying assets, which are capitalised as part of the cost of those assets. Non-monetary items denominated in foreign currencies that are measured at historical costs are translated at the balance sheet date using the spot exchange rates at the date of the transactions. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

(b) Foreign currency financial statements translations

Assets and liabilities, which are overseas operating, are translated into RMB using the spot exchange rate on the balance sheet date. Items in Consolidated Statement of Changes in Equity are translated into RMB using the spot exchange rate at the date of the transactions, except for the retained earnings. Incomes and expenses items, which are overseas operating, are translated into RMB using the spot exchange rate at the date of the transactions. The translation differences of foreign currency transactions are presented in other comprehensive income. Cash flow items, which are overseas operating, are translated into RMB using the spot exchange rate at the date of the cash in or cash out. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

9 Financial Instruments

(a) Financial assets

(i) Classification

Financial assets are classified into the following categories at initial recognition: financial assets at fair value through profits or losses, receivables, available-for-sale financial assets and held-to-maturity investments. The classification of financial assets depends on the intention of the Company and its subsidiaries and ability to hold the financial assets.

The financial assets held by the Company and its subsidiaries include financial assets at fair value through profits or losses, receivables and available-for-sale financial assets.

Financial assets at fair value through profits or losses

Financial assets at fair value through profits or losses are derivatives, especially forward foreign exchange contracts.

V Summary of significant accounting policies and accounting estimates (continued)

9 Financial Instruments (continued)

(a) Financial assets (continued)

(i) Classification (continued)

Receivables

Receivables, including notes receivable, accounts receivable, other receivables and structured deposits, are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated to be available for sale upon initial recognition and financial assets not classified in any other categories. Available-for-sale financial assets are included in other current assets if management intends to dispose of them within 12 months from balance sheet date.

(ii) Recognition and measurement

Financial assets are recognized at fair value on the balance sheet when the Company and its subsidiaries become a party to the contractual provisions of the financial instrument. Transaction costs that are attributable to the acquisition of the financial assets at fair value through profits or losses are included in profit or loss in the period in which they are incurred, and transaction costs that are attributable to the acquisition of other financial assets are included in their initially recognized amounts.

Financial assets at fair value through profits or losses and available-for-sale financial assets are subsequently measured at fair value. Investments in equity instruments are measured at cost when they do not have a quoted market price in an active market and whose fair value cannot be reliably measured. Receivables and held-to-maturity investments are measured at amortised cost using the effective interest method.

Gains or losses arising from change in fair value of financial assets at fair value through profits or losses are recognized as change in fair value in profit or loss for the period in which they are incurred. Interests, cash dividends arising from its holding period and gains or losses arising from the disposition are included in profit or loss for the period in which they are incurred.

Gains or losses arising from change in fair value of available-for-sale financial assets are recognized directly in equity, except for impairment losses and foreign exchange gains and losses arising from translation of monetary financial assets. When such financial assets are derecognized, the

cumulative gains or losses previously recognized directly into equity are recycled into profit or loss for the current period. Cash dividends declared by the investee on available-for-sale investments in equity instruments are recognized as investment income, which is recognized in profits or losses for the period.

V Summary of significant accounting policies and accounting estimates (continued)

9 Financial Instruments (continued)

(a) Financial assets (continued)

(iii) Impairment of financial assets

The Company and its subsidiaries assess the carrying amount of financial assets other than those at fair value through profits or losses at each balance sheet date. If there is objective evidence that the financial asset is impaired, an impairment loss is provided for.

The objective evidence are matters that occur after the financial assets been recognised, affect its estimated future cash flow and could be measured accurately by the Company and its subsidiaries.

The objective evidence, of which provided for available-for-sale equity instruments being impaired, includes an investment in an equity instrument with serious or prolonged decline. the Company and its subsidiaries assess available-for-sale equity instruments at each balance sheet date. If the fair value of equity instruments is less than its initial investment cost of more than 50% (including 50%), or less than the duration of its initial investment cost of more than one year (including one year), it indicates that the equity instruments are impaired. If the fair value of equity instruments is less than its initial investment cost of more than 20% (including 20%) to 50% (not including 50%), the Company and its subsidiaries will consider other relevant factors such as ratios of price fluctuation to judge that whether equity instruments are impaired. The Company and its subsidiaries measured the initial investment cost of available-for-sale equity instruments using the weighted average method.

When an impairment loss on a financial asset carried at amortized cost has been incurred, the amount of loss is measured at the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). If there is objective evidence that the value of the financial asset recovered and the recovery is related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed and the amount of reversal is recognized in profits or losses.

When an impairment loss on available-for-sale financial assets incurred, the cumulative losses arising from the decline in fair value that had been recognized directly in equity are transferred out from equity and into impairment loss. For an investment in debt instrument classified as available-for-sale on which impairment losses have been recognized, if, in a subsequent period, its fair value increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the previously recognized impairment loss is

reversed into profit or loss for the current period. For an investment in an equity instrument classified as available-for-sale on which impairment losses have been recognized, the increase in its fair value in a subsequent period is recognized directly in equity.

If an impairment loss incurred on a financial asset carried at amortized cost, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset and cannot be revert in the subsequent periods.

V Summary of significant accounting policies and accounting estimates (continued)

9 Financial Instruments (continued)

(a) Financial assets (continued)

(iv) Derecognition of financial assets

Financial assets are derecognised when: i) the contractual rights to receive the cash flows from the financial assets have expired; or ii) substantial risks and rewards of ownership of the financial assets have been transferred; or iii) the control over the financial asset has been waived even if the Company and its subsidiaries does not transfer or retain nearly all of the risks and rewards relating to the ownership of a financial asset.

On derecognition of a financial asset, the difference between the carrying amount and the aggregate of consideration received and the accumulative amount of the changes of fair value originally recorded in the owner's equity is recognised in the profit or loss.

(b) Financial liabilities

Financial liabilities are classified into the following categories at initial recognition: the financial liabilities at fair value through profit or loss and other financial liabilities. The financial liabilities in the Company and its subsidiaries mainly comprise of other financial liabilities, including payables and borrowings.

Payables comprise accounts payable and other payables, which are recognised initially at fair value and measured subsequently at amortised cost using the effective interest method.

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently carried at amortised costs using the effective interest method.

Other financial liabilities are classified as current liabilities if they mature within one year (one year included); others are classified as non-current liabilities; non-current liabilities due for repayment within one year since the balance sheet date are classified as current portion of non-current liabilities.

A financial liability (or a part of financial liability) is derecognised when and only when the obligation specified in the contract is discharged or cancelled. The difference between the carrying amount of a financial liability (or a part of financial liability) extinguished and the consideration

paid is recognised in profit or loss.

(c) Determination of the fair value of the financial instruments

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. The fair value of a financial instrument for which the market is not active is determined by using a valuation technique. Valuation techniques include using prices of recent market transactions between knowledgeable, willing parties, reference to the current fair value of another financial asset that is substantially the same with this instrument, and discounted cash flow analysis. When a valuation technique is used to establish the fair value of a financial instrument, management uses market data as much as possible and avoids use of data that is particularly related to the Company and its subsidiaries.

V Summary of significant accounting policies and accounting estimates (continued)

10 Receivables

- (1) The recognition criteria and method of provision for impairment of receivables those are individually significant:

The criteria for individually significant receivables: the amount of account receivable individually accounts for over 10% (including 10%) of total amount of accounts receivable on balance sheet date or is individually more than RMB 10,000,000.00 (including RMB 10,000,000.00); the amount of other receivable individually accounts for over 10% (including 10%) of total amount of other receivable on balance sheet date or is individually more than RMB 5,000,000.00 (including RMB 5,000,000.00);

The provision for impairment of the receivables that are individually significant is established at the difference between the carrying amount of the receivable and the present value of estimated future cash flows.

- (2) The recognition criteria and method of provision for impairment of receivables grouped on the basis of similar credit risk:

Group	Provision of bad debt method
Group based on aging of receivables	Aging analysis method

A provision for impairment of the receivables is made based on the aging of receivables at the following percentage:

	Provision as a percentage of receivables	Provision as a percentage of other receivables
Within 1 year	5.00%	5.00%
Between 1 and 2 years	10.00%	10.00%
Between 2 and 3 years	30.00%	30.00%
Between 3 and 4 years	50.00%	50.00%

Between 4 and 5 years	50.00%	50.00%
Over 5 years	100.00%	100.00%

- (3) The recognition criteria and method of provision for impairment of receivables those are not individually significant:

Receivables that are not individually significant are subject to separate impairment assessment if there is objective evidence that the Company and its subsidiaries will not be able to collect the full amounts according to the original terms.

The provision for impairment of the receivables is established at the difference between the carrying amount of the receivables and the present value of estimated future cash flows.

When the Company and its subsidiaries transfer the accounts receivable to the financial institutions without recourse, the difference between the proceeds received from the transaction and their carrying amounts and the related taxes is recognised in profit or loss for the current period.

V Summary of significant accounting policies and accounting estimates (continued)

11 Inventories

- (a) Classification

Inventories include raw materials, work in progress, finished goods and turnover materials, and are presented at the lower of cost and net realizable value.

- (b) Determination of cost

Cost is determined on the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour and an allocation of all production overhead expenditures incurred based on normal operating capacity.

- (c) The determination of net realizable value and the method of provisions for impairment of inventories

Provisions for declines in the value of inventories are determined at the carrying value of the inventories net of their net realizable value. Net realizable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs to completion and estimated costs necessary to make the sale and relevant taxes.

- (d) The Company and its subsidiaries adopt the perpetual inventory system.

- (e) Amortisation methods of low value consumables and packaging materials

Turnover materials include low value consumables and packaging materials, which are expensed when issued.

12 Long-term equity investments

Long-term equity investments comprise the Company's long-term equity investments in its subsidiaries and the long-term equity investments of the Company and its subsidiaries in its

associates.

Subsidiaries are all entities over which the Company is able to control. Associates are all entities over which the Company and its subsidiaries has significant influence, but not control, on their financial and operating policies.

Investments in subsidiaries are measured using the cost method in the Company's financial statements, and adjusted by using the equity method when preparing the consolidated financial statements. Interests in associates are accounted for using the equity method.

(a) Determination of investment cost

For long-term equity investments acquired through a business combination: for long-term equity investments acquired through a business combination involving enterprises under common control, the investment cost shall be the absorbing party's share of the carrying amount of owners' equity of the party being absorbed at the combination date; for long-term equity investment acquired through a business combination involving enterprises not under common control, the investment cost shall be the combination cost.

For long-term equity investments acquired not through a business combination: for long-term equity investment acquired by payment in cash, the initial investment cost shall be the purchase price actually paid; for long-term equity investment acquired by issuing equity securities, the initial investment cost shall be the fair value of the equity securities.

V Summary of significant accounting policies and accounting estimates (continued)

12 Long-term equity investments (continued)

(b) Subsequent measurement and recognition of related profits and losses

For long-term equity investments accounted for using the cost method, they are measured at the initial investment costs, and cash dividends or profits distribution declared by the investees are recognised as investment income in profits or losses.

For long-term equity investments accounted for using the equity method, where the initial investment cost of a long-term equity investment exceeds the Company and its subsidiaries' share of the fair value of the investee's identifiable net assets at the acquisition date, the long-term equity investment is measured at the initial investment cost; where the initial investment cost is less than the share of the Company and its subsidiaries of the fair value of the investee's identifiable net assets at the acquisition date, the difference is included in profits or losses and the cost of the long-term equity investment is adjusted upwards accordingly.

For long-term equity investments accounted for using the equity method, the Company and its subsidiaries recognize the investment income according to its share of net profit or loss of the investee. The Company and its subsidiaries discontinue recognizing its share of net losses of an investee after the carrying amount of the long-term equity investment together with any long-term interests that, in substance, form part of the investor's net investment in the investee are reduced to

zero. However, if the Company and its subsidiaries have obligations for additional losses and the criteria with respect to recognition of provisions under the accounting standards on contingencies are satisfied, the Company and its subsidiaries continue recognizing the investment losses and the provisions. For changes in owners' equity of the investee other than those arising from its net profit or loss, other comprehensive income and profit distribution, the Company and its subsidiaries record its proportionate share directly into capital surplus, provided that the proportion of the Company and its subsidiaries of shareholding in the investee remains unchanged. The carrying amount of the investment is reduced by the share of the Company and its subsidiaries of the profit distribution or cash dividends declared by an investee. The unrealized profits or losses arising from the intra-group transactions amongst the Company, its subsidiaries and its investees are eliminated in proportion to the equity of the Company and its subsidiaries interest in the investees, and then based on which the investment gains or losses are recognised. For the loss on the intra-group transaction amongst the Company, its subsidiaries and its investees attributable to asset impairment, any unrealized loss is not eliminated.

(c) Basis for determine existence of control, joint control or significant influence over investees

Control is the power to govern the financial and operating policies of the investee so as to obtain benefits from its operating activities. When determining whether to control the investees or not, the potential voting rights, of which convertible bonds and executable warrants issued by the investees in current period, should be considered as well.

Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

V Summary of significant accounting policies and accounting estimates (continued)

12 Long-term equity investments (continued)

(d) Impairment of long-term equity investments

The carrying amount of long-term equity investments in subsidiaries and associates is reduced to the recoverable amount when the recoverable amount is less than the carrying amount (Note V (18)).

13 Investment properties

Method of depreciation or amortization

Investment properties, including land use rights that have already been leased out and buildings that are held for the purpose of leasing, are measured initially at cost. Subsequent expenditures incurred in relation to an investment property are included in the cost of the investment property when it is probable that the associated economic benefits will flow to the Company and its subsidiaries and their costs can be reliably measured; otherwise, the expenditures are recognised in profit or loss in

the period in which they are incurred.

The Company and its subsidiaries adopt the cost model for subsequent measurement of investment properties. Buildings and land use rights are depreciated or amortised to their estimated net residual values over their estimated useful lives. The estimated useful lives, the estimated net residual values that are expressed as a percentage of cost and the annual depreciation (amortisation) rates of investment properties are as follows:

	Estimated useful lives	Estimated residual value	Annual depreciation (amortization) rates
Buildings	20-35 years	5.00%	2.71% to 4.75%
Land use rights	50 years	-	2.00%

When an investment property is transferred to owner-occupied properties, it is reclassified as fixed asset or intangible asset at the date of the transfer. When an owner-occupied property is transferred out for earning rentals or for capital appreciation, the fixed asset or intangible asset is reclassified as investment properties at its carrying amount at the date of the transfer.

The investment property's estimated useful life, net residual value and depreciation (amortization) method applied are reviewed and adjusted as appropriate at each year-end.

An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The net amount of proceeds from sale, transfer, retirement or damage of an investment property after its carrying amount and related taxes and expenses are recognised in profit or loss for the current period.

The carrying amount of an investment property is reduced to the recoverable amount if the recoverable amount is below the carrying amount (Note V (18)).

V Summary of significant accounting policies and accounting estimates (continued)

14 Fixed assets

(a) Recognition and initial measurement of fixed assets

Fixed assets comprise buildings, machinery and equipment, motor vehicles and office equipment, etc.

Fixed assets are recognized when it is probable that the related economic benefits will flow to the Company and its subsidiaries and the costs can be reliably measured. Fixed assets purchased or constructed by the Company and its subsidiaries are initially measured at cost at the acquisition date.

Subsequent expenditures incurred for fixed assets are included in the cost of the fixed assets when it is probable that the associated economic benefits will flow to the Company and its subsidiaries and the related costs can be reliably measured. The carrying amount of the replaced part is derecognised. All the other subsequent expenditures are recognized in profit or loss in the period in which they are

incurred.

(b) Depreciation

Fixed assets are depreciated using the straight-line method to allocate the cost of the assets to their estimated residual values over their estimated useful lives. For the fixed assets being provided for impairment loss, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives.

The estimated useful lives, estimated residual values expressed as a percentage of cost and annual depreciation rates are as follows:

	Method of depreciation	Estimated	Estimated residual value	Annual Depreciation rate
	Straight-line			
Buildings	method	20-35 years	5.00%	2.71%-4.75%
Machinery and equipment	Straight-line method	10-15 years	5.00%	6.33%-9.50%
Motor vehicles	Straight-line method	5 years	5.00%	19%
Office equipment	Straight-line method	3-5 years	5.00%	19%-31.67%

(c) The carrying amount of fixed assets is reduced to the recoverable amount when the recoverable amount is less than the carrying amount (Note V(18)).

V Summary of significant accounting policies and accounting estimates (continued)

14 Fixed assets (continued)

(d) Disposal

A fixed asset is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses is recognized in profit or loss.

15 Construction in progress

Construction in progress is measured at actual cost. Actual cost comprises construction costs, installation costs, borrowing costs that are eligible for capitalization and other costs necessary to bring the fixed assets ready for their intended use. Construction in progress is transferred to fixed assets when the assets are ready for their intended use, and depreciation begins from the following month. The carrying amount of construction in progress is reduced to the recoverable amount when the recoverable amount is less than the carrying amount (Note V (18)).

16 Borrowing costs

The borrowing costs that are directly attributable to the acquisition and construction of a fixed asset that needs a substantially long period of time for its intended use commence to be capitalized and recorded as part of the cost of the asset when expenditures for the asset and borrowing costs have been incurred, and the activities relating to the acquisition and construction that are necessary to prepare the asset for its intended use have commenced. The capitalization of borrowing costs ceases when the asset under acquisition or construction becomes ready for its intended use, the borrowing costs incurred thereafter are recognized in profit or loss. Capitalization of borrowing costs is suspended when the acquisition or construction of a fixed asset is interrupted abnormally and the interruption lasts for more than 3 months, until the acquisition or construction is resumed.

For the specific borrowings obtained for the acquisition or construction of a fixed asset qualifying for capitalization, the amount of borrowing costs eligible for capitalisation is determined by deducting any interest income earned from depositing the unused specific borrowings in the banks or any investment income arising on the temporary investment of those borrowings during the capitalization period.

For the general borrowings obtained for the acquisition or construction of a fixed asset qualifying for capitalization, the amount of borrowing costs eligible for capitalization is determined by applying the weighted average effective interest rate of general borrowings, to the weighted average of the excess amount of cumulative expenditures on the asset over the amount of specific borrowings. The effective interest rate is the rate at which the estimated future cash flows during the period of expected duration of the borrowings or applicable shorter period are discounted to the initial amount of the borrowings.

V Summary of significant accounting policies and accounting estimates (continued)

17 Intangible assets

Intangible assets include land use rights, non-patented technology and computer soft wares, which initially recognized at cost.

(a) Land use rights

A land use right granted by government with a infinite useful life would not be amortised. Other land use rights are amortised on the straight-line basis over 50 years. If the acquisition costs of land use rights and the buildings located thereon cannot be reliably allocated between the land use rights and the buildings, all of the acquisition costs are recognised as fixed assets.

(b) Non-patented technology

Non-patented technology are amortised on the straight-line basis over the shorter of their useful life/benefit period stipulated in the agreement or contract and the legal age.

(c) Computer softwares

Computer softwares purchased by the Company and its subsidiaries are initially measured at cost, which are amortised on the straight-line over their approved useful period of 3-5 years.

(d) Periodical review of useful life and amortisation method

For an intangible asset with a finite useful life, review of its useful life and amortisation method is performed at each year-end, with adjustment made as appropriate.

(e) Research and development

The expenditure on an internal research and development project is classified into expenditure on the research phase and expenditure on the development phase based on its nature and whether there is material uncertainty that the research and development activities can form an intangible asset at end of the project.

Expenditure for investigation, evaluation and selection of production process researches is recognised in profit or loss in the period in which it is incurred. Expenditure on the designation, assessment of the final utilization of the production process before mass production, is capitalised only if all of the following conditions are satisfied:

- development of the production process has been fully demonstrated by the technical team;
- management has approved the budget of production development;
- existed market research analysis suggests that the products produced by the new production technology are able to be promoted;
- adequate technical, financial and other resources to complete the development and subsequent mass production and the ability to use or sell the intangible asset; and
- the expenditure attributable to the intangible asset during its development phase can be reliably measured.

V Summary of significant accounting policies and accounting estimates (continued)**17 Intangible assets (continued)**

(e) Research and development (continued)

Other development expenditures that do not meet the conditions above are recognised in profit or loss in the period in which they are incurred. Development costs previously recognised as expenses are not recognised as an asset in a subsequent period. Capitalised expenditure on the development phase is presented as development costs in the balance sheet and transferred to intangible assets at the date that the asset is ready for its intended use.

(f) Impairment of intangible assets

The carrying amount of intangible assets is reduced to the recoverable amount when the recoverable amount is less than the carrying amount (Note V (18)).

18 Impairment of long-term assets

Fixed assets, construction in progress, intangible assets with finite useful lives, investment properties measured using the cost model and long-term equity investments in subsidiaries and associates are tested for impairment if there is any indication that an asset may be impaired at the balance sheet date. Intangible assets which are not yet ready to use should be tested at least annually for impairment, irrespective of whether there is any indication that it may be impaired. If the result of the impairment test indicates that the recoverable amount of the asset is less than its carrying amount, a provision for impairment and an impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognised on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest identifiable group of assets that is able to generate independent cash inflows.

Intangible assets with infinite useful lives and capitalized development expenditures are tested at least annually for impairment, irrespective of whether there is any indication that it may be impaired.

Once the above asset impairment loss is recognised, it will not be reversed for the value recovered in the subsequent periods.

19 Long-term prepaid expenses

Long-term prepaid expenses include the expenditure for improvements to fixed assets under operating leases, and other expenditures that have been made but should be recognised as expenses over more than one year in the current and subsequent periods. Long-term prepaid expenses are amortised on the straight-line basis over the expected beneficial period and are presented at actual expenditure net of accumulated amortization.

V Summary of significant accounting policies and accounting estimates (continued)

20 Employee benefits

(a) Short-term employee benefits

Short-term employee benefits mainly include wages or salaries, bonus, allowances and subsidies, staff welfare, medical insurance, work injury insurance, maternity insurance, housing funds, and union running costs and employee education costs. The employee benefits are recognised in the accounting period in which the service has been rendered by the employees, and as costs of assets or expenses to whichever the employee service is attributable.

(b) Pension obligations

The Company and its subsidiaries operate various post-employment schemes, including both defined benefit plans and defined contribution plans. A defined contribution plan is a pension plan

under which the Company and its subsidiaries pay fixed contributions into a separate entity then the Company and its subsidiaries have no legal or constructive obligations to pay further contributions. In the reporting period, The Company and its subsidiaries's pension obligations mainly include the basic endowment insurance and unemployment insurance; both belong to the defined contribution plan.

Pension insurance

Employees of the Company and its subsidiaries participate in the social pension insurance organized by the local labour and social security departments. The Company and its subsidiaries pay pension insurance premium to the pension insurance agency with the local provision of social pension insurance base pay and proportional monthly. When the employee is retired, the local labour and social security departments have the responsibility to pay the basic pension insurance to retired employees

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Company and its subsidiaries before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. the Company and its subsidiaries recognise termination benefits at the earlier of the following dates, when the Company and its subsidiaries can no longer withdraw the offer of those benefits and when the entity recognises costs related to restructuring.

Retirement benefits

The Company and its subsidiaries provide termination benefits to employees who accept voluntary redundancy in exchange for these benefits. Termination benefits are the payments of wages or salaries and social insurance for the employees who accept termination plan before the normal retire age. The termination benefits plan covers the period from the starting date of termination benefit plan to the normal retire age. When the Company and its subsidiaries terminate the employment relationship with employees before the end of the employment contract, a provision for termination benefits for the compensation arising from termination of the employment relationship with employees to the retire age is recognised with a corresponding change to profit or loss. The difference from change of actuarial assumptions and adjustment on benefit is recognised in the current profits and losses.

Retirement benefits falling due within a year are reclassified as a current liability.

V Summary of significant accounting policies and accounting estimates (continued)

21 Dividend distribution

Cash dividends distribution is recognised as a liability in the period in which it is approved by the annual shareholders' meeting.

22 Provisions

Provisions for product warranties, onerous contracts etc. are recognised when the Company and its subsidiaries has a present obligation, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors surrounding a contingency, such as the risks, uncertainties and the time value of money, are taken into account as a whole in reaching the best estimate of a provision. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows. The increase in the discounted amount of the provision arising from passage of time is recognised as interest expense.

The carrying amount of provisions is reviewed at each balance sheet date and adjusted to reflect the current best estimate.

23 Share-based payments**24 Revenue recognition**

The amount of revenue is determined in accordance with the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company and its subsidiaries's activities. Revenue is shown net of discounts and returns.

Revenue is recognized when the economic benefits associated with the transaction will flow to the Company and its subsidiaries, the relevant revenue can be reliably measured and specific revenue recognition criteria have been met for each of the Company and its subsidiaries' activities as described below:

V Summary of significant accounting policies and accounting estimates (continued)**24 Revenue recognition (continued)****(a) Sales of goods**

The Company and its subsidiaries are engaged in manufacturing and sales of washing machines. Revenue from sales of goods is recognized when the goods and confirmed documents are delivered, significant risks and rewards of ownership of the goods are transferred to the customers, the Company and its subsidiaries retain neither continuing managerial involvement to the degree usually associated with the ownership nor effective control over the goods sold, relevant consideration or the documents which grant the right to receive the relevant consideration has been received, and related costs can be measured reliably.

During the reporting period, the Company and its subsidiaries sale goods mainly through dealers, large-scale chain retailers, e-business platform and export to foreign countries. Revenue is recognized when products accepted by dealers, chain retailers and third-party e-business sellers. After the acceptance, the risks of damage of goods or price fluctuations and the right to sale goods belongs to dealers, chain retailers and e-business sellers. As for self-operation e-business website, revenue is recognized when products accepted by ultimate customers. As for export sales, revenue is recognized when goods are delivered to customs, ships go across the appointed ports and the Company and its subsidiaries get the bills of landing.

(b) Transfer of asset use rights

Interest income is determined by using the effective interest method, based on the length of time for which the cash of the Company and its subsidiaries is used by others.

Income from an operating lease is recognised on a straight-line basis over the period of the lease.

25 Government grants

Government grants are the monetary asset that the Company and its subsidiaries received from the government for free, including tax refund, financial subsidies, etc.

A government grant is recognized when the conditions attached to it can be complied with and the government grant can be received. For a government grant in the form of transfer of monetary assets, the grant is measured at the amount received or receivable. For a government grant in the form of transfer of non-monetary assets, the grant is measured at nominal value.

(a) Government grants related to assets

The government grants related to assets mean the government assets that are obtained by enterprises used for purchase or construction, or forming the long-term assets by other ways. The government grants related to income refer to all the government grants except those pertinent to assets.

A government grant related to an asset is recognized as deferred income, and evenly amortized to profit or loss over the useful life of the related asset.

V Summary of significant accounting policies and accounting estimates (continued)

25 Government grants (continued)

(b) Government grants related to income

For government grants related to income, where the grant is a compensation for related expenses or

losses to be incurred by the Company and its subsidiaries in the subsequent periods, the grant is recognized as deferred income, and included in profit or loss over the periods in which the related costs are recognized; where the grant is a compensation for related expenses or losses already incurred by the Company and its subsidiaries, the grant is recognized immediately in profit or loss for the current period.

26 Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are calculated and recognised based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred tax asset is recognised for the deductible losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax laws. No deferred tax asset or deferred tax liability is recognised for the temporary differences resulting from the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible loss). At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

Deferred tax assets are only recognised for deductible temporary differences, deductible losses and tax credits to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, deductible losses and tax credits can be utilised.

Deferred tax liabilities are recognized for temporary differences arising from investments in subsidiaries and associates, unless the Company is able to control the timing of the reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future. When it is probable that the temporary differences arising from investments in subsidiaries and associates will be reversed in the foreseeable future and that the taxable profit will be available in the future against which the temporary differences can be utilized, the corresponding deferred tax assets are recognized.

Deferred tax assets and liabilities are offset when:

- The deferred taxes are relate to the same tax payer within the Company and its subsidiaries and the same taxation authority, and;
- That tax payer has a legally enforceable right to offset current tax assets against current tax liabilities

27 Operating lease

Lease payments under an operating lease are recognized on a straight-line basis over the period of the lease, and are either capitalized as part of the cost of related assets, or charged as an expense for the current period.

28 Segment information

The Company and its subsidiaries identify operating segments based on the internal organisation structure, management requirements and the internal reporting system, and discloses segment

information of reportable segments determined on the basis of operating segments.

V Summary of significant accounting policies and accounting estimates (continued)

28 Segment information (continued)

An operating segment is a component of the Company and its subsidiaries that satisfy all of the following conditions:

- (a) the component is able to earn revenues and incur expenses from its ordinary activities.
- (b) whose operating results are regularly reviewed by the Company and its subsidiaries' management to make decisions about resources to be allocated to the segment and to assess its performance.
- (c) for which the information on financial position, operating results and cash flows is available to the Company and its subsidiaries. If two or more operating segments have similar economic characteristics, and satisfy certain conditions, they are aggregated into a single operating segment.

29 Critical accounting policies and estimates

The Company and its subsidiaries continually evaluate the critical accounting estimates and key judgments applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

(a) Critical accounting estimates and key assumptions

The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

(i) Accounting estimates on impairment of accounts receivable

In accordance with the accounting policy of the Company and its subsidiaries (Note V (10)), the Company's management tests annually whether receivables have suffered any impairment. Impairment of receivables has been assessed by taking into account the customers' credit history and financial position together with the current market conditions. Even if the Company and its subsidiaries' management has made bad debt provision for the expected loss at its best estimate, there is a possibility that changes in customers' financial position or market conditions will alter the result.

(ii) Accounting estimates on impairment of inventories

In accordance with the accounting policy of the Company and its subsidiaries (Note V (11) (c)), the management of the Company and its subsidiaries estimate the net realizable value of the inventory. Net realisable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs to completion and estimated costs necessary to make the sale and related taxes. Even if the management of the Company and its subsidiaries have made provision for the expected impairment of inventories at its best estimate, there is a possibility that changes in market conditions will alter the result.

- (iii) Estimated residual value and useful lives of fixed assets, investment properties and intangible assets

The Company and its subsidiaries' management estimates the useful lives and residual value of fixed assets, investment properties and intangible assets. Fixed assets comprise buildings, machinery and equipment, motor vehicles, office and electronic equipment, ect. Investment properties comprise buildings and land use rights, ect. Intangible assets include land use rights, non-patent technology and computer softwares, ect. The three kinds of assets mentioned above have been assessed by taking into account the actual residual value and useful lives of assets with similar nature and function based on historical experience. However, there is a possibility that changes in technical renovation or other reason will alter the result. The management of the Company and its subsidiaries will increase depreciation and amortizations when the residual value and estimated useful lives are less than the previous estimate.

V Summary of significant accounting policies and accounting estimates (continued)

29 Critical accounting policies and estimates (continued)

- (iv) Accounting estimates on impairment of fixed assets, intangible assets and other long-term assets

Fixed assets, intangible assets and other long-term assets are reviewed for impairment if there is any incident or environmental change that the value of the asset may be impossible to recover. The recoverable amount is determined by the useful value or market value calculated which judgement and estimate should be applied to.

The management of the Company and its subsidiaries shall determine the asset impairment, especially when judging any of the incidents below: (i) if there is any indication that value of related assets may be impossible to recover; (ii) whether the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derive form the asset based on the continuous operation is higher than its carrying amount; (iii) whether the main assumptions of cash flows forecasting are applied appropriately, including whether the cash flows forecasting is discounted in a proper rate. Even if the management of the Company and its subsidiaries have chosen proper assumptions for impairment assessment (including assumptions for discount rate and growth rate for cash flow forecast), there is a possibility that changes in the assumptions will have significant effect on the result.

- (v) Sales rebates

The Company and its subsidiaries apply the rebating policies with buyers. The amount of the rebates is estimated periodically taking into account related sales contracts, examination of particular transactions, market environment, inventory stock, historical experiences and the agreed indicator of particular customers. As it determined by the judgement and estimation of management, there is a possibility that changes in the estimation will have significant effect on the provision of sales rebates of the period when the changes occurred.

- (vi) Income taxes

The Company and its subsidiaries are subject to income taxes in different jurisdictions. There are many transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgment is required from the management in determining the provision for income taxes in each of these jurisdictions. The Company and its subsidiaries recognise income taxes in each jurisdiction based on estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

VI Taxation

1 The types and rates of taxes applicable to the Company and its subsidiaries are set out below:

Types	Taxable base	Tax rate
	Taxable value added amount (tax payable represents output VAT calculated using the taxable sales amount multiplied by the effective tax rate less deductible input VAT)	17%, 11% or 6%
Value-added tax		
Business tax	Rental income, interest income and etc.	5%
City maintenance and construction tax	VAT and business tax	7% or 5%
Enterprise income tax	Taxable income	15% or 25%

Tax preferences

In July 2015, The Company gained the certificate of 'High-tech Enterprises', which is issued by Jiangsu Science and Technology Department, Jiangsu Finance Department, Jiangsu State Administration of Taxation and Jiangsu Local Taxation Bureau. The Certificate Number is GR201532000606. Term of validity for this Certificate is three years, from 2015 to 2018.

In July 2014, The Company's subsidiary Hefei Midea Washing Machine Limited gained the certificate of 'High-tech Enterprises', which is issued by Anhui Science and Technology Department, Anhui Finance Department, Anhui State Administration of Taxation and Anhui Local Taxation Bureau. The Certificate Number is GR2001434000147. Term of validity for this Certificate is three years, from 2014 to 2017.

In July 2015, The Company's subsidiary Wuxi Little Swan GE Limited gained the certificate of 'High-tech Enterprises', which is issued by Jiangsu Science and Technology Department, Jiangsu Finance Department, Jiangsu State Administration of Taxation and Jiangsu Local Taxation Bureau. The Certificate Number is GR201532000557. Term of validity for this Certificate is three years, from 2015 to 2018.

In July 2015, The Company's subsidiary Wuxi Filin Electronics Limited gained the certificate of 'High-tech Enterprises', which is issued by Jiangsu Science and Technology Department, Jiangsu Finance Department, Jiangsu State Administration of Taxation and Jiangsu Local Taxation Bureau. The Certificate Number is GR201532000917. Term of validity for this Certificate is three years, from 2015 to 2018.

According to *Enterprise income tax law of the People's Republic of China, Article 28*, The Company and its three subsidiaries, Hefei Washing Machine Limited, Wuxi Little Swan GE Limited and Wuxi Filin Electronics Limited, shall be subject to the corporate income tax at the reduced rate of 15%(FY2014: same).

VII Notes to the significant items in the consolidated financial statements

1 Cash at bank and in hand

	31 December 2015	31 December 2014
Cash in hand	-	8,158.18
Cash at bank	2,792,685,328.69	2,996,731,646.68
Other cash balances	250,158,596.12	63,175,151.35
Total	3,042,843,924.81	3,059,914,956.21
including: cash deposited overseas	607,997.46	30,358,441.79

By the end of 2015 the other cash balances comprise the followings: Bank acceptance deposits RMB 97,393,915.78, Letter of Credit deposits RMB 2,764,680.34, and fixed deposits over 3 months RMB 150,000,000.00 (31 December 2014: Bank acceptance deposits RMB 60,837,430.56 and Letter of Credit deposits RMB 2,337,720.79 with changes in profit or loss).

2 Financial assets measured at fair value through profit and loss

	31 December 2015	31 December 2014
Tradable financial assets	-	248,907.75

3 Notes receivable

(1) Notes receivable was itemized classified by nature

Items	31 December 2015	31 December 2014
Bank acceptance notes	2,205,189,379.10	3,147,153,535.61

As at 31 December 2015 and 31 December 2014, there is no pledged notes receivable.

(2) As at 31 December 2015, notes receivable that have been endorsed but not yet expired are as follows:

	Derecognised	Not derecognised
Bank acceptance notes	1,283,858,127.39	-

VII Notes to the significant items in the consolidated financial statements (continued)

4 Accounts receivable

(1) Accounts receivable classified by nature:

Classification	31 December 2015					31 December 2014				
	Carrying amount		Bad debt provision		Book value	Carrying amount		Bad debt provision		Book value
	Amount	%	Amount	% of provision		Amount	%	Amount	% of provision	
Debtors grouped by credit risk	943,243,995.63	100.00%	47,168,520.00	5.00%	896,075,475.63	901,464,563.21	98.68%	45,121,333.51	5.01%	856,343,229.70
Others with insignificant balance but assessed individually	-	-	-	-	-	12,059,452.56	1.32%	12,059,452.56	100.00%	
Total	943,243,995.63	100.00%	47,168,520.00	5.00%	896,075,475.63	913,524,015.77	100.00%	57,180,786.07	6.26%	856,343,229.70

Bad debt provision provided on Aging Analysis:

Aging	31 December 2015		
	Accounts receivable	Bad Debt Provision	% of provision
Within 1 Year	943,117,591.22	47,155,879.56	5.00%
1-2 Years	126,404.41	12,640.44	10.00%
Total	943,243,995.63	47,168,520.00	5.00%

As at 31 December 2015 and 31 December 2014, there is no accounts receivable that has been endorsed or discounted but has not yet expired.

VII Notes to the significant items in the consolidated financial statements (continued)**4 Accounts receivable (continued)****(2) Bad debt provision made, collected or reversed in current year**

The provision collected or reversed in 2015 was RMB 632,077.76 (In 2014: RMB 1,688,543.94). There was not material balance collected or reversed individually in the current year.

(3) The written-off amount of accounts receivable in current year was RMB 9,380,188.31. The material balance write-off individually in the current year is analysed as below:

Companies	Nature of accounts receivable	Written-off amount	Reason	Procedure of written off	Whether due from related party transactions
Chongqing Fuli Real Estate Development Co.,Ltd.	Payment for goods	1,675,800.00	Slow collection	Board Resolution	No
Chongqing Zhongcheng Properties Development Co.,Ltd.	Payment for goods	1,655,000.00	Slow collection	Board Resolution	No
Hunan Huitang Hot Spring Properties Co.,Ltd.	Payment for goods	912,000.00	Slow collection	Board Resolution	No
Total		<u>4,242,800.00</u>	-	-	-

(4) As at 31 December 2015, amounts due from top five customers are summarised as below:

Items	Amounts	Bad Debt Provision	% of total balance
Due from top five customers in total	699,761,390.03	-34,988,069.50	74.19%

5 Advances to suppliers

(1) Advances to suppliers on aging analysis are as follows:

	31 December 2015		31 December 2014	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	95,192,076.23	97.50%	139,582,987.93	97.63%
Between 1 and 2 years	2,416,501.94	2.48%	2,448,887.67	1.71%
Between 2 and 3 years	-	-	925,646.68	0.65%
Over 3 years	20,000.00	0.02%	20,000.00	0.01%
	<u>97,628,578.17</u>	<u>100.00%</u>	<u>142,977,522.28</u>	<u>100.00%</u>

As at 31 December 2015, the balance of advance to suppliers with aging over one year amounts to RMB 2,436,501.94 (31 December 2014: RMB 3,394,534.35), mainly comprising the prepayments for goods for which the standards stipulated by the contract is not yet been reached.

VII Notes to the significant items in the consolidated financial statements (continued)**5 Advances to suppliers (continued)**

(2) As at 31 December 2015, amounts of the top five advances to suppliers are as below:

	Amounts	% of Total Balance
Total amounts of top five advances to suppliers	54,902,906.54	56.24%

6. Interests receivable

31 December 2015

31 December 2014

7 Other receivables

(1) Other receivables classified by nature:

Interests receivable	<u>22,932,602.74</u>	<u>-</u>
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	31 December 2015					31 December 2014				
	Carrying Amount		Bad Debt Provisions			Carrying Amount		Bad Debt Provisions		
	Amount	%	Amount	% of rovision	Book value	Amount	%	Amount	% of rovision	Book value
Debtors grouped by credit risk	156,212.29	0.00%	748,032.21	7.51%	208,180.08	2,207,573.91	00.00%	595,604.69	11.72%	611,969.22
Total	156,212.29	00.00%	748,032.21	7.51%	208,180.08	2,207,573.91	00.00%	595,604.69	11.72%	611,969.22

Bad debt provision provided on Aging Analysis:

Aging	31 December 2015		
	Other receivables	Provision of bad debt	% of Provision
Within 1 year	8,422,416.66	421,120.79	5.00%
Between 1 and 2 years	1,010,391.00	101,039.10	10.00%
Between 2 and 3 years	179,150.00	53,745.00	30.00%
Between 3 and 4 years	298,000.00	149,000.00	50.00%
Between 4 and 5 years	46,254.63	23,127.32	50.00%
Total	9,956,212.29	748,032.21	7.51%

As at 31 December 2015 and 31 December 2014, there is no other receivable that has been endorsed or discounted but has not yet expired.

VII Notes to the significant items in the consolidated financial statements (continued)

7 Other receivables (continued)

- (2) Bad debt provision made, collected or reversed in current year

The amount of bad debt provision made in the current year was nil. The amount of bad debt provision collected or reversed in the current year was RMB 2,184,257.60.

- (3) The written-off amount of other receivables in current year was RMB 13,012,171.87. The material balance write-off individually in the current year is analysed as below:

Due From	Nature of the receivable	Amount	Reason	Procdure of written off	Whether due from related party transactions

Ministry of Industry
and Information Technology Energy efficiency rebates 12,609,841.10 Uncollectable Board Resolution No

According to the Notice of Popularization of Energy Efficiency Electric Washing Machine (CaiJian [2012] No.277), Wuxi Little Swan CO., LTD. and Hefei Midea Washing Machine Limited have claimed to the Ministry of Finance for subsidy amounted to RMB 137,638,261.10 and RMB 45,651,580.00, adding up to RMB 183,289,841.10.

During the period of 2015, RMB 127,900,000.00 and RMB 42,780,000.00 has been received respectively, adding up to RMB 170,680,000.00, which were over the verified amount for Wuxi Little Swan Co., LTD. (RMB 108,960,000.00) and Hefei Midea Washing Machine Limited (RMB 36,640,000.00) according to the newly revised notice of the Ministry of Finance (CaiJian[2015] No.323). As a result, Wuxi Little Swan CO., LTD. and Hefei Midea Washing Machine Limited should refund RMB 18,940,000.00 and RMB 6,140,000.00, adding up to RMB 25,080,000.00 and accordingly wrote off uncollectible subsidy in the current year amounted to RMB 12,609,841.10.

(4) Other receivables classified by nature

Nature of other receivables	31 December 2015	31 December 2014
Deposits	1,194,312.63	1,198,434.12
Advance to third parties	1,544,575.33	5,449,979.96
Advance to employees	3,657,991.12	4,513,767.48
Energy efficiency rebates	-	12,609,841.10
Tax reimbursement for export	-	10,960,613.45
Others	3,559,333.21	4,474,937.80
Total	9,956,212.29	39,207,573.91

VII Notes to the significant items in the consolidated financial statements (continued)

7 Other receivables (continued)

(5) As at 31 December 2015, the top five debtor analysis is as below:

	Nature	Amount	Aging	% of ending balance	Provision
Guangzhou Antaida Logistics Corporation	long-term equity investments Liquidation	2,587,038.41	Within 1 year	25.98%	129,351.92

Hefei Hualing Co., Ltd.	Rental and advance payments for water and electricity	2,516,870.13	Within 1 year	25.28%	125,843.51
Wuxi Resources Limited.	China Gas Deposits	553,300.00	Within 1 year	5.56%	27,665.00
Hefei Gas Limited.	Deposits	270,000.00	Between 1 and 2 years	2.71%	27,000.00
Dawei Xu	Advance to employees	212,272.50	Within 1 year	2.13%	10,613.63
Total		<u>6,139,481.04</u>		<u>61.66%</u>	<u>320,474.06</u>

8. Inventories

(1) Inventories classified by nature:

	31 December 2015			31 December 2014		
	Book value	Provision for write-down	Net book value	Book value	Provision for write-down	Net book value
Raw materials	21,725,796.66	1,149,192.62	20,576,604.04	34,295,334.89	3,831,331.14	30,464,003.75
Work in progress	8,189,804.33	-	8,189,804.33	11,071,881.49	-	11,071,881.49
Finished goods	755,272,411.35	38,625,852.20	716,646,559.15	604,929,570.05	40,848,462.04	564,081,108.01
Total	<u>785,188,012.34</u>	<u>39,775,044.82</u>	<u>745,412,967.52</u>	<u>650,296,786.43</u>	<u>44,679,793.18</u>	<u>605,616,993.25</u>

(2) Provisions for write-down of inventories are analysed as below:

	31 December 2014	Increase		Decrease		31 December 2015
		Provision for write-down	Other	Reversed or written-off	Other	
Raw materials	3,831,331.14	-	-	2,682,138.52	-	1,149,192.62
Finished goods	40,848,462.04	23,886,048.29	-	26,108,658.13	-	38,625,852.20

44,679,793.					
18	23,886,048.29	-	28,790,796.65	-	39,775,044.82

The provisions for inventories are provided to write down the book value to the net realizable value when the net realizable value is lower.

VII Notes to the significant items in the consolidated financial statements (continued)

9 Other current assets

Items	31 December 2015	31 December 2014
Structural deposits	2,470,000,000.00	-
Financial products	3,152,675,560.00	1,905,100,000.00
Prepayment of taxes	78,446,417.44	25,705,220.99
Prepaid expense-mould	32,066,626.79	17,166,993.73
Total	5,733,188,604.23	1,947,972,214.72

As at 31 December 2015, financial products comprise products of floating income and unprotected principles with the balance of RMB 3,052,675,560.00 and products of protected principles with the balance of RMB 100,000,000.00. (As at 31 December 2014, financial products comprise products of floating income and unprotected principles with the balance of RMB 1,900,100,000.00 and products of protected principles with the balance of RMB 5,000,000.00).

10. Available-for-sale financial assets

(1) Available-for-sale financial assets instructions

	31 December 2015	31 December 2014
Measured at fair value		
-Available-for-sale equity instruments	100,300.00	100,300.00
-Financial products	3,052,675,560.00	1,900,100,000.00
Total	3,052,775,860.00	1,900,200,300.00
Measured at cost		
-Available-for-sale equity instruments	200,000.00	200,000.00
Less: provision	-100,300.00	-100,300.00
Total	3,052,875,560.00	1,900,300,000.00
Less: available-for-sale financial assets listed on other current assets	-3,052,675,560.00	-1,900,100,000.00

200,000.00

200,000.00

VII Notes to the significant items in the consolidated financial statements (continued)**10 Available-for-sale financial assets (continued)**

(1) Available-for-sale financial assets instructions (continued)

Available-for-sale financial assets are analysed as below:

(a) Available-for-sale financial assets measured at fair value:

	31 December 2015	31 December 2014
Available-for-sale equity instruments		
—fair value	-	-
—cost	100,300.00	100,300.00
—accumulated other comprehensive income	-	-
—accumulated provision	-100,300.00	-100,300.00
Financial products		
—fair value	3,052,675,560.00	1,900,100,000.00
—cost	2,997,000,000.00	1,900,100,000.00
—accumulated other comprehensive income	55,675,560.00	-
—accumulated provision	-	-
Total		
—fair value	3,052,675,560.00	1,900,100,000.00
—cost	2,997,100,300.00	1,900,200,300.00
—accumulated other comprehensive income	55,675,560.00	-
—accumulated provision	-100,300.00	-100,300.00

(b) Available-for-sale financial assets measured at cost:

			% of			
			31	Shareholdings	Cash	
31 December	Increase	Decrease	December	in invested	dividends in	
2014	2014	2014	2015	company	current year	
Available-for-sale equity instruments-cost						
Suzhou People's						
Department						
Store Co., Ltd.	150,000.00	-	-	150,000.00	0.25%	-

Inner-Mongolia						
Baotou						
Department						
Store Co., Ltd.	50,000.00	-	-	50,000.00	0.04%	6,050.00
Available-for-sale equity instruments-provisions						
Suzhou People's						
Department						
Store Co., Ltd.	-	-	-	-		
Inner-Mongolia						
Baotou						
Department						
Store Co., Ltd.	-	-	-	-		
	<u>200,000.00</u>	<u>-</u>	<u>-</u>	<u>200,000.00</u>		

VII Notes to the significant items in the consolidated financial statements (continued)

10 Available-for-sale financial assets (continued)

- (c) The information related to available-for-sale financial assets' provision is as following:

	31 December 2015
	and 31 December 2014
Available-for-sale equity instruments	100,300.00

The available-for-sale financial assets measured at fair value held by the Company and its subsidiaries are shareholdings of Wuhan Huaxin High Technology Co., Ltd., which was acquired through National Equities Exchange and Quotations. During 2014, The Company and its subsidiaries had made full provisions for the value of shareholdings, as NEEQ had suspended transference of those shares due to the fact that Wuhan Huaxin was difficult in its continuous operation and was undergoing bankruptcy restructuring by local court. In 2015, Wuhan Huaxin has finished restructuring.

As at 31 December 2015, financial products measured at fair value held by the Company and its subsidiaries are products with floating income and unprotected principles, which was initially acquired at the cost of RMB 2,997,000,000.00. As at 2015, the fair value of those financial products is RMB 3,052,675,560.00, and changes in fair value amounted to RMB 55,675,560.00 has been recorded in other comprehensive income. All financial products mentioned above are structural objects which are out of scope of consolidation. At 31 December 2015, the maximum risk exposure of financial products held by the Company and its subsidiaries is limited to the book value of financial products. The Company and its subsidiaries have no obligation or intention to offer financial support to the financial product funds mentioned above.

The available-for-sale financial assets measured at cost held by the Company and its subsidiaries are shareholdings of unlisted companies. As there is no active market, and the range of reasonable estimated fair value is large and the probability which is used for the estimation of fair value can not be figured out reasonably, the fair value of the available-for-sale financial assets can not be measured reliably. As at 31 December 2015, the Company and its subsidiaries have no intention to dispose those investments.

VII Notes to the significant items in the consolidated financial statements (continued)

11 Long-term equity investments

Investee	Movement									31 December 2015	Provision for Impairment as at 31 December 2015
	31 December 2014	Additional investment	Disposal of investment	Adjusted net profit or loss based on equity method	Adjustment of other compre- hensive income	Movement of other owner's equity	Cash dividends declared by associates	Provisions for impairment	Others -Liquidation		
Joint ventures											
Associates											
Guangzhou Antaida Logistics Corporation	2,850,040.4			-255,029.37					-2,595,011.08		

As at 31 December 2014, the Company and its subsidiaries directly held 20% of the shareholdings of Guangzhou Antaida Logistics Corporation and measured Guangzhou Antaida Logistics Corporation as an associate using equity method. During 2015, the board of shareholders of Guangzhou Antaida Logistics Corporation decided to shut up business and initiate liquidation procedure with the approval of board of shareholders due to difficulties in business operation. As at 31 December 2015, the liquidation has been completed. The residual net asset amounted to RMB 12,935,192.04 which is was distributed to all shareholders based on their contributive proportions. As a result, the Company wrote off the equity investment and recognized distributed assets RMB 2,587,038.41 and investment loss RMB 7,972.67.

VII Notes to the significant items in the consolidated financial statements (continued)**12 Investment Properties**

(1) Investment properties measured at cost method

	Buildings	Land use rights	Total
Cost			
31 December 2014	88,227,510.86	22,949,959.07	111,177,469.93
Addition	197,538.43	-	197,538.43
Purchasing	197,538.43	-	197,538.43
31 December 2015	88,425,049.29	22,949,959.07	111,375,008.36

Accumulated depreciation/amortization

31 December 2014	20,111,084.24	5,261,142.88	25,372,227.12
Addition	4,229,638.10	354,030.33	4,583,668.43
Provision	or		
amortization	4,229,638.10	354,030.33	4,583,668.43
31 December 2015	24,340,722.34	5,615,173.21	29,955,895.55

Provisions for impairment loss

31 December 2014	12,576,065.29	-	12,576,065.29
31 December 2015	12,576,065.29	-	12,576,065.29

Net book value

31 December 2015	51,508,261.66	17,334,785.86	68,843,047.52
31 December 2014	55,540,361.33	17,688,816.19	73,229,177.52

In 2015, the depreciation and amortization of investment properties amounts to RMB 4,583,668.43. (2014: RMB 2,091,889.13)

In 2015, there is no disposal of investment properties.

VII Notes to the significant items in the consolidated financial statements (continued)**13 Fixed assets**

	Buildings	Machinery and equipment	Motor vehicles	Office equipment and fixtures	Total
Cost					
31 December					
2014	749,250,686.72	836,947,222.57	26,537,578.36	101,029,311.62	1,713,764,799.27
Addition	9,995,257.43	54,027,943.52	1,472,249.45	16,446,645.02	81,942,095.42
Purchase	9,165,257.43	54,027,943.52	1,472,249.45	16,446,645.02	81,112,095.42
Transferred from construction in progress	830,000.00	-	-	-	830,000.00
Reduction	28,802,459.10	13,963,463.04	674,759.71	4,359,489.27	47,800,171.12
Disposal or scrap	17,867,484.11	13,963,463.04	674,759.71	4,359,489.27	36,865,196.13
Others	10,934,974.99	-	-	-	10,934,974.99
31 December					
2015	730,443,485.05	877,011,703.05	27,335,068.10	113,116,467.37	1,747,906,723.57

Accumulated depreciation

31 December					
2014	159,354,270.53	377,215,896.11	20,681,795.73	73,259,754.43	630,511,716.80
Addition	28,953,996.42	69,323,443.80	2,914,675.24	13,618,560.21	114,810,675.67
Provision	28,953,996.42	69,323,443.80	2,914,675.24	13,618,560.21	114,810,675.67
Reduction	21,787,215.80	6,466,397.96	584,175.03	3,506,900.64	32,344,689.43
Disposal	16,052,132.60	6,466,397.96	584,175.03	3,506,900.64	26,609,606.23
Others	5,735,083.20	-	-	-	5,735,083.20
31 December					
2015	166,521,051.15	440,072,941.95	23,012,295.94	83,371,414.00	712,977,703.04

Provision for impairment losses

31 December	3,918,452.47	13,200,786.02	28,456.94	284,488.39	17,432,183.82
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2014					
Addition	-	1,219,489.77	64,570.25	98,162.90	1,382,222.92
Provision	-	1,219,489.77	64,570.25	98,162.90	1,382,222.92
Reduction	-	3,254,695.23	28,456.94	130,525.64	3,413,677.81
Disposal	-	3,254,695.23	28,456.94	130,525.64	3,413,677.81
31 December					
2015	3,918,452.47	11,165,580.56	64,570.25	252,125.65	15,400,728.93

Net book value

31 December					
2015	560,003,981.43	425,773,180.54	4,258,201.91	29,492,927.72	1,019,528,291.60
31 December					
2014	585,977,963.72	446,530,540.44	5,827,325.69	27,485,068.80	1,065,820,898.65

Depreciation charges for 2015 amounted to RMB 114,810,675.67 (2014:RMB 125,637,420.63). The amount of depreciation recognized in cost of sales, selling expense and operating expense are RMB 94,295,000.40, RMB 544,100.15 and RMB 19,971,575.12 respectively. (2014: The amount of depreciation recognized in cost of sales, selling expense and operating expense are RMB 98,642,512.98, RMB 579,659.41 and RMB 26,415,248.24 respectively).

VII Notes to the significant items in the consolidated financial statements (continued)**14 Intangible assets**

	Land use rights	Non-patented technology	Others	Total
Original cost				
31 December 2014	242,666,890.39	1,992,000.00	1,395,014.56	246,053,904.95
31 December 2015	242,666,890.39	1,992,000.00	1,395,014.56	246,053,904.95

Accumulated amortization

31 December 2014	39,906,312.69	1,992,000.00	1,395,014.56	43,293,327.25
Addition	5,238,952.67	-	-	5,238,952.67
Disposal	-	-	-	-
31 December 2015	45,145,265.36	1,992,000.00	1,395,014.56	48,532,279.92

Provisions for impairment

31 December 2014	-	-	-	-
31 December 2015	-	-	-	-

Net book value

31 December 2015	197,521,625.03	-	-	197,521,625.03
31 December 2014	202,760,577.70	-	-	202,760,577.70

In 2015, the amortization of intangible assets amounts to RMB 5,238,952.67. (In 2014: RMB 5,553,777.06)

15 Long-term prepaid expenses

	31 December 2014	Addition	Amortization	31 December 2015
Leasehold				
improvement cost	-	5,199,891.79	1,751,028.33	3,448,863.46
IT consulting fee	1,362,590.60	330,000.00	903,209.68	789,380.92
Mould	489,387.55	-	489,387.55	-
	<u>1,851,978.15</u>	<u>5,529,891.79</u>	<u>3,143,625.56</u>	<u>4,238,244.38</u>

VII Notes to the significant items in the consolidated financial statements (continued)**16 Deferred tax assets and liabilities**

(1) Deferred tax assets without taking into consideration the offsetting of balances

	31 December 2015		31 December 2014	
	Deductible temporary differences and tax losses	Deferred tax assets	Deductible temporary differences and tax losses	Deferred tax assets
Provision for assets impairment	90,583,724.89	13,587,558.73	111,660,322.99	16,749,048.47
Unrealized profit arising from elimination of inter-company	68,217,414.97	10,232,612.25	47,563,017.07	7,134,452.56

transactions				
Termination benefits	32,192,522.18	4,828,878.33	36,765,633.21	5,514,844.98
Accrued expenses	1,521,730,526.58	228,259,578.99	1,353,081,356.67	202,962,203.50
Provisions	9,981,021.44	1,497,153.22	9,960,830.74	1,494,124.61
Deferred income	3,395,533.29	509,329.99	465,400.00	69,810.00
Investment differences	8,782,955.88	1,317,443.38	8,782,955.88	1,317,443.38
	<u>1,734,883,699.23</u>	<u>260,232,554.89</u>	<u>1,568,279,516.56</u>	<u>235,241,927.50</u>

Includes:

	31 December 2015	31 December 2014
Expected to reverse within 1 year		
(including 1 year)	253,576,903.19	228,339,829.14
Expected to reverse after 1 year	6,655,651.70	6,902,098.36
Total	<u>260,232,554.89</u>	<u>235,241,927.50</u>

VII Notes to the significant items in the consolidated financial statements (continued)

16 Deferred tax assets and liabilities (continued)

(2) Deferred tax liabilities without taking into consideration the offsetting of balances

	31 December 2015		31 December 2014	
	<u>Taxable</u>		<u>Taxable</u>	
	Temporary	Deferred	Temporary	Deferred
	difference	tax liabilities	difference	tax liabilities
Available-for-sale				
financial assets	55,675,560.00	8,351,334.00	-	-
Financial assets at fair				
value through profits				
or losses	-	-	248,907.75	37,336.16

	55,675,560.00	8,351,334.00	248,907.75	37,336.16
Includes:				
		31 December 2015		31 December 2014
Expected to reverse within 1 year (including 1 year)		8,351,334.00		37,336.16
Expected to reverse after 1 year		-		-
		<u>8,351,334.00</u>		<u>37,336.16</u>

- (3) Net amounts of deferred tax assets and liabilities taking into consideration the offsetting of balances are set out as follows:

	31 December 2015		31 December 2014	
	Netting amount	Deferred tax assets or liabilities, net	Netting amount	Deferred tax assets or liabilities, net
Deferred tax assets, net	8,351,334.00	251,881,220.89	-	235,241,927.50
Deferred tax liabilities, net	8,351,334.00	-	-	37,336.16

- (4) Deductible temporary differences and tax losses that are not recognised as deferred tax assets are analysed as below:

	31 December 2015	31 December 2014
Deductible temporary differences	24,307,336.03	24,904,410.07
Deductible tax losses	75,877,413.93	70,854,758.45
	<u>100,184,749.96</u>	<u>95,759,168.52</u>

VII Notes to the significant items in the consolidated financial statements (continued)

16 Deferred tax assets and liabilities (continued)

- (5) The deductible tax losses for which deferred tax assets are not recognised will expire in the following years:

	31 December 2015	31 December 2014
2015	-	4,554,328.15
2016	287,136.58	287,136.58
2017	89,186.59	89,186.59
2018	16,303,166.71	16,303,166.71
2019	49,620,940.42	49,620,940.42
2020	9,576,983.63	-
	<u>75,877,413.93</u>	<u>70,854,758.45</u>

17 Other non-current assets

	31 December 2015	31 December 2014
Prepayment for equipments	<u>32,963,224.90</u>	<u>-</u>

18 Provision for impairment of assets

	31 December 2014	Increase	Decrease		31 December 2015
			Write back	Write off	
Bad debt provision	61,776,390.76	-	-2,816,335.31	-11,043,503.15	47,916,552.21
-Accounts receivable	57,180,786.07	-	-632,077.76	-9,380,188.31	47,168,520.00
-Other receivables	4,595,604.69	-	-2,184,257.61	-1,663,314.88	748,032.21
Write-down of inventories	44,679,793.18	23,886,048.29	-	-28,790,796.61	39,775,044.82
Impairment provision for available-for-sale financial assets	100,300.00	-	-	-	100,300.00

Impairment provision for investment properties	12,576,065.29	-	-	-	12,576,065.29
Impairment provision for fixed assets	17,432,183.82	1,382,222.92	-	-3,413,677.81	15,400,728.93
	136,564,733.0				
Total	5	25,268,271.21	-2,816,335.3	-43,247,977.6	115,768,691.25

VII Notes to the significant items in the consolidated financial statements (continued)

19 Notes payable

	31 December 2015	31 December 2014
Bank acceptances	1,953,065,274.06	1,173,851,127.31

As at 31 December 2015, there is no notes payable expired but not yet paid.

20 Accounts payable

(1) Illustration of accounts payable

	31 December 2015	31 December 2014
Payables for raw materials	2,359,604,637.06	2,118,446,507.24
Payables for installation and maintenance cost	39,107,819.41	32,760,610.62
Payables for transportation costs	4,246,921.42	2,066,756.61
Others	16,847,964.06	13,423,036.74
Total	2,419,807,341.95	2,166,696,911.21

(2) Accounts payable aging over 1 year significant in value

As at 31 December 2015, accounts payable with aging over 1 year amounted to RMB 43,910,569.00 (31 December 2014: RMB 34,248,050.36), which mainly comprised of payables for raw materials. The amounts have not been settled because contract expiration has not yet come or dispute over the quality of materials is not yet solved.

21 Advances from customers

(1) Illustration of Advances from customers

	31 December 2015	31 December 2014
Advances from customers	1,652,908,781.44	851,592,826.03

(2) Advances from customers aging over 1 year significant in value

As at 31 December 2015, advances from customers with aging over 1 year amounted to RMB 28,512,383.82 (31 December 2014: RMB 49,446,273.22), which mainly comprised payments for goods. As the delivery to customers have not been completed, the advances had not yet been settled.

VII Notes to the significant items in the consolidated financial statements (continued)**22 Employee benefits payable**

(1) Illustration of Employee benefits payable

	31 December 2014	Addition	Decrease	31 December 2015
Short-term employee benefits payable	207,053,076.75	809,880,376.02	790,562,180.16	226,371,272.61
Defined contribution plans payable	5,469,599.96	90,673,885.87	81,934,802.01	14,208,683.82
Termination benefits payable	8,043,515.10	19,777,052.89	20,119,807.50	7,700,760.49
Total	220,566,191.81	920,331,314.78	892,616,789.67	248,280,716.92

(2) Short-term employee benefits

	31 December 2014	Addition	Decrease	31 December 2015
Salaries, bonuses, allowances and subsidies	184,980,055.05	672,770,478.71	654,688,457.06	203,062,076.70
Staff welfare	8,440,970.34	52,564,002.05	55,444,729.30	5,560,243.09
Social insurance	2,595,681.91	44,282,595.42	40,000,976.26	6,877,301.07
-Medical insurance	2,122,080.36	35,426,076.34	32,045,396.11	5,502,760.59
-Employment injury insurance	300,678.25	6,747,824.06	6,098,047.86	950,454.45
-Maternity insurance	172,923.30	2,108,695.02	1,857,532.29	424,086.03
Housing fund	6,685,080.62	27,233,918.12	27,462,200.10	6,456,798.64
Labour union funds and employee education fee	4,351,288.83	13,029,381.72	12,965,817.44	4,414,853.11
Total	207,053,076.75	809,880,376.02	790,562,180.16	226,371,272.61

As at 31 December 2015, there were no overdue payroll and welfare payables. This balance of payroll and welfare payables will be settled in 2016.

(3) Defined contribution plans

	31 December 2014	Addition	Decrease	31 December 2015
Pension	5,075,081.72	84,347,800.81	76,221,610.99	13,201,271.54
Unemployment insurance	394,518.24	6,326,085.06	5,713,191.02	1,007,412.28
Total	<u>5,469,599.96</u>	<u>90,673,885.87</u>	<u>81,934,802.01</u>	<u>14,208,683.82</u>

(4) Termination benefits payable

	31 December 2015	31 December 2014
Termination benefits payable (Current portion within 1 year)	6,800,760.49	5,392,915.10
Other termination benefits payable	900,000.00	2,650,600.00
Total	<u>7,700,760.49</u>	<u>8,043,515.10</u>

VII Notes to the significant items in the consolidated financial statements (continued)**22 Employee benefits payable (continued)**

(4) Termination benefits payable (continued)

In 2015, termination benefits used to optimize employee structures amounted to RMB 14,322,248.26. (In 2014: RMB 17,259,177.65)

23 Taxes and other levies payable

	31 December 2015	31 December 2014
Value-added tax	8,884,701.12	2,480,795.51
Business tax	229,524.56	925,318.28
Corporate income tax	279,867,360.71	239,342,772.35
Individual income tax	1,641,343.76	2,176,903.49
Civil infrastructure maintenance and construction fee	2,492,588.81	2,370,741.48
Household electrical appliances recycling fund	22,335,614.00	16,234,575.00
Land using tax	3,166,208.90	3,107,842.26
House property tax	3,319,892.04	3,269,324.31
Education fee	1,779,616.70	1,930,360.51
Stamp tax	226,162.21	397,990.84
Others	<u>1,165,215.10</u>	<u>1,412,230.61</u>

325,108,227.91	273,648,854.64
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Household electrical appliances recycling fund

According to *Stipulation of administration and utilisation of Waste Electrical and Electronic Product*, electrical and electronic product producers are obliged to pay RMB 7.00 household electrical appliances recycling fund for each good produced.

24 Dividends payable

	31 December 2015	31 December 2014
Ordinary share dividends payable	5,400,652.06	4,088,128.36

VII Notes to the significant items in the consolidated financial statements (continued)**25 Other payables**

(1) Other payables classified by nature

	31 December 2015	31 December 2014
Payment for equipments	54,026,136.97	49,576,501.03
Payment for moulds	50,738,280.49	46,175,740.61
Energy efficiency rebate	25,080,000.00	-
Prepayments	18,631,746.58	16,256,757.54
Guarantee & deposits	13,794,750.00	14,905,101.19
Advance money collected or paid	5,407,965.76	4,648,736.95
Others	4,128,258.14	12,729,821.16
Total	171,807,137.94	144,292,658.48

(2) Other Accounts Payable aging over 1 year significant in value

As at 31 December 2015, other payables aging over 1 year amounted to RMB 47,035,155.00 (31 December 2014: RMB 72,314,023.54). which are mainly payment for equipments and moulds (RMB 40,585,044.20, due to contract expiration has not yet come or dispute over the quality of materials) and guarantee&deposits (RMB 6,450,110.80, due to the fact that contract is still under execution).

26 Other current liabilities

	31 December 2015	31 December 2014
Accrual expenses- sales rebate	868,491,961.48	925,846,165.66
Accrual expenses-sales promotion fee	249,793,144.13	170,902,946.59
Accrual expenses-transportation fee	127,259,322.97	89,246,575.74

Accrual expenses-maintenance and installation cost	199,287,081.29	100,999,782.02
Accrual expenses-trademark royalty charges	15,536,878.06	5,576,397.45
Accrual expenses-Others	61,365,905.31	59,056,793.06
Total	1,521,734,293.24	1,351,628,660.52
27 Long-term employee benefits payable		
	31 December 2015	31 December 2014
Termination benefits payable (non-current portion over 1 year)	28,439,299.25	29,811,618.11

VII Notes to the significant items in the consolidated financial statements (continued)

28 Specific payable

	31 December 2014	Addition	Decrease	31 December 2015	Causes
Demolition compensation	2,073,957.30	-	2,073,957.30	-	Demolition compensation

29 Provisions

	31 December 2015	31 December 2014	Causes
Quality guarantee deposits	9,981,021.44	9,960,830.74	product quality compensation

Other explanation, including explanation of significant assumption and estimates related to important provisions:

The washing machine produced by the Company's subsidiary, namely Wuxi Little Swan GE Limited, are mainly exported to the United States and other foreign markets. There are two main risks of compensation as follows: the risk of insufficient insurance indemnity from the insurance company and the payment risk when FCR (Failure Call Rate) exceeds the stipulated rate with General Electric Company in the case of quality problems arising from washing machines. As at 31 December 2015, Wuxi Little Swan GE Limited's estimated FCR payment of products that have been sold and the loss of insufficient insurance indemnity amounted to RMB 9,981,021.44.

30 Deferred income

	31 December 2014	Increase	Decrease	31 December 2015	Causes
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					Govern-ment	
					grants	
Government Grants	3,848,733.33		453,200.04	3,395,533.29		
<hr/>						
Projects involved in government grants:						
			The amount			
			recognised as			
Government	31 December		non-operating	Other	31 December	Related to
Grants Project	2014	Addition	income	changes	2015	assets/ income
Hefei Midea						
automation						
development						
of washing						
machine						Related to
project	3,383,333.33	-	350,000.04	-	3,033,333.29	assets
Subsidy for						
power						
substation						Related to
renovation	227,000.00	-	50,400.00	-	176,600.00	assets
Jiangsu modern						
service						
development						Related to
special fund	238,400.00	-	52,800.00	-	185,600.00	assets
	<hr/>		<hr/>		<hr/>	
	3,848,733.33	-	453,200.04	-	3,395,533.29	
<hr/>						

VII Notes to the significant items in the consolidated financial statements (continued)**31 Share capital**

	Increase/decrease in the year					31 December 2015	
	31 December 2014	New shares issued	Bonus shares	Shares transferred from capital reserve	Other		Total
Total shares	632,487,764.00	-	-	-	-	-	632,487,764.00

VII Notes to the significant items in the consolidated financial statements (continued)**32 Capital surplus**

	31 December 2014	Addition	Decrease	31 December 2015
Share premium	1,055,182,718.57	-	-	1,055,182,718.57
Other capital surplus	84,773,617.46	24,058,611.82	-	108,832,229.28
-Share options	44,055,421.89	22,544,356.36	-	66,599,778.25
- Others	1,538,810.57	1,514,255.46	-	3,053,066.03
-Transfer of capital surplus recognized under the previous accounting system	39,179,385.00	-	-	39,179,385.00
Total	1,139,956,336.03	24,058,611.82	-	1,164,014,947.85

Other explanation, including movement in the current period and reasons for the movement:

- (a) In 2015, RMB 22,544,356.36 (2014: RMB 10,805,421.89) increase in capital surplus arises from the execution of share options incentive plan.
- (b) In 2015, the capital surplus increased RMB 1,514,255.46, including RMB 1,513,988.83 demolition compensation for Wuxi Filin Electronics Co., Ltd. and RMB 266.63 due to sale of shares from equity distributed by China Securities Depository and Clearing Co. Ltd. Shenzhen Branch or acquired from other historical reasons, (2014: The capital surplus increased by RMB 1,497.83 due to the sale of shares from equity distributed by China Securities Depository and Clearing Co. Ltd. Shenzhen Branch or acquired from other historical reasons. The capital surplus decreased by RMB 101,250.00 due to the Company's subsidiary Wuxi Little Swan Washing Machinery Limited's cancellation. The previously recognized capital surplus was therefore reversed in 2014).

VII Notes to the significant items in the consolidated financial statements (continued)

33 Other comprehensive income

	Increase/decrease in the year						
	31 December 2014	Amount for the year before tax	Less: previously recognized in other comprehensive income transferred to profit or loss this year	Less: Income tax expense	Attributable to the Company after tax	Attributable to the minority interest after tax	31 December 2015
Items that may be subsequently reclassified to profit or loss	-3,449,689.57	56,905,112.03	-	8,351,334.00	38,262,974.21	10,290,803.82	34,813,284.64
-Change in fair value of available-for-sale financial assets	-	55,675,560.00	-	8,351,334.00	37,033,422.18	10,290,803.82	37,033,422.18
-Currency translation differences	-3,449,689.57	1,229,552.03	-	-	1,229,552.03	-	-2,220,137.54
Total	-3,449,689.57	56,905,112.03	-	8,351,334.00	38,262,974.21	10,290,803.82	34,813,284.64

VII Notes to the significant items in the consolidated financial statements (continued)**34 Surplus reserve**

	31 December 2014	Addition	Decrease	31 December 2015
Statutory surplus reserve	332,594,722.29	-	-	332,594,722.29

Explanation of surplus reserve, including movement in the current period and reasons for the movement:

In accordance with the Company Law of the PRC, the Company's Articles of Association, appropriations of 10% of net profit should be made to the statutory surplus reserve, after offsetting accumulated losses from prior years, until the accumulated statutory surplus reserve reaches 50% of the share capital. Statutory surplus reserve can be used to make up losses or to increase share capital. By the end of 2015, there is no appropriation to the statutory surplus reserve as the Company's accumulated statutory surplus reserve has already reached 50% of the share capital (2014: 10% of net profit, RMB 41,636,353.80).

35 Retained earnings

	2015	2014
Opening balance of retained earnings before adjustment	2,326,392,979.58	1,859,579,931.10
Opening balance of retained earnings after adjustment	2,326,392,979.58	1,859,579,931.10
Add: net profit attributable to the shareholders of the Company	919,181,968.58	698,195,731.48
Less: Appropriation of statutory surplus reserve	-	41,636,353.80
Dividends distributable to ordinary shareholders	284,619,493.80	189,746,329.20
Ending balance of retained earnings	2,960,955,454.36	2,326,392,979.58

There was no adjustment of opening balance of retained earnings.

36 Sales and cost of sales

	2015		2014	
	Income	Expenses	Income	Expenses
Main operations	11,929,121,727.57	8,713,461,567.66	9,880,602,020.03	7,180,075,385.38
Other operations	1,202,505,204.87	932,929,256.70	923,615,268.57	827,416,833.31
Total	13,131,626,932.44	9,646,390,824.36	10,804,217,288.60	8,007,492,218.69

VII Notes to the significant items in the consolidated financial statements (continued)**36 Sales and cost of sales (continued)**

(a) Other operating income and expenses

	2015		2014	
	Other operating income	Other operating expenses	Other operating income	Other operating expenses
Rental income	13,608,065.10	4,573,467.40	5,639,452.08	904,453.32
Sales of materials	1,168,168,201.64	928,355,789.30	901,816,701.78	826,512,379.99
Others	20,728,938.13	-	16,159,114.71	-
	<u>1,202,505,204.87</u>	<u>932,929,256.70</u>	<u>923,615,268.57</u>	<u>827,416,833.31</u>

37 Taxes and surcharges

	2015	2014
Business tax	914,707.02	1,523,903.96
Civil infrastructure maintenance and construction fee	36,866,172.60	37,106,017.94
Education fee	28,980,795.86	28,799,856.89
	<u>66,761,675.48</u>	<u>67,429,778.79</u>

38 Selling and distribution expenses

	2015	2014
Selling and distribution expenses	<u>1,957,833,768.25</u>	<u>1,519,482,348.76</u>

In 2015 and 2014, selling and distribution expenses mainly include promotion expenses, transportation and storage expenses, employee wages and benefits, installation expenses and after-sales service expenses.

39 General and administrative expenses

	2015	2014
General and Administrative expenses	<u>539,747,209.80</u>	<u>441,240,435.76</u>

In 2015 and 2014, general and administrative expenses mainly include employee wages and benefits, share-based payments, taxation and depreciation costs.

40 Finance income - net

Interest expenses	9,536,939.00	13,417,678.56
Less: Interest income	-83,981,673.66	-29,881,510.21
Exchange gains	-40,188,776.26	-1,235,973.90

Other financial expenses	4,520,659.01	2,839,681.06
	<u>-110,112,851.91</u>	<u>-14,860,124.49</u>
VII Notes to the significant items in the consolidated financial statements (continued)		
41 Asset impairment losses		
	2015	2014
Provision for bad debts	-2,816,335.36	-34,854.94
Provision of write-down of inventory	23,886,048.29	25,288,669.49
Provision of available-for-sale financial assets	-	100,300.00
Provision of impairment on fixed assets	1,382,222.92	12,866,967.07
	<u>22,451,935.85</u>	<u>38,221,081.62</u>
42 Gains from changes in fair value		
	2015	2014
Financial assets measured at fair value with changes included in current profits and losses		
- Gains from fair value movement of derivatives	-	-14,767,832.25
	<u>-</u>	<u>-14,767,832.25</u>
43 Investment Income		
	2015	2014
Long-term equity investment income measured at equity method	-255,029.37	-319,108.43
Investment Income from disposal of long-term equity investment	-7,972.67	101,250.00
Income from disposal of financial assets measured at fair value with changes included in current profits and losses	348,132.26	7,818,030.00
Investment income from accumulated return of available-for-sale financial assets	6,050.00	56,630.80
Income from disposal of available-for-sale financial assets	201,658,430.62	170,308,286.89
	<u>201,749,610.84</u>	<u>177,965,089.26</u>

In 2015, income from disposal of available-for-sale financial assets are gains from investments on financial products, which amounts to RMB 201,658,430.62 (In 2014: RMB 162,708,030.89 gains

from investments on financial products and RMB 7,600,256.00 income from disposal of equity investment on Bank of Jiangsu Co., Ltd.)

There is no significant restriction on the remittance of investment income to the Company and its subsidiaries.

VII Notes to the significant items in the consolidated financial statements (continued)

44 Non-operating income

	2015	2014	Non-routine items
Gains on disposal of non-current assets	444,371.81	2,789,994.04	444,371.81
Includes: Gains on disposal of fixed assets	444,371.81	2,789,994.04	444,371.81
Unclaimed payments	21,826,219.98	7,708,285.28	21,826,219.98
Government grants	31,893,010.09	19,316,074.38	31,893,010.09
Compensation or penalty income	8,285,972.68	9,955,448.93	8,285,972.68
Others	938,086.33	33,211.39	938,086.33
	<u>63,387,660.89</u>	<u>39,803,014.02</u>	<u>63,387,660.89</u>

VII Notes to the significant items in the consolidated financial statements (continued)

44 Non-operating income (continued)

(a) Government grants are listed below:

	Granter	Causes	Nature	Whether profit or losses are affected by the grant in current year	Whether special subsidies	2015	2014	Related to assets/ Related to income
VAT Rebate on collection	Wuxi New District Taxation Bureau	subsidy	The subsidy is acquired for engaging in specified industries encouraged and supported by the country in accordance with national policies.	No	No	16,273,049.89	6,679,787.87	Related to income
Capital Support For foreign trade and economic development	Hefei Municipal Bureau of Finance	subsidy	The subsidy is acquired for engaging in specified industries encouraged and supported by the country in accordance with national policies.	No	No	-	3,706,500.00	Related to income
Subsidies for export credit insurance premiums	Wuxi Municipal Bureau of Commerce and Wuxi Municipal Bureau of Finance	subsidy	The subsidy is acquired for engaging in specified industries encouraged and supported by the country in accordance with national policies.	No	No	2,065,800.00	2,072,400.00	Related to income
Others	Wuxi economic and information technology commission, etc.	reward		No	No	13,554,160.20	6,857,386.51	Related to income
						<u>31,893,010.09</u>	<u>19,316,074.38</u>	

VII Notes to the significant items in the consolidated financial statements (continued)**45 Non-operating expenses**

	2015	2014	Non-routine items
Losses on disposal of non-current assets	724,567.38	6,272,775.07	724,567.38
Includes: Losses on disposal of fixed assets	724,567.38	6,073,731.68	724,567.38
Losses on disposal of intangible assets	-	199,043.39	-
Donations	916,674.79	1,092,937.50	916,674.79
Local fees (Flood control & Security fund, etc.)	7,679,501.83	4,307,145.70	
Refund of Energy efficiency rebate	36,428,856.99	-	36,428,856.99
Others	2,520,423.42	2,536,288.94	2,520,423.42
	<u>48,270,024.41</u>	<u>14,209,147.21</u>	<u>40,590,522.58</u>

46 Income tax expenses

(1) Income tax expenses

	2015	2014
Current income tax	197,324,795.33	209,674,578.05
Deferred income tax	-25,027,963.55	-66,498,009.07
	<u>172,296,831.78</u>	<u>143,176,568.98</u>

(2) Adjustment process of accounting profit and income tax expenses

	2015
Profit before tax	1,225,421,617.93
Income tax calculated at applicable tax rates	183,813,242.69
Adjust influence of income tax from prior period	-10,782,157.42
Cost, expenses and loss not deductible for tax purposes	4,089,000.62
Compensable loss of deferred corporate tax assets unconfirmed current period	2,394,245.89
Super deduction for development cost	-7,217,500.00
Enterprise income tax expenses	<u>172,296,831.78</u>

VII Notes to the significant items in the consolidated financial statements (continued)**47 Earnings per share**

(1) Basic earnings per share

Basic earnings per share is calculated by dividing the consolidated net profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue:

	2015	2014
Consolidated net profit attributable to shareholders of the Company	919,181,968.58	698,195,731.48
Weighted average number of ordinary shares in issue	632,487,764.00	632,487,764.00
Basic earnings per share	1.45	1.10

(2) Diluted earnings per share

Diluted earnings per share is calculated by dividing the net profit attributable to ordinary shareholders of the Company adjusted based on the dilutive potential ordinary shares by the adjusted weighted average number of ordinary shares in issue. There were no dilutive potential ordinary shares in 2015 (2014: nil). Therefore, diluted earnings per share equal to basic earnings per share.

48 Notes to consolidated cash flow statement

(1) Cash received relating to other operating activities

	2015	2014
Interest income	12,858,360.87	29,881,510.21
Government grants	15,619,960.20	19,096,207.71
Penalties	8,285,972.68	9,955,448.93
Others	19,923,960.12	762,294.35
	56,688,253.87	59,695,461.20

(2) Cash paid relating to other operating activities

	2015	2014
Cash paid for expenses	1,747,886,532.99	1,285,108,062.40
Commission Charges	4,520,658.83	2,839,681.06
Payables	-	31,807,392.79
Others	1,218,822.22	2,840,895.04
	1,753,626,014.04	1,322,596,031.29

(3) Cash received relating to other investing activities

	2015	2014
Interest income of structured deposits	42,268,968.89	-

VII Notes to the significant items in the consolidated financial statements (continued)**48 Notes to consolidated cash flow statement (continued)**

(4) Cash received from other financing activities

	2015	2014
Government grants related to assets	-	3,500,000.00

(5) Cash paid relating to other investing activities

	2015	2014
Liquidation settlement for minority shareholders of subsidiary:		
Hefei Midea washing machine manufacture Limited	-	2,184,490.69

49 Supplementary information of cash flow statements

(1) Supplementary information of cash flow statements

Reconciliation of net profit to cash flows from operating activities:

	2015	2014
Net profit	1,053,124,786.15	790,826,104.31
Add: Provision for asset impairment	22,451,935.85	38,221,081.62
Depreciation of fixed assets and amortization of investment properties	119,394,344.10	127,729,309.76
Amortization of intangible assets	5,238,952.67	5,553,777.06
Amortization of long-term prepaid expenses	3,143,625.56	3,239,931.94
Losses on disposal of fixed assets, intangible assets and other long-term assets	280,195.57	3,482,781.03
Losses from changes in fair value	-	14,767,832.25
Finance expenses	-75,219,066.77	5,204,314.28
Investment income	-201,749,610.84	-177,965,089.26
Decrease in deferred income tax asset	-25,027,963.55	-66,498,009.07
Amortization of deferred incomes	-453,200.04	-
(Increase) /Decrease of inventory	-163,682,022.56	167,236,175.84
Decrease/(Increase) in operating receivables	1,734,355,028.92	-3,846,361,785.76
Increase in operating payables	1,102,940,765.66	4,580,036,102.12
Share-based payments	23,897,698.08	11,641,791.21
Net cash flows from operating activities	3,598,695,468.80	1,657,114,317.33
Change of cash and cash equivalents :		
Closing balance of cash	2,792,685,328.69	1,516,739,804.86

Less: Beginning balance of cash	1,516,739,804.86	1,558,204,866.53
Net increase in cash and cash equivalents	<u>1,275,945,523.83</u>	<u>-41,465,061.67</u>

VII Notes to the significant items in the consolidated financial statements (continued)

49 Supplementary information of cash flow statements (continued)

(2) Component of cash and cash equivalents

	31 December 2015	31 December 2014
Cash	2,792,685,328.69	1,516,739,804.86
Including: Cash in hand	-	8,158.18
Cash at bank	2,792,685,328.69	1,516,731,646.68
Ending balance of cash	<u>2,792,685,328.69</u>	<u>1,516,739,804.86</u>

50 Foreign currency monetary items

(1) Foreign currency monetary items

	31 December 2015		
	Foreign currency balance	Exchange rate	RMB balance
Cash at bank & in hand —			
USD	46,117,560.85	6.4936	299,468,993.14
EUR	720,485.53	7.0952	5,111,988.93
Accounts receivable —			
USD	102,413,720.07	6.4936	665,033,732.65
EUR	604,802.15	7.0952	4,291,192.21
Accounts payable —			
USD	6,113,673.40	6.4936	39,699,749.59

VIII Changes in consolidation scope

In 2015, there is no change in the Group's Consolidation scope.

IX Equity interests in other entities**1 Equity interests in subsidiaries****(1) Components of the Company and its subsidiaries**

Subsidiaries	Place of business	Place of registration	Principal activities	% of ownership interest		Acquired by
				Direct	Indirect	
Wuxi Little Swan General Electric Appliances Co., Ltd.	Wuxi	Wuxi	Manufacture	70.00%	-	Establishment or Investment
Wuxi Filin Electronics Co., Ltd.	Wuxi	Wuxi	Manufacture	73.00%	-	Establishment or Investment
Jiangsu Little Swan Marketing and Sales Co., Ltd.	Wuxi	Wuxi	Marketing	99.54%	0.09%	Establishment or Investment
Wuxi Little Swan Import & Export Co., Ltd	Wuxi	Wuxi	Import and export	88.46%	-	Establishment or Investment
Little Swan International (Singapore) Limited	Singapore	Singapore	Investing	100.00%	-	Establishment or Investment
Little Swan (Jing Zhou) Sanjin Electronic Appliances Limited	Jinzhou	Jinzhou	Manufacture	100.00%	-	Business merger under common control
Hefei Midea Washing Machine Limited	Hefei	Hefei	Manufacture	69.47%	-	Business merger under common control

IX Equity interests in other entities (continued)**1 Equity interests in subsidiaries (continued)**

(2) Subsidiaries with significant minority interests

Subsidiaries	% of shares held by minority shareholders	P&L attributable to minority shareholders	Dividends declared to minority shareholders	Minority interest at 31 December 2015
Wuxi Little Swan General Electric Appliances Co., Ltd.	30.00%	6,794,912.56	-	51,339,612.92
Wuxi Filin Electronics Co., Ltd.	27.00%	40,358,236.82	-	139,780,967.45
Hefei Midea Washing Machine Limited	30.53%	86,789,668.19	-	671,740,333.59

IX Equity interests in other entities (continued)**1 Equity interests in subsidiaries (continued)**

(3) Main financial information of the above significant subsidiaries is as follows:

	31 December 2015						31 December 2014					
	Current Assets	Non-current Assets	Total Assets	Current Liabilities	Non-current Liabilities	Total Liabilities	Current Assets	Non-current Assets	Total Assets	Current Liabilities	Non-current Liabilities	Total Liabilities
Wuxi Little Swan General Electric Appliances Co., Ltd.	262,214,616.13	16,950,575.14	279,165,191.27	78,953,274.67	10,064,518.04	89,017,792.71	213,881,740.87	19,098,217.86	232,979,958.73	56,406,735.98	9,960,830.74	66,367,566.72
Wuxi Filin Electronics Co., Ltd.	630,040,449.62	56,417,457.81	686,457,907.43	168,388,420.57	362,200.00	168,750,620.57	444,295,306.60	57,312,842.84	501,608,149.44	133,657,734.01	2,539,357.30	136,197,091.31
Hefei Midea Washing Machine Limited	4,899,597,642.19	660,802,382.62	5,560,400,024.81	3,323,567,046.22	36,569,848.57	3,360,136,894.79	3,680,238,070.60	660,915,331.43	4,341,153,402.03	2,458,380,866.17	3,395,248.79	2,461,776,114.96

	2015				2014			
	Sales	Net profit	Total comprehensive income	Net cash flows from operating activities	Sales	Net profit	Total Comprehensive income	Net cash flows from operating activities
Wuxi Little Swan General Electric Appliances Co., Ltd.	264,727,064.29	22,649,708.51	23,122,855.91	1,409,625.54	222,124,975.98	12,776,126.23	12,776,126.23	29,805,510.00
Wuxi Filin Electronics Co., Ltd.	597,332,804.55	149,474,951.17	149,474,951.17	-89,990,112.02	414,703,697.10	85,379,831.24	85,379,831.24	-19,098,530.00
Hefei Midea Washing Machine Limited.	6,165,350,114.71	284,276,672.73	317,518,924.93	1,395,138,587.97	4,901,655,746.41	215,203,815.71	215,203,815.71	451,999,980.00

IX Equity interests in other entities (continued)**2 Equity interest in associates and joint ventures**

The Company held 20% of the shares of Guangzhou Antaida Logistics Corporation. Due to operation difficulties, Guangzhou Antaida Logistics Corporation decided to shut up business and initiate liquidation procedure with the approval of board of shareholders. As of the reporting date, all liquidation work were being performed in accordance with liquidation principles and processes approved, and liquidation of assets and liabilities have been completed. The residual asset is cash and cash equivalents with the amount of RMB 10,355,358.23, which is distributed to all shareholders based on their contributive proportion. As a result, the Company recognized cash receivable of RMB 2,587,038.41.

X Segment reporting

Sales, expenses, assets and liabilities of the Company and its subsidiaries are primarily attributable to manufacturing and sales of washing machines and related products. No segment information of the Company and its subsidiaries is presented considering the internal organization and management structure, the system of internal financial reporting to key management personnel, and similar business nature among various subsidiaries.

The domestic and overseas sales transaction and non-current assets excluding financial assets and deferred tax assets are as follows:

(1) Sales transactions to third parties

	2015	2014
China	10,440,519,133.71	8,691,506,064.61
Other countries	2,691,107,798.73	2,112,711,223.99
Total	13,131,626,932.44	10,804,217,288.60

(2) Non-current assets

	31 December 2015	31 December 2014
China	1,323,094,433.43	1,346,512,672.47
Other countries	-	-
Total	1,323,094,433.43	1,346,512,672.47

XI Risk related to financial instruments

The Company and its subsidiaries' activities are exposed to a variety of financial risks: market risk (primarily foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Company and its subsidiaries' overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company and its subsidiaries' financial performance.

XI Risk related to financial instruments (continued)**(1) Market risk****(a) Foreign exchange risk**

The Company and its subsidiaries' major operations are carried out in Mainland China and majority of its transactions are denominated in RMB. The Company and its subsidiaries are exposed to foreign exchange risk arising from assets and liabilities nominated in foreign currencies, primarily in USD. Headquarter of financial department is responsible for monitoring foreign currency transactions and the scale of foreign currency assets and liabilities of the Company and its subsidiaries, to minimize the foreign exchange risk. Therefore, the Company and its subsidiaries may consider entering into forward foreign exchange contracts or currency swap contracts to mitigate foreign exchange risk. During 2015 and 2014, the Company and its subsidiaries did not enter into any forward exchange contracts or currency swap contracts.

The following table presents the structure analysis of the Company and its subsidiaries' financial assets and financial liabilities by currencies as at 31 December 2015 and 31 December 2014:

	31 December 2015		
	USD	Other	Total
Financial assets denominated in foreign currency -			
Cash at bank and in hand	299,468,993.14	5,111,988.93	304,580,982.07
Accounts receivable	665,033,732.65	4,291,192.21	669,324,924.86
Total	964,502,725.79	9,403,181.14	973,905,906.93
Financial liabilities denominated in foreign currency -			
Accounts payable	-39,699,749.59	-	-39,699,749.59
Total	-39,699,749.59	-	-39,699,749.59
	31 December 2014		
	USD	Other	Total
Financial assets denominated in foreign currency -			
Cash at bank and in hand	152,573,308.46	3,831,778.14	156,405,086.60
Accounts receivable	331,396,379.33	160,867.17	331,557,246.50
Other receivables	34,890,137.02	306,559.36	35,196,696.38
Total	518,859,824.81	4,299,204.67	523,159,029.48

Financial liabilities denominated in
foreign currency -

Accounts payable	-36,280,761.00	-835,794.00	-37,116,555.00
Other payables	-2,359,520.05	-	-2,359,520.05
	<u>-38,640,281.05</u>	<u>-835,794.00</u>	<u>-39,476,075.05</u>

XI Risk related to financial instruments (continued)

(1) Market risk (continued)

(a) Foreign exchange risk (continued)

As at 31 December 2015, if the currency had weakened/strengthened by 10 % against the USD while all other variables had been held constant, the Company and its subsidiaries' net profit for the year would have been approximately RMB 78,608,252.98 (as at 31 December 2014: approximately RMB 40,818,661.22) lower/higher for various financial assets and liabilities denominated in USD.

(b) Interest rate risk

As at 31 December 2015 and 31 December 2014, there is no any short-term or long-term borrowings with floating rates in the Company and its subsidiaries. Therefore, the management expects that there is no significant interest rate risk.

(2) Credit risk

Credit risk is managed on a group basis. Credit risk mainly arises from cash at bank, accounts receivable, other receivables, notes receivable, etc.

The Company and its subsidiaries expect that there is no significant credit risk associated with cash at bank and structured deposits since they are deposited at state-owned banks and other medium or large size listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

The Company and its subsidiaries authorized commercial bank, trust company, asset management company and other financial agencies to conduct short-term and low-risk investment finance, such as bank financial products, trust plan of trust company and assets management plan of assets management company, whose investment orientations are mainly on financial instruments with high market credit rating among banks in China as well as fine liquidity and trust product assets management plan with estimated earnings, including but not limited to national debt, financial debt, central bank bill, bond repurchase and corporate bonds, short-term financial bills, etc. and commercial bank's principal guaranteed financial business, which have low risk, stable return and an investment period within one year. The Company and its subsidiaries' idle funds which are authorized to finance won't be invested in stock or its derivative products, securities investment funds, entrusted financial products aimed at security investment and other investment related to securities.

In addition, the Company and its subsidiaries have policies to limit the credit exposure on accounts receivable, other receivables and notes receivable. The Company and its subsidiaries assess the credit quality of and sets credit limits on its customers by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by the Company. In respect of customers with a poor credit history, the Company and its subsidiaries will use written payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of the Company and its subsidiaries is limited to a controllable extent. There are no significant expired receivables at 31 December 2015 (2014: Nil).

XI Risk related to financial instruments (continued)

(3) Liquidity risk

Cash flow forecasting is performed by each subsidiary and aggregated by the Company's finance department in its headquarters. The Company's finance department at its headquarters monitors rolling forecasts of the Company and its subsidiaries' short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institution so that the Company and its subsidiaries do not breach borrowing limits or covenants on any of its borrowing facilities to meet the short-term and long-term liquidity requirements.

The financial liabilities of the Company and its subsidiaries at the balance sheet date are analysed by their maturity date below at their undiscounted contractual cash flows :

	31 December 2015				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Notes payable	1,953,065,274.06	-	-	-	1,953,065,274.06
Accounts payable	2,375,896,772.95	16,821,841.38	12,186,706.03	14,902,021.59	2,419,807,341.95
Dividends payable	5,400,652.06	-	-	-	5,400,652.06
Other current liabilities	653,242,331.76	-	-	-	653,242,331.76
Other payables	124,771,982.94	18,518,858.35	22,190,830.33	6,325,466.32	171,807,137.94
	<u>5,112,377,013.77</u>	<u>35,340,699.73</u>	<u>34,377,536.36</u>	<u>21,227,487.91</u>	<u>5,203,322,737.77</u>

	31 December 2015				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Notes payable	1,173,851,127.31	-	-	-	1,173,851,127.31
Accounts payable	2,132,448,860.85	5,542,129.44	19,391,504.71	9,314,416.21	2,166,696,911.21
Dividends payable	4,088,128.36	-	-	-	4,088,128.36
Other current liabilities	425,782,494.86	-	-	-	425,782,494.86

Other payables	71,978,634.94	21,651,536.67	37,491,392.67	13,171,094.20	144,292,658.48
	<u>3,808,149,246.32</u>	<u>27,193,666.11</u>	<u>56,882,897.38</u>	<u>22,485,510.41</u>	<u>3,914,711,320.22</u>

As at 31 December 2015 and 31 December 2014, other current liabilities of financial liabilities listed above do not include accrual sales rebate as this does not belong to financial liabilities.

XII Fair value disclosure

1 Closing balance of assets and liabilities measured at fair value

Based on the lowest level input that is significant to the fair value measurement in its entirety, the fair value hierarchy has the following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the assets or liabilities that are not based on observable market data (that is, unobservable inputs).

XII Fair value disclosure (continued)

1 Closing balance of assets and liabilities measured at fair value (continued)

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. The fair value of a financial instrument for which the market is not active is determined by using a valuation technique. Valuation techniques include cash flow discount model and market comparable company model. The input of valuation techniques mainly include risk free rate, benchmark interest rate, exchange rate, credit spreads, liquidity premium, EBITDA multiplier and lack of liquidity discount, etc.

As at 31 December 2015, the financial assets measured at fair value by the above three levels are analysed below:

	Closing balance measured at fair value			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value on a continuous basis	-	-	-	-
----Others	-	-	3,052,675,560.00	3,052,675,560.00
Assets measured at fair value on a non-continuous basis	-	-	-	-

2 Valuation technique and qualitative and quantitative information of significant parameter used by instruments measured at fair value by Level 3 on a continuous and non-continuous basis

As at 31 December 2015, the Company and its subsidiaries' financial assets measured at fair value by Level 3 are financial product investments with floating income and unprotected principles. The fair value is determined by the Company and its subsidiaries using valuation techniques.

3 Reasons of conversion among levels and policies of determining conversion date of instruments measured at fair value on a continuous basis

The Company and its subsidiaries consider the date of events leading the conversion between different levels as the conversion recognizing date. In 2015, there was no conversion between Level 1 and Level 2.

4 The movement of financial assets measured at fair value by Level 3

The movement of financial assets measured at fair value by Level 3 is analysed below:

	Financial product investments
1 January 2015	1,900,100,000.00
Purchase	6,042,300,000.00
Sale	-5,144,315,650.60
Total gains in current year	254,591,210.60
----attributable to profit or loss	198,915,650.60
----attributable to other comprehensive income	55,675,560.00
31 December 2015	3,052,675,560.00
Changes in unrealized gain or loss in 2015 from holding-in-hand assets as at 31 December,2015	
----Gain or loss from changes in fair value	-

XII Fair value disclosure (continued)

4 The movement of financial assets measured at fair value by Level 3 (continued)

The relevant information of financial assets measured at fair value by Level 3 is below:

	Fair value at 31 December 2015	Valuation technique	Non-observable Input	Range	Relationship with fair value
Available-for-sale financial assets					
---Financial products	3,052,675,560.00	Discount cash flow	Estimated annual yield	3.5%~6.7%	Moves in the same direction

5 Financial instruments not measured at fair value

Available-for-sale financial assets measured in cost model are investments on shares of unlisted companies, which have no quoted price in the active market and the range of reasonable estimation of their fair value is relatively wide and probabilities used to determine the estimation cannot be ascertained reasonably. Therefore, the fair values cannot be measured reliably.

Financial assets and liabilities measured at amortized cost mainly represent receivables and payables.

The book value of financial assets and liabilities not measured at fair value are close to their fair value.

XIII Capital management

The Company and its subsidiaries' objectives of managing capital policies are to safeguard the Company and its subsidiaries' ability to continue operating, in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company and its subsidiaries may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company and its subsidiaries' total capital is the total owners' equity in balance sheet. The Company and its subsidiaries do not adopt assets ratio as a compulsory factor to govern capital investment.

The gearing ratios at 31 December 2015 and 2014 were as follows:

	31 December 2015	31 December 2014
Gearing ratios	58.21%	54.78%

XIV Related party relationships and significant related party transactions

1 Major shareholders of the Company

	Registered address	Principal business	Registered capital	% of equity interests	% of voting right
Midea Group Co., Ltd.	Foshan, Guang Dong	Manufacture and sales of household appliances, motor and fittings, along with after-sale service, etc.	4,266,839,449.00	52.67%	52.67%

2 Subsidiaries of the Company

For the detailed information of subsidiaries, please refer to Note IX.

3 Associates and joint ventures of the Company

For the detailed information of important associates and joint ventures of the Company, please refer to Note IX.

4 Other related parties

	Relationship with the Company and its subsidiaries
MIDEA SCOTT&ENGLISH SDN BHD	Controlled by controlling shareholders of the Company
PT. Midea Planet Indonesia	Controlled by controlling shareholders of the Company
Ningbo Midea United Supply Limited	Controlled by controlling shareholders of the Company
Huai'an Weiling motor manufacture Limited	Controlled by controlling shareholders of the Company
Ningbo Andhra Logistics Limited	Controlled by controlling shareholders of the Company
Andhra Logistics Co., Ltd.	Controlled by controlling shareholders of the Company
Zhejiang Meizhi Compressor Limited	Controlled by controlling shareholders of the Company
Midea E-business Limited	Controlled by controlling shareholders of the Company
Wuhu Midea household appliance Consulting Limited	Controlled by controlling shareholders of the Company
Wuhu Midea Household Appliances Manufacture Limited	Controlled by controlling shareholders of the Company
Hefei Midea Materials Supply Co., Ltd	Controlled by controlling shareholders of the Company
Hubei Midea refrigerator Limited	Controlled by controlling shareholders of the Company
Hefei Hualing Co., Ltd.	Controlled by controlling shareholders of the Company
Midea Household Equipmental Appliance (Vietnam) Limited	Controlled by controlling shareholders of the Company
Guangdong Midea Refrigeration Equipment Limited	Controlled by controlling shareholders of the Company
Chongqing Midea Refrigeration Equipment Limited	Controlled by controlling shareholders of the Company
Guangdong Midea Environment Equipment Limited	Controlled by controlling shareholders of the Company
Midea Appliance (Singapore) Trading Limited	Controlled by controlling shareholders of the Company
Ningbo Meimei Garden Appliance service Limited	Controlled by controlling shareholders of the Company
Foshan Shunde Century Technology Limited	Controlled by controlling shareholders of the Company

Hefei Century Molding Technology Limited Controlled by immediate family member of ultimate controller of the Company controlled by controlling shareholders of the Company

XIV Related party relationships and significant related party transactions (continued)

5 Related party transactions

(1) Sale/Purchase of goods and services received/offered

Purchase of goods and services received

Related parties	Nature of transaction	2015	Approved amount of transaction	If it exceeds the approved amount	2014
Ningbo Midea United Supply Limited	Materials purchase	642,317,854.48	649,572,649.57	No	383,401,808.32
Huai'an Welling Motor Manufacturing Limited	Electric engines and materials	625,887,185.38	627,350,427.35	No	418,762,030.04
Ningbo Andhra Logistics Limited.	Logistics	307,619,269.27	394,534,447.36	No	190,917,658.19
Andhra Logistics Co., Ltd.	Logistics	75,627,390.93	90,472,548.02	No	88,989.25
Zhejiang Meizhi Compressor Limited	Electric engines and materials	5,265,435.21	-	-	-
Midea Group E-business Limited.	Administratipn and Marketing	5,202,073.88	17,094,017.09	No	-
Wuhu Midea Household Appliance Manufacture Limited	Materials purchase	53,333.33	10,256,410.26	No	-
Wuhu Midea household Appliance Consulting Limited	Materials purchase	-	-	No	5,217,094.02
Hefei Midea Material supply Limited.	Materials purchase	-	-	-	78,832,389.58
Guangdong Midea Environmental appliance manufacture	Materials purchase	-	-	-	9,793,162.39

Limited.				
Hubei	Midea	Materials purchase		
refrigerator	Limited		-	-
				770,148.67
		Material and		
Hefei	Hualing Co.,	refrigerator		
Ltd.		purchase	-	-
				40,259.03
			<u>1,661,972,542.48</u>	<u>1,087,823,539.49</u>

XIV Related party relationships and significant related party transactions (continued)

5 Related party transactions (continued)

(1) Sale/Purchase of goods and services received/offered (continued)

Sales of goods and services provided

Related parties	Nature of transaction	2015	Approved amount of transaction	If it exceeds the approved amount	2014
Midea (Singapore) Trading Limited	Appliance Sales of washing machines and materials	1,955,298,317.81	2,500,000,000.00	No	1,481,512,201.85
MIDEA SCOTT & ENGLISH BHD	SDN Sales of washing machines	41,335,737.51	55,000,000.00	No	23,455,055.29
PT. Midea Indonesia	Planet Sales of washing machines and materials	15,660,128.95	30,000,000.00	No	14,841,646.18
Midea (Vietnam) Limited	Household Equipment Sales of washing machines	9,413,711.55	17,000,000.00	No	4,471,283.40
Ningbo Logistics Limited.	Andhra Sales of washing machines	1,832,343.59	-		-
Andhra Co., Ltd.	Logistics Sales of washing machines	1,242,839.32	-		-
Guangdong Refrigeration equipment Limited	Midea Sales of washing machines	812,888.89	-		-
Chongqing Refrigeration equipment Limited	Midea Sales of washing machines	400,615.38	-		-
Hefei supply Limited	Midea Material Sales of materials	181,010.15	-		-
Huai'an	Welling Sales of materials	-	-		51,192.77

Motor Manufacturing Limited		<u>2,026,177,593.15</u>			<u>1,524,331,379.49</u>
(2) Lease					
The Company and its subsidiaries as lessors:					
		Rental income of 2015	Approved amount of transaction	If it exceeds the approved amount	Rental income of 2014
Lessees	Type of assets				
Hefei Hualing Co., Ltd.	Properties	11,667,537.60	14,150,943.40	No	4,861,474.00

XIV Related party relationships and significant related party transactions (continued)

5 Related party transactions (continued)

(3) Asset Transfer

Related parties	Related-party Transactions	2015	Approved amount of transaction	If it exceeds the approved amount	2014
Midea Group Co., Ltd.	Trademark royalty charges	9,960,480.61		No	5,576,397.45
Guangdong Midea Refrigeration equipment Limited	Trademark royalty charges	3,187,769.20	Apply a 0.3% royalty charge on net sales	No	2,472,238.03
Hubei Midea Refrigerator Limited	Trademark royalty charges	841,058.36		No	1,365,053.13
Guangdong Midea Environmental Appliance manufacture Limited	Equipments purchase	49,640.99			-
Midea Group Co., Ltd.	Equipments purchase	40,984.50			-
Guangdong Midea Refrigeration equipment	Equipments purchase	11,564.05			-

Limited			
Andhra Logistics Co., Ltd.	Equipments sales	7,332.44	-
Guangdong Midea Refrigeration equipment Limited	Equipments sales	7,017.43	-
Hubei Midea Refrigerator Limited	Equipments sales	-	94,627.32
		<u>14,105,847.58</u>	<u>9,508,315.93</u>

In the above related party transaction (1), (2) and (3), the actual amount without approval was RMB 9,851,671.95, less than 0.5% of the audited net asset, 2014 (RMB 22,139,910.56). Therefore, there is no need to perform the approval procedure of the Board.

(4) Salaries of key management

	2015	2014
Salaries of key management	12,258,201.20	13,915,200.08
	<u>12,258,201.20</u>	<u>13,915,200.08</u>

XIV Related party relationships and significant related party transactions (continued)**6 Receivables from and payables to related parties**

(1) Receivables from related parties

		31 December 2015		31 December 2014	
		Book value	Bad debt provision	Book value	Bad debt provision
Accounts receivable	Midea (Singapore) Trading Limited.	497,669,561.47	24,883,478.07	229,629,569.18	11,481,478.46
	MIDEA SCOTT & ENGLISH SDN BHD	11,531,302.72	576,565.14	6,096,576.22	304,828.81
	PT. Midea Planet Indonesia	4,712,904.79	235,645.24	4,378,064.95	218,903.25
	Guangdong Midea Refrigeration equipment Limited.	3,379,035.35	168,951.77	2,472,238.03	123,611.90
	Midea Household Equipment (Vietnam) Limited.	5,998,410.85	299,920.54	1,763,032.11	88,151.61
	Ningbo Andhra Logistics Limited.	344,351.37	17,217.57	1,531,491.60	76,574.58
	Hubei Midea Refrigerator Limited.	891,521.86	44,576.09	1,365,053.13	68,252.66
	Andhra Logistics Co., Ltd.	288,245.00	14,412.25	-	-
		524,815,333.41	26,240,766.67	247,236,025.22	12,361,801.27
Other receivables	Hefei Hualing Co., Ltd.	2,516,870.13	125,843.51	972,294.80	48,614.74
Advances to suppliers	Midea E-business Limited	1,072,593.00	-	-	-
	Ningbo Midea United Supply Limited.	-	-	18,549,101.34	-
		1,072,593.00	-	18,549,101.34	-

XIV Related party relationships and significant related party transactions (continued)**6 Receivables from and payables to related parties (continued)****(2) Payables to related parties**

		31 December 2015	31 December 2014
Accounts payable	Huai'an Weiling motor manufacture Limited	117,984,701.58	67,504,962.19
	Ningbo Midea United Supply Limited.	73,289,057.95	16,775,725.20
	Ningbo Meimei Garden Application Service Limited	39,107,819.41	-
	Zhejiang Meizhi Compressor Limited	1,445,079.96	-
	Ningbo Andhra Logistics Limited.	1,421.02	137,839.53
	Midea Group Co., Ltd.	-	5,576,397.45
	Andhra Logistics Co., Ltd.	-	90,630.06
	Hefei Midea Materials Supply Limited	-	22,735.18
	Foshan Shunde Century Technology Limited.	-	8,800.00
	Hefei Century Molding Development Limited.	-	880.73
		<u>231,828,079.92</u>	<u>90,117,970.34</u>
Advances from customers	Midea (Singapore) Trading Limited.	-	1,017,226.44
	Midea Household Equipment (Vietnam) Limited.	-	1,812.14
		<u>-</u>	<u>1,019,038.58</u>

XV Share-based payments settled in equities—share options

According to the authorisation of 1st extraordinary general meeting of Midea Group in 2014, 16th meeting of the 1st term of Board of Midea Group have passed the share option incentive plan (the 1st Incentive Plan) and agree to grant 40,512,000 share options to 691 objects including directors, senior management personnel as well as key technical staff of group and its subsidiaries (hereafter referred to as 'incentive objects') on 18th Feb, 2014.

According to resolution of the 20th meeting of the 1st term of Board on 26th May, 2014, the Midea Group has revised the share option incentive plan, considering adjustment caused by incentive objects' quit and equity distribution. The adjusted exercise price is 18.72 and share option number changes into 99,862,500.

According to the authorisation of 1st extraordinary general meeting of Midea Group in 2015, 26th meeting of the 2nd term of Board of Midea Group have passed the share option incentive plan (the 2nd Incentive Plan) and agree to grant 83,790,000 share options to 733 objects on 27th May, 2015. The adjusted exercise price is RMB 30.54.

As at 31 December 2015, the number of benefit employees involved in the 1st Incentive Plan mentioned above is 45, and the number of share options granted is 6,592,500. The number of benefit employees involved in the 2nd Incentive Plan is 45, and the number of share options granted is 5,070,000.

XVI Commitment and contingency

1 Significant commitments

By the date of 31 December 2015, no significant commitments shall be disclosed.

2 Contingency

By the date of 31 December 2015, no significant contingency shall be disclosed.

XVII Events after balance sheet date

1 Profit distribution after balance sheet date

	Amount
s Proposed profits or dividends	379,492,658.40
Authorized dividends	379,492,658.40

According to the resolution of the Board on 8th March 2016, the Board propose to distribute RMB 379,492,658.40 and it has not been recognized as a liability on financial statement in current reporting period.

XVII**I Notes to the material items in the Company financial statements****1 Accounts receivable****(1) Accounts receivable classified by nature:**

Classification	31 December 2015					31 December 2014				
	Carrying amount		Bad debt provision			Carrying amount		Bad debt provision		
	Amount	%	Amount	% of provision	Book value	Amount	%	Amount	% of provision	Book value
Debtors with significant balance assessed individually	763,953,231.04	63.37%	-	-	763,953,231.04	165,062,098.52	26.07%	-	-	165,445,148.88
Debtors grouped by credit risk	441,524,088.26	36.63%	22,082,524.63	5.00%	419,441,563.63	456,861,891.80	72.14%	22,843,094.59	5.00%	433,635,746.85
Others with insignificant balance but assessed individually	-	-	-	-	-	11,347,358.13	1.79%	11,347,358.13	100.00%	-
Total	1,205,477,319.30	100.00%	22,082,524.63	1.83%	1,183,394,794.67	633,271,348.45	100.00%	34,190,452.72	5.40%	599,080,895.73

XVII**I Notes to the material items in the Company financial statements (continued)****1 Accounts receivable (continued)**

(1) Accounts receivable classified by nature (continued):

Debtors with significant balance assessed individually is analyzed as below:

	31 December 2015			Reason for provision
	Accounts receivable	Bad debt	Provision%	
Hefei Midea Washing Machine Limited	763,953,231.04	-	-	-

Bad debt provision provided on Aging Analysis:

Aging	31 December 2015		
	Other receivables	Provision of bad debt	Provision %
Within 1 year	441,397,683.85	22,069,884.19	5.00%
Between 1 and 2 years	126,404.41	12,640.44	10.00%
Total	441,524,088.26	22,082,524.63	5.00%

(2) The written-off amount of accounts receivable in current year was RMB 8,668,106.62. The material balance write-off individually in the current year is analysed as below:

	Nature of the receivable	Amount of written-off	Reason of written-off	Procudure of written-off	Whether related party transaction
Chongqing Fuli Real Estate Development Co.,Ltd.	Loan	1,675,800.00	Slow collection	Board Resolution	No
Chongqing Zhongcheng Properties Development Co.,Ltd.	Loan	1,655,000.00	Slow collection	Board Resolution	No
Hunan Huitang Hot Spring Huatian Properties Co.,Ltd.	Loan	912,000.00	Slow collection	Board Resolution	No
		<u>4,242,800.00</u>			

(3) As at 31 December 2015, amounts due from top five customers are summarised as below:

	Amounts	Bad debt provision	% of total balance
Due from top five customers in total	<u>1,060,214,653.67</u>	<u>14,813,071.13</u>	<u>87.95%</u>

XVII Notes to the material items in the Company financial statements (continued)**I****2 Other receivables**

(1) Other receivables classified by nature:

Classification	31 December 2015					31 December 2014				
	Carrying amount		Bad debt provision			Carrying amount		Bad debt provision		
	Amount	%	Amount	% of provision	Book value	Amount	%	Amount	% of provision	Book value
Debtors with significant balance assessed individually	75,736,975.5		75,412,295.9			75,746,709.83		75,746,709.83		-
	0	92.10%	0	99.57%	324,679.60		80.65%		100.00%	
Debtors grouped by credit risk	6,499,053.39	7.90%	472,722.82	7.27%	6,026,330.57	18,169,701.95	19.35%	2,007,409.66	11.05%	16,162,292.29
	82,236,028.8		75,885,018.7							
Total	9	100.00%	2	92.28%	6,351,010.17	93,916,411.78	100.00%	77,754,119.49	82.79%	16,162,292.29

XVII Notes to the material items in the Company financial statements (continued)**I****2 Other receivables (continued)**

(1) Other receivables classified by nature (continued):

Debtors with significant balance assessed individually is analyzed as below:

		31 December 2015			
		Other receivables	Bad debt	Provision%	Reason for provision
Jiangsu	Little Swan				
Marketing	and Sales				
Co.,Ltd.		75,736,975.50	75,412,295.90	99.57%	Uncollectable

Bad debt provision provided on Aging Analysis:

		31 December 2015		
Aging	Other receivables	Provision of bad debt	Provision %	
Within 1 year	5,452,242.39	272,611.72	5.00%	
Between 1 and 2 years	718,661.00	71,866.10	10.00%	
Between 2 and 3 years	179,150.00	53,745.00	30.00%	
Between 3 and 4 years	149,000.00	74,500.00	50.00%	
Total	6,499,053.39	472,722.82	7.27%	

(2) Bad debt provision made, collected or reversed in the current year

The amount of bad debt provision collected or reversed in the current year was RMB 895,274.66.

(3) The written-off amount of other receivables in current year was RMB 9,738,261.10. The material balance write-off individually in the current year is analysed as below:

Due From	Nature of the receivable	Amount	Reason	Procedure of written off	Whether due from related party transactions
Ministry of Industry and Information Technology	Energy efficiency rebates	9,738,261.10	Uncollectable	Board Resolution	No

(4) Other receivables classified by nature

Nature of other receivables	31 December 2015	31 December 2014
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Internal current accounts	75,736,975.50	75,746,709.83
Deposits	878,058.00	362,934.12
Advance to employees	3,033,956.98	3,645,699.48
Advance to third parties	-	2,722,807.25
Energy efficiency rebates	-	9,738,261.10
Overdue Notes receivable	-	1,700,000.00
Others	2,587,038.41	-
Total	82,236,028.89	93,916,411.78

XVIII Notes to the material items in the Company financial statements (continued)

2 Other receivables (continued)

(5) As at 31 December 2015, the top five debtors analysis are as below:

	Nature	Amount	Aging	% of total balance	Bad debt provision
Jiangsu Little Swan Marketing and Inter-company Sales Co., Ltd.	receivables	75,736,975.50	3 to 4 years	92.10%	75,412,295.90
Guangzhou Antaida Logistics Corporation	Liquidation settlement for long-term equity investments	2,587,038.41	Within 1 year	3.15%	129,351.92
Wuxi Huarun Gas Co., Ltd.	Borrowings	553,300.00	Within 1 year	0.67%	27,665.00
Dawei Xu	Borrowings	212,272.50	1 to 2 years	0.26%	21,227.25
Wang Ouyang	Borrowings	176,000.00	Within 1 year	0.21%	8,800.00
Total		79,265,586.41		96.39%	75,599,340.07

3 Long-term equity investments

Items	31 December 2015			31 December 2014		
	Carrying amount	Impairment provision	Book value	Carrying amount	Impairment provision	Book value
Subsidiaries	1,363,823,041.57	57,500,000.00	1,306,323,041.57	1,397,194,491.57	57,500,000.00	1,339,694,491.57
Associates	-	-	-	2,850,040.45	-	2,850,040.45
Total	1,363,823,041.57	57,500,000.00	1,306,323,041.57	1,400,044,532.02	57,500,000.00	1,342,544,532.02

The long-term equity investments of the Company are not subject to restriction on conversion into cash.

XVIII Notes to the material items in the Company financial statements (continued)**3 Long-term equity investments (continued)****(1) Subsidiaries**

	31 December 2014	Increase in investment	Decrease in investment	31 December 2015	Impairment provided in the current year	Impairment provision at 31 December 2015
Wuxi Little Swan Import & Export Co. , Ltd	57,500,000.00	-	-	57,500,000.00	-	57,500,000.00
Jiangsu Little Swan Marketing and Sales Co. , Ltd.	417,550,000.00	-	-	417,550,000.00	-	-
Wuxi Filin Electronics Co. , Ltd.	25,660,308.10	-	-	25,660,308.10	-	-
Wuxi Little Swan General Electric Appliances Co. , Ltd.	19,600,000.00	-	-	19,600,000.00	-	-
Little Swan (Jing Zhou) Sanjin Electronic Appliances Limited.	11,869,431.12	-	-	11,869,431.12	-	-
Little Swan International (Singapore) Limited.	34,052,500.00	-	33,371,450.00	681,050.00	-	-
Hefei Midea Washing Machine Limited.	830,962,252.35	-	-	830,962,252.35	-	-
	1,397,194,491.57	-	33,371,450.00	1,363,823,041.57	-	57,500,000.00

XVIII Notes to the material items in the Company financial statements (continued)
3 Long-term equity investments (continued)
(2) Associates

Investee	31 December 2014	Additional investment	Disposal of investment	Movement						31 December 2015	Provision for Impairment as at 31 December 2015
				Adjusted net profit or loss based on equity method	Adjustment of Other comprehensive income	Movement of other owner's equity	Cash dividends declared by associates	Provision for impairment	Others		
Joint ventures											
Associates											
--Guangzhou Antaida Logistics Corporation	2,850,040.45	-	-	-255,029.37	-	-	-	-	-2,595,011.08	-	-

XVIII Notes to the material items in the Company financial statements (continued)**4 Sales and cost of sales**

	2015		2014	
	Income	Expenses	Income	Expenses
Operating income	9,149,930,217.84	6,884,349,798.71	7,388,407,743.28	5,459,568,825.28
Other operating income	694,714,345.12	571,779,495.31	528,418,127.08	486,618,234.21
Total	9,844,644,562.96	7,456,129,294.02	7,916,825,870.36	5,946,187,059.49

Other operating income and expenses

	2015		2014	
	Other operating income	Other operating expenses	Other operating income	Other operating expenses
Rent income	695,000.00	1,061,722.43	1,215,000.00	354,317.62
Sale of materials	682,563,266.86	570,717,772.88	522,254,302.35	486,263,916.59
Others	11,456,078.26	-	4,948,824.73	-
	694,714,345.12	571,779,495.31	528,418,127.08	486,618,234.21

5 Investment income

Items	2015	2014
Long-term equity investment income measured at equity method	-255,029.37	-319,108.43
Investment loss from disposal of long-term equity investment	-2,180,542.67	-8,514,127.65
Income from disposal of financial assets measured at fair value with changes included in current profits and losses	193,218.65	4,651,580.00
Investment income from holding available-for-sale equity instrument	-	50,000.00
Income from disposal of available-for-sale financial assets	112,263,580.07	87,425,901.22

110,021,226.68

83,294,245.14

In 2015, income from disposal of available-for-sale financial assets are gains from investments on financial products, which amounts to RMB 112,263,580.07 (In 2014: RMB 79,825,645.22 gains from investments on financial products and RMB 7,600,256.00 income from disposal of equity investment on Bank of Jiangsu Co., Ltd.)

There is no significant restriction on the remittance of investment income to the Company and its subsidiaries.

XIX Reclassification for comparative information

Reclassification of information disclosed in comparative financial statements (2014 Financial statements) are listed as follow:

XIX Reclassification for comparative information (continued)

	Consolidated Balance Sheet	Balance Sheet of the Company	Reclassification disclosure
Accrual expenses	1,351,628,660.52	884,584,189.21	Reclassify from accounts payable to other current liabilities
Payment for equipments and moulds	95,752,241.64	57,095,933.13	Reclassify from accounts payable to other payables
Termination benefits payable (Non-current portion over 1 year)	29,811,618.11	-	Reclassify from employee benefits payables to long-term employee benefits payable

XX Supplementary information

1 Non-routine items

	2015
Net loss on disposal of non-current assets	-280,195.57

Government grants recognized in profits or losses for the current period (exclude for those closely related to the Company and its subsidiaries' operation and received at national statutory standard and amount)	31,893,010.09
Effect of One-off Adjustment to current profit and loss according to taxation law and accounting regulations	2,679,264.25
Other non-operating income and losses other than items above	-8,815,676.21
Less: Effect of income tax	3,899,799.51
Effect of minority interest (after tax)	5,783,501.47
Total	15,793,101.58

Basis for preparation of statement of non-recurring profits or losses

Under requirements in Explanatory announcement No. 1 on information disclosure by companies offering securities to the public – non-recurring profits or losses [2008] from CSRC, non-recurring profits or losses refer to those arises from transactions and events that are not directly relevant to ordinary activities, or that are relevant to ordinary activities, but are extraordinary and not expected to recur frequently that would have an influence on users of financial statements making economic decisions on the financial performance and profitability of an enterprise.

2 Return on equity and earnings per share

Weighted average return on equity (%)	Earnings per share	
	Basic earnings per share (RMB yuan per share)	Diluted earnings per share (RMB yuan per share)

Consolidated net			
profit attributable to			
ordinary			
shareholders of the			
Company	19.32%	1.45	1.45
Consolidated net			
profit attributable to			
ordinary			
shareholders of the			
Company,			
excluding			
non-routine items	18.99%	1.43	1.43

Section X. Documents Available For Reference

- I. Text of the Annual Report with the signature of the Chairman of the Board of Directors.
- II. Accounting statements with signatures and seals of the legal representative, the chief financial officer and the head of accounting.
- III. Original copy of the Auditor's Report stamped by the accounting firm and signed and stamped by registered accountants
- IV. Originals of all documents and announcements of the Company ever disclosed on Securities Times and Hong Kong Ta Kung Pao in the reporting period.

Legal representative: Mr. Fang Hongbo

Wuxi Little Swan Company Limited

10 March 2016