



**HEFEI MEILING CO., LTD.  
SEMI-ANNUAL FINANCIAL REPORT 2017**

**(Unaudited)**

**August 2017**

# HEFEI MEILING CO., LTD

## SEMI-ANNUAL FINANCIAL REPORT 2016 (Unaudited)

### I. Audit reports

Whether the semi-annual report was audited or not

Yes  No

The semi-annual report was not audited.

### II. Financial statements

Units in Notes of Financial Statements is RMB

#### 1. Consolidated Balance Sheet

Prepared by Hefei Meiling Co., Ltd.

2017-6-30

In RMB

| Item   | Closing balance  | Opening balance  |
|--|------------------|------------------|
| Current assets:  |                  |                  |
| Monetary funds   | 4,918,185,647.77 | 4,058,869,234.63 |
| Settlement provisions  |                  |                  |
| Capital lent   |                  |                  |
| Financial liability measured by fair value and with variation reckoned into current gains/losses | 10,813,272.50    | 12,060,213.30    |
| Derivative financial liability   |                  |                  |
| Notes receivable   | 2,511,715,429.41 | 1,421,429,723.73 |
| Accounts receivable  | 2,048,332,541.11 | 1,118,960,552.49 |
| Accounts paid in advance   | 289,836,060.91   | 134,706,488.38   |
| Insurance receivable   |                  |                  |
| Reinsurance receivables  |                  |                  |
| Contract reserve of reinsurance receivable   |                  |                  |
| Interest receivable  | 3,229,356.48     | 2,645,494.32     |
| Dividend receivable  |                  |                  |
| Other receivables  | 68,537,511.44    | 39,553,919.44    |

|                                       |                       |                       |
|---------------------------------------|-----------------------|-----------------------|
| Purchase restituted finance asset     |                       |                       |
| Inventories                           | 2, 582, 538, 614. 47  | 1, 974, 526, 734. 86  |
| Divided into assets held for sale     |                       |                       |
| Non-current asset due within one year | 46, 133, 664. 00      | 12, 625, 340. 00      |
| Other current assets                  | 1, 867, 683, 272. 03  | 1, 454, 346, 297. 42  |
| Total current assets                  | 14, 347, 005, 370. 12 | 10, 229, 723, 998. 57 |
| Non-current assets:                   |                       |                       |
| Loans and payments on behalf          |                       |                       |
| Finance asset available for sales     | 31, 000, 000. 00      | 17, 000, 000. 00      |
| Held-to-maturity investment           |                       |                       |
| Long-term account receivable          |                       |                       |
| Long-term equity investment           | 90, 247, 745. 70      | 81, 643, 631. 37      |
| Investment property                   | 12, 871, 340. 33      | 13, 275, 631. 40      |
| Fixed assets                          | 1, 214, 541, 611. 12  | 1, 204, 093, 169. 72  |
| Construction in progress              | 148, 626, 411. 17     | 107, 037, 409. 95     |
| Engineering material                  |                       |                       |
| Disposal of fixed asset               | 75, 846, 390. 89      | 75, 788, 138. 47      |
| Productive biological asset           |                       |                       |
| Oil and gas asset                     |                       |                       |
| Intangible assets                     | 605, 320, 595. 90     | 613, 969, 271. 63     |
| Expense on Research and Development   | 73, 961, 222. 33      | 45, 023, 750. 60      |
| Goodwill                              |                       |                       |
| Long-term expenses to be apportioned  | 2, 583, 106. 23       | 1, 132, 075. 48       |
| Deferred income tax asset             | 87, 505, 957. 53      | 84, 264, 603. 65      |
| Other non-current asset               | -                     | 34, 615, 630. 00      |
| Total non-current asset               | 2, 342, 504, 381. 20  | 2, 277, 843, 312. 27  |
| Total assets                          | 16, 689, 509, 751. 32 | 12, 507, 567, 310. 84 |
| Current liabilities:                  |                       |                       |
| Short-term loans                      | 1, 432, 622, 701. 07  | 288, 343, 724. 73     |
| Loan from central bank                |                       |                       |

|  |                   |                  |
|--|-------------------|------------------|
| Absorbing deposit and interbank deposit  |                   |                  |
| Capital borrowed   |                   |                  |
| Financial liability measured by fair value and with variation reckoned into current gains/losses | 9,671,394.08      | 559,249.58       |
| Derivative financial liability   |                   |                  |
| Notes payable  | 4,573,857,981.57  | 2,635,051,740.30 |
| Accounts payable   | 3,168,053,679.32  | 2,331,899,310.82 |
| Accounts received in advance   | 472,573,801.58    | 390,935,440.46   |
| Selling financial asset of repurchase  |                   |                  |
| Commission charge and commission payable   |                   |                  |
| Wage payable   | 103,531,061.56    | 189,592,039.00   |
| Taxes payable  | 85,377,009.73     | 59,849,032.13    |
| Interest payable   | 708,602.61        | 1,617,352.01     |
| Dividend payable   | 16,972,722.88     | 2,545,801.23     |
| Other accounts payable   | 812,770,528.06    | 622,580,323.43   |
| Reinsurance payables   |                   |                  |
| Insurance contract reserve   |                   |                  |
| Security trading of agency   |                   |                  |
| Security sales of agency   |                   |                  |
| Divided into liability held for sale   |                   |                  |
| Non-current liabilities due within 1 year  | 59,718,504.77     | 272,202,590.10   |
| Other current liabilities  |                   |                  |
| Total current liabilities  | 10,735,857,987.23 | 6,795,176,603.79 |
| Non-current liabilities:   |                   |                  |
| Long-term loans  | 253,460,000.00    | 38,908,788.00    |
| Bonds payable  |                   |                  |
| Including: preferred stock   |                   |                  |
| Perpetual capital securities   |                   |                  |
| Long-term account payable  |                   |                  |
| Long-term wages payable  | 28,061,416.36     | 29,696,403.85    |

|   |                   |                   |
|---|-------------------|-------------------|
| Special accounts payable                            | 980,000.00        | 1,400,000.00      |
| Projected liabilities                               | 328,801,716.59    | 331,575,430.79    |
| Deferred income                                     | 122,713,001.14    | 142,919,562.49    |
| Deferred income tax liabilities                     | 1,503,490.88      | 1,809,032.00      |
| Other non-current liabilities                       |                   |                   |
| Total non-current liabilities                       | 735,519,624.97    | 546,309,217.13    |
| Total liabilities                                   | 11,471,377,612.20 | 7,341,485,820.92  |
| Owner's equity:                                     |                   |                   |
| Share capital                                       | 1,044,597,881.00  | 1,044,597,881.00  |
| Other equity instrument                             |                   |                   |
| Including: preferred stock                          |                   |                   |
| Perpetual capital securities                        |                   |                   |
| Capital public reserve                              | 2,685,313,862.77  | 2,687,961,060.65  |
| Less: Inventory shares                              |                   |                   |
| Other comprehensive income                          | 938,467.33        | 3,474,546.95      |
| Reasonable reserve                                  |                   |                   |
| Surplus public reserve                              | 391,029,420.33    | 391,029,420.33    |
| Provision of general risk                           |                   |                   |
| Retained profit                                     | 997,496,549.90    | 968,097,382.98    |
| Total owner's equity attributable to parent company | 5,119,376,181.33  | 5,095,160,291.91  |
| Minority interests                                  | 98,755,957.79     | 70,921,198.01     |
| Total owner's equity                                | 5,218,132,139.12  | 5,166,081,489.92  |
| Total liabilities and owner's equity                | 16,689,509,751.32 | 12,507,567,310.84 |

Legal Representative: Li Wei

Person in charge of accounting works: Zhang Xiaolong

Person in charge of accounting institute: Luo Bo

## 2. Balance Sheet of Parent Company

In RMB

| Item                         | Closing balance  | Opening balance  |
|------------------------------|------------------|------------------|
| Current assets:              |                  |                  |
| Monetary funds               | 3,070,514,216.48 | 3,071,362,771.31 |
| Financial liability measured | 10,023,272.50    | 12,060,213.30    |

|   |                  |                  |
|---|------------------|------------------|
| by fair value and with variation reckoned into current gains/losses |                  |                  |
| Derivative financial liability                                      |                  |                  |
| Notes receivable  | 1,597,881,819.77 | 1,053,598,721.93 |
| Accounts receivable   | 1,755,138,033.66 | 1,006,701,894.37 |
| Account paid in advance   | 399,362,495.77   | 106,947,474.25   |
| Interest receivable   |                  |                  |
| Dividends receivable  |                  |                  |
| Other receivables   | 59,549,479.60    | 26,742,423.95    |
| Inventories   | 1,108,770,017.32 | 1,017,090,374.81 |
| Divided into assets held for sale                                   |                  |                  |
| Non-current assets maturing within one year                         |                  |                  |
| Other current assets  | 1,420,969,339.84 | 1,427,283,451.40 |
| Total current assets  | 9,422,208,674.94 | 7,721,787,325.32 |
| Non-current assets:   |                  |                  |
| Available-for-sale financial assets                                 | 31,000,000.00    | 17,000,000.00    |
| Held-to-maturity investments  |                  |                  |
| Long-term receivables   |                  |                  |
| Long-term equity investments  | 1,025,915,752.87 | 992,282,289.21   |
| Investment property   | 11,095,070.97    | 11,332,015.32    |
| Fixed assets  | 837,773,087.41   | 861,163,999.99   |
| Construction in progress  | 38,386,238.77    | 19,478,121.20    |
| Project materials   |                  |                  |
| Disposal of fixed assets  | 43,553,207.13    | 43,494,954.71    |
| Productive biological assets  |                  |                  |
| Oil and natural gas assets  |                  |                  |
| Intangible assets   | 433,737,939.25   | 430,435,091.82   |
| Research and development costs                                      | 3,480,624.34     | 12,797,092.26    |
| Goodwill  |                  |                  |
| Long-term deferred expenses   |                  |                  |
| Deferred income tax assets  | 69,726,484.23    | 69,138,686.26    |

|  |                   |                   |
|--|-------------------|-------------------|
| Other non-current assets   |                   |                   |
| Total non-current assets   | 2,494,668,404.97  | 2,457,122,250.77  |
| Total assets   | 11,916,877,079.91 | 10,178,909,576.09 |
| Current liabilities:   |                   |                   |
| Short-term borrowings  | 1,350,912,701.07  | 261,843,724.73    |
| Financial liability measured by fair value and with variation reckoned into current gains/losses | 8,890,194.08      | -                 |
| Derivative financial liability   |                   |                   |
| Notes payable  | 2,537,674,948.81  | 1,734,774,950.13  |
| Accounts payable   | 1,503,983,245.29  | 1,521,019,717.86  |
| Accounts received in advance   | 95,120,111.63     | 104,205,506.34    |
| Wage payable   | 20,368,144.07     | 57,714,577.87     |
| Taxes payable  | 19,598,494.87     | 25,677,906.64     |
| Interest payable   | 708,602.61        | 1,617,352.01      |
| Dividend payable   | 16,972,722.88     | 2,545,801.23      |
| Other accounts payable   | 560,457,483.66    | 634,561,307.52    |
| Divided into liability held for sale   |                   |                   |
| Non-current liabilities due within 1 year  | 8,384,965.56      | 257,750,238.18    |
| Other current liabilities  |                   |                   |
| Total current liabilities  | 6,123,071,614.53  | 4,601,711,082.51  |
| Non-current liabilities:   |                   |                   |
| Long-term loans  | 253,460,000.00    | 4,751,000.00      |
| Bonds payable  |                   |                   |
| Including: preferred stock   |                   |                   |
| Perpetual capital securities   |                   |                   |
| Long-term account payable  |                   |                   |
| Long-term wages payable  | 28,061,416.36     | 29,696,403.85     |
| Special accounts payable   |                   |                   |
| Projected liabilities  | 328,801,716.59    | 331,575,430.79    |
| Deferred income  | 60,750,408.61     | 64,601,290.18     |
| Deferred income tax liabilities  | 1,503,490.88      | 1,809,032.00      |

|                                      |                   |                   |
|--------------------------------------|-------------------|-------------------|
| Other non-current liabilities        |                   |                   |
| Total non-current liabilities        | 672,577,032.44    | 432,433,156.82    |
| Total liabilities                    | 6,795,648,646.97  | 5,034,144,239.33  |
| Owners' equity:                      |                   |                   |
| Share capita                         | 1,044,597,881.00  | 1,044,597,881.00  |
| Other equity instrument              |                   |                   |
| Including: preferred stock           |                   |                   |
| Perpetual capital securities         |                   |                   |
| Capital public reserve               | 2,753,017,007.10  | 2,753,017,007.10  |
| Less: Inventory shares               |                   |                   |
| Other comprehensive income           |                   |                   |
| Reasonable reserve                   |                   |                   |
| Surplus reserve                      | 390,811,254.65    | 390,811,254.65    |
| Retained profit                      | 932,802,290.19    | 956,339,194.01    |
| Total owner's equity                 | 5,121,228,432.94  | 5,144,765,336.76  |
| Total liabilities and owner's equity | 11,916,877,079.91 | 10,178,909,576.09 |

Legal Representative: Li Wei

Person in charge of accounting works: Zhang Xiaolong

Person in charge of accounting institute: Luo Bo

### 3. Consolidated Profit Statement

In RMB

| Item                                     | Current Period   | Last Period      |
|--|------------------|------------------|
| I. Total operating income                | 8,517,794,193.10 | 6,866,631,262.68 |
| Including: Operating income              | 8,517,794,193.10 | 6,866,631,262.68 |
| Interest income                          |                  |                  |
| Insurance gained                         |                  |                  |
| Commission charge and commission income  |                  |                  |
| II. Total operating cost                 | 8,436,805,983.05 | 6,760,418,778.86 |
| Including: Operating cost                | 6,996,226,048.85 | 5,432,461,687.10 |
| Interest expense                         |                  |                  |
| Commission charge and commission expense |                  |                  |



|  |                  |                  |
|--|------------------|------------------|
| Cash surrender value   |                  |                  |
| Net amount of expense of compensation                                |                  |                  |
| Net amount of withdrawal of insurance contract reserve               |                  |                  |
| Bonus expense of guarantee slip                                      |                  |                  |
| Reinsurance expense  |                  |                  |
| Operating tax and extras   | 65,836,020.31    | 79,457,581.26    |
| Sales expenses   | 1,140,172,032.08 | 1,075,647,750.60 |
| Administration expenses  | 222,533,091.74   | 175,964,420.95   |
| Financial expenses   | -33,454,482.67   | -39,699,342.16   |
| Losses of devaluation of asset                                       | 45,493,272.74    | 36,586,681.11    |
| Add: Changing income of fair value(Loss is listed with “-”)          | -10,359,085.30   | -1,278,570.21    |
| Investment income (Loss is listed with “-”)                          | 23,593,349.66    | 4,153,090.95     |
| Including: Investment income on affiliated company and joint venture | -3,226,328.17    | -833,210.42      |
| Exchange income (Loss is listed with “-”)                            |                  |                  |
| Other income   | 1,275,937.62     | -                |
| III. Operating profit (Loss is listed with “-”)                      | 95,498,412.03    | 109,087,004.56   |
| Add: Non-operating income  | 23,491,147.85    | 21,471,702.44    |
| Including: Disposal gains of non-current asset                       | 261,776.49       | 330,833.76       |
| Less: Non-operating expense  | 11,455,300.63    | 1,818,874.18     |
| Including: Disposal loss of non-current asset                        | 11,359,875.16    | 1,545,129.64     |
| IV. Total Profit (Loss is listed with “-”)                           | 107,534,259.25   | 128,739,832.82   |
| Less: Income tax expense   | 9,439,557.86     | 18,816,185.98    |
| V. Net profit (Net loss is listed with “-”)                          | 98,094,701.39    | 109,923,646.84   |
| Net profit attributable to   | 92,075,039.77    | 109,992,701.28   |

|   |               |              |
|---|---------------|--------------|
| owner's of parent company   |               |              |
| Minority shareholders' gains and losses   | 6,019,661.62  | -69,054.44   |
| VI. Net after-tax of other comprehensive income   | -3,352,515.41 | 2,484,848.72 |
| Net after-tax of other comprehensive income attributable to owners of parent company  | -2,536,079.62 | 1,814,457.07 |
| (I) Other comprehensive income items which will not be reclassified subsequently to profit of loss  |               |              |
| 1. Changes as a result of re-measurement of net defined benefit plan liability or asset   |               |              |
| 2. Share of the other comprehensive income of the investee accounted for using equity method which will not be reclassified subsequently to profit and loss |               |              |
| (II) Other comprehensive income items which will be reclassified subsequently to profit or loss   | -2,536,079.62 | 1,814,457.07 |
| 1. Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified subsequently to profit or loss      |               |              |
| 2. Gains or losses arising from changes in fair value of available-for-sale financial assets  |               |              |
| 3. Gains or losses arising from reclassification of held-to-maturity investment as available-for-sale financial assets                                      |               |              |
| 4. The effect hedging portion of gains or losses arising from cash flow hedging instruments   |               |              |
| 5. Translation  | -2,536,079.62 | 1,814,457.07 |

|   |               |                |
|---|---------------|----------------|
| differences arising on translation of foreign currency financial statements       |               |                |
| 6. Other  |               |                |
| Net after-tax of other comprehensive income attributable to minority shareholders | -816,435.79   | 670,391.65     |
| VII. Total comprehensive income   | 94,742,185.98 | 112,408,495.56 |
| Total comprehensive income attributable to owners of parent Company               | 89,538,960.15 | 111,807,158.35 |
| Total comprehensive income attributable to minority shareholders                  | 5,203,225.83  | 601,337.21     |
| VIII. Earnings per share:   |               |                |
| (i) Basic earnings per share  | 0.0881        | 0.1440         |
| (ii) Diluted earnings per share   | 0.0881        | 0.1440         |

Legal Representative: Li Wei

Person in charge of accounting works: Zhang Xiaolong

Person in charge of accounting institute: Luo Bo

#### 4. Profit Statement of Parent Company

In RMB

| Item  | Current Period   | Last Period      |
|---|------------------|------------------|
| I. Operating income   | 4,129,608,352.50 | 3,770,773,163.93 |
| Less: Operating cost  | 3,775,369,456.26 | 3,160,132,227.01 |
| Operating tax and extras                                    | 27,722,529.70    | 38,748,885.70    |
| Sales expenses  | 231,438,219.07   | 421,077,853.44   |
| Administration expenses                                     | 109,065,216.23   | 77,408,287.96    |
| Financial expenses  | -37,206,339.33   | -31,518,036.32   |
| Losses of devaluation of asset                              | 4,856,561.37     | 9,159,976.91     |
| Add: Changing income of fair value(Loss is listed with “-”) | -10,927,134.88   | -1,278,570.21    |
| Investment income (Loss is listed with “-”)                 | 29,730,083.95    | 82,892,597.34    |

|   |                  |                   |
|---|------------------|-------------------|
| Including: Investment income on affiliated company and joint venture  | 3, 105, 463. 66  | 2, 644, 982. 57   |
| Other income  |                  |                   |
| II. Operating profit (Loss is listed with “-”)  | 37, 165, 658. 27 | 177, 377, 996. 36 |
| Add: Non-operating income   | 7, 418, 718. 98  | 14, 372, 303. 76  |
| Including: Disposal gains of non-current asset  | -                | 269, 387. 27      |
| Less: Non-operating expense   | 1, 447, 901. 85  | 1, 216, 566. 48   |
| Including: Disposal loss of non-current asset   | 1, 443, 561. 25  | 1, 150, 366. 91   |
| III. Total Profit (Loss is listed with “-”)   | 43, 136, 475. 40 | 190, 533, 733. 64 |
| Less: Income tax expense  | 3, 997, 506. 37  | 14, 915, 129. 58  |
| IV. Net profit (Net loss is listed with “-”)  | 39, 138, 969. 03 | 175, 618, 604. 06 |
| V. Net after-tax of other comprehensive income  |                  |                   |
| (I) Other comprehensive income items which will not be reclassified subsequently to profit of loss  |                  |                   |
| 1. Changes as a result of re-measurement of net defined benefit plan liability or asset   |                  |                   |
| 2. Share of the other comprehensive income of the investee accounted for using equity method which will not be reclassified subsequently to profit and loss |                  |                   |
| (II) Other comprehensive income items which will be reclassified subsequently to profit or loss   |                  |                   |
| 1. Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified subsequently to profit              |                  |                   |

|  |               |                |
|--|---------------|----------------|
| or loss  |               |                |
| 2. Gains or losses arising from changes in fair value of available-for-sale financial assets                           |               |                |
| 3. Gains or losses arising from reclassification of held-to-maturity investment as available-for-sale financial assets |               |                |
| 4. The effect hedging portion of gains or losses arising from cash flow hedging instruments                            |               |                |
| 5. Translation differences arising on translation of foreign currency financial statements                             |               |                |
| 6. Other   |               |                |
| VI. Total comprehensive income   | 39,138,969.03 | 175,618,604.06 |
| VII. Earnings per share:   |               |                |
| (i) Basic earnings per share   | 0.0375        | 0.2299         |
| (ii) Diluted earnings per share  | 0.0375        | 0.2299         |

Legal Representative: Li Wei

Person in charge of accounting works: Zhang Xiaolong

Person in charge of accounting institute: Luo Bo

## 5. Consolidated Cash Flow Statement

In RMB

| Item  | Current Period   | Last Period      |
|---|------------------|------------------|
| I. Cash flows arising from operating activities:                    |                  |                  |
| Cash received from selling commodities and providing labor services | 6,755,539,540.78 | 6,122,120,567.44 |
| Net increase of customer deposit and interbank deposit              |                  |                  |
| Net increase of loan from central bank                              |                  |                  |
| Net increase of capital   |                  |                  |

|   |                  |                  |
|---|------------------|------------------|
| borrowed from other financial institution   |                  |                  |
| Cash received from original insurance contract fee  |                  |                  |
| Net cash received from reinsurance business   |                  |                  |
| Net increase of insured savings and investment  |                  |                  |
| Net increase of amount from disposal financial assets that measured by fair value and with variation reckoned into current gains/losses |                  |                  |
| Cash received from interest, commission charge and commission   |                  |                  |
| Net increase of capital borrowed  |                  |                  |
| Net increase of returned business capital   |                  |                  |
| Write-back of tax received  | 205,339,020.51   | 183,108,861.55   |
| Other cash received concerning operating activities   | 16,569,072.09    | 19,615,271.12    |
| Subtotal of cash inflow arising from operating activities   | 6,977,447,633.38 | 6,324,844,700.11 |
| Cash paid for purchasing commodities and receiving labor service  | 5,258,471,672.84 | 4,321,939,929.71 |
| Net increase of customer loans and advances   |                  |                  |
| Net increase of deposits in central bank and interbank  |                  |                  |
| Cash paid for original insurance contract compensation  |                  |                  |
| Cash paid for interest, commission charge and commission  |                  |                  |
| Cash paid for bonus of guarantee slip   |                  |                  |
| Cash paid to/for staff and  | 704,133,083.60   | 644,386,641.53   |

|   |                  |                  |
|---|------------------|------------------|
| workers   |                  |                  |
| Taxes paid  | 210,338,863.27   | 168,259,449.49   |
| Other cash paid concerning operating activities                                 | 320,273,315.76   | 318,569,174.49   |
| Subtotal of cash outflow arising from operating activities                      | 6,493,216,935.47 | 5,453,155,195.22 |
| Net cash flows arising from operating activities                                | 484,230,697.91   | 871,689,504.89   |
| II. Cash flows arising from investing activities:                               |                  |                  |
| Cash received from recovering investment  | 1,457,000,000.00 | 500,000,000.00   |
| Cash received from investment income  | 27,800,453.69    | 4,986,301.37     |
| Net cash received from disposal of fixed, intangible and other long-term assets | 2,614,755.73     | 330,776.45       |
| Net cash received from disposal of subsidiaries and other units                 |                  |                  |
| Other cash received concerning investing activities                             | 41,477,206.87    | 36,389,716.67    |
| Subtotal of cash inflow from investing activities                               | 1,528,892,416.29 | 541,706,794.49   |
| Cash paid for purchasing fixed, intangible and other long-term assets           | 239,785,175.33   | 65,945,234.00    |
| Cash paid for investment  | 1,853,000,021.00 | 100,883,860.00   |
| Net increase of mortgaged loans   |                  |                  |
| Net cash received from subsidiaries and other units obtained                    |                  |                  |
| Other cash paid concerning investing activities                                 | 998,270.61       | -                |
| Subtotal of cash outflow from investing activities                              | 2,093,783,466.94 | 166,829,094.00   |
| Net cash flows arising from investing activities                                | -564,891,050.65  | 374,877,700.49   |

|   |                  |                  |
|---|------------------|------------------|
| III. Cash flows arising from financing activities:  |                  |                  |
| Cash received from absorbing investment   | 20,000,000.00    | 23,145,352.69    |
| Including: Cash received from absorbing minority shareholders' investment by subsidiaries |                  |                  |
| Cash received from loans  | 1,685,653,798.22 | 797,486,045.88   |
| Cash received from issuing bonds  |                  |                  |
| Other cash received concerning financing activities                                       | -                | 3,451.80         |
| Subtotal of cash inflow from financing activities   | 1,705,653,798.22 | 820,634,850.37   |
| Cash paid for settling debts  | 737,057,083.32   | 88,241,810.84    |
| Cash paid for dividend and profit distributing or interest paying                         | 57,193,407.84    | 49,368,745.83    |
| Including: Dividend and profit of minority shareholder paid by subsidiaries               |                  |                  |
| Other cash paid concerning financing activities   | 151,611.24       | 98,192.48        |
| Subtotal of cash outflow from financing activities  | 794,402,102.40   | 137,708,749.15   |
| Net cash flows arising from financing activities  | 911,251,695.82   | 682,926,101.22   |
| IV. Influence on cash and cash equivalents due to fluctuation in exchange rate            | -7,231,244.45    | 12,229,868.87    |
| V. Net increase of cash and cash equivalents  | 823,360,098.63   | 1,941,723,175.47 |
| Add: Balance of cash and cash equivalents at the period -begin                            | 3,986,098,419.76 | 2,121,161,238.01 |
| VI. Balance of cash and cash equivalents at the period -end                               | 4,809,458,518.39 | 4,062,884,413.48 |

Legal Representative: Li Wei



Person in charge of accounting works: Zhang Xiaolong

Person in charge of accounting institute: Luo Bo

## 6. Cash Flow Statement of Parent Company

In RMB

| Item  | Current Period   | Last Period      |
|---|------------------|------------------|
| I. Cash flows arising from operating activities:                                |                  |                  |
| Cash received from selling commodities and providing labor services             | 2,847,697,427.41 | 3,257,292,398.00 |
| Write-back of tax received  | 97,733,874.40    | 90,212,886.14    |
| Other cash received concerning operating activities                             | 13,343,872.91    | 11,964,243.27    |
| Subtotal of cash inflow arising from operating activities                       | 2,958,775,174.72 | 3,359,469,527.41 |
| Cash paid for purchasing commodities and receiving labor service                | 3,270,599,036.24 | 2,456,420,547.09 |
| Cash paid to/for staff and workers  | 292,673,473.80   | 257,679,481.30   |
| Taxes paid  | 39,983,393.59    | 58,375,692.51    |
| Other cash paid concerning operating activities                                 | 111,308,401.29   | 135,616,094.86   |
| Subtotal of cash outflow arising from operating activities                      | 3,714,564,304.92 | 2,908,091,815.76 |
| Net cash flows arising from operating activities                                | -755,789,130.20  | 451,377,711.65   |
| II. Cash flows arising from investing activities:                               |                  |                  |
| Cash received from recovering investment  | 1,430,000,000.00 | 500,000,000.00   |
| Cash received from investment income  | 27,605,396.15    | 80,247,614.77    |
| Net cash received from disposal of fixed, intangible and other long-term assets | 566,647.40       | 240,112.02       |
| Net cash received from disposal of subsidiaries and other units                 |                  |                  |

|  |                  |                  |
|--|------------------|------------------|
| Other cash received concerning investing activities                            | 41,875,620.90    | 28,290,477.04    |
| Subtotal of cash inflow from investing activities                              | 1,500,047,664.45 | 608,778,203.83   |
| Cash paid for purchasing fixed, intangible and other long-term assets          | 190,548,277.28   | 37,238,789.69    |
| Cash paid for investment   | 1,494,528,000.00 | 171,250,000.00   |
| Net cash received from subsidiaries and other units                            |                  |                  |
| Other cash paid concerning investing activities                                | 998,270.61       | 63,665,205.65    |
| Subtotal of cash outflow from investing activities                             | 1,686,074,547.89 | 272,153,995.34   |
| Net cash flows arising from investing activities                               | -186,026,883.44  | 336,624,208.49   |
| III. Cash flows arising from financing activities:                             |                  |                  |
| Cash received from absorbing investment  |                  |                  |
| Cash received from loans   | 1,633,110,198.22 | 794,126,025.52   |
| Cash received from issuing bonds   |                  |                  |
| Other cash received concerning financing activities                            | 142,854,592.22   | 217,115,708.21   |
| Subtotal of cash inflow from financing activities                              | 1,775,964,790.44 | 1,011,241,733.73 |
| Cash paid for settling debts   | 737,057,083.32   | 60,135,614.84    |
| Cash paid for dividend and profit distributing or interest paying              | 56,234,951.49    | 48,236,007.73    |
| Other cash paid concerning financing activities                                | 35,096,664.55    | 56,057,512.35    |
| Subtotal of cash outflow from financing activities                             | 828,388,699.36   | 164,429,134.92   |
| Net cash flows arising from financing activities                               | 947,576,091.08   | 846,812,598.81   |
| IV. Influence on cash and cash equivalents due to fluctuation in exchange rate | -4,752,741.88    | 11,423,170.75    |
| V. Net increase of cash and cash   | 1,007,335.56     | 1,646,237,689.70 |

|  |                  |                  |
|--|------------------|------------------|
| equivalents  |                  |                  |
| Add: Balance of cash and cash equivalents at the period -begin | 3,067,671,385.08 | 1,654,499,494.28 |
| VI. Balance of cash and cash equivalents at the period -end    | 3,068,678,720.64 | 3,300,737,183.98 |

Legal Representative: Li Wei

Person in charge of accounting works: Zhang Xiaolong

Person in charge of accounting institute: Luo Bo

## 7. Statement of Changes in Owners' Equity (Consolidated)

This Period

In RMB

| Item   | This Period                                   |                              |       |  |                  |                        |                            |                    |                 |                           |                 |                    |                      |
|--|---|------------------------------|-------|--|------------------|------------------------|----------------------------|--------------------|-----------------|---------------------------|-----------------|--------------------|----------------------|
|  | Owners' equity attributable to parent company |                              |       |  |                  |                        |                            |                    |                 |                           |                 | Minority interests | Total owners' equity |
|  | Share capital                                 | Other equity instrument      |       |  | Capital reserve  | Less: Inventory shares | Other comprehensive income | Reasonable reserve | Surplus reserve | Provision of general risk | Retained profit |                    |                      |
| Preferred stock  |   | Perpetual capital securities | Other |  |                  |                        |                            |                    |                 |                           |                 |                    |                      |
| I. Balance at the end of the last year                   | 1,044,597,881.00                              |                              |       |  | 2,687,961,060.65 |                        | 3,474,546.95               |                    | 391,029,420.33  |                           | 968,097,382.98  | 70,921,198.01      | 5,166,081,489.92     |
| Add: Changes of accounting policy                        |   |                              |       |  |                  |                        |                            |                    |                 |                           |                 |                    |                      |
| Error correction of the last period                      |   |                              |       |  |                  |                        |                            |                    |                 |                           |                 |                    |                      |
| Enterprise combine under the same control                |   |                              |       |  |                  |                        |                            |                    |                 |                           |                 |                    |                      |
| Other  |   |                              |       |  |                  |                        |                            |                    |                 |                           |                 |                    |                      |
| II. Balance at the beginning of this year                | 1,044,597,881.00                              |                              |       |  | 2,687,961,060.65 |                        | 3,474,546.95               |                    | 391,029,420.33  |                           | 968,097,382.98  | 70,921,198.01      | 5,166,081,489.92     |
| III. Increase/Decrease in this year (Decrease is listed) |   |                              |       |  | -2,647,197.88    |                        | -2,536,079.62              |                    |                 |                           | 29,399,166.92   | 27,834,759.78      | 52,050,649.20        |

|  |  |  |  |  |  |  |               |  |  |  |                |               |                |
|--|--|--|--|--|--|--|---------------|--|--|--|----------------|---------------|----------------|
| with “-”)  |  |  |  |  |  |  |               |  |  |  |                |               |                |
| (i) Total comprehensive income                                 |  |  |  |  |  |  | -2,536,079.62 |  |  |  | 92,075,039.77  | 5,203,225.83  | 94,742,185.98  |
| (ii) Owners’ devoted and decreased capital                     |  |  |  |  |  |  | -2,647,197.88 |  |  |  |                | 22,631,533.95 | 19,984,336.07  |
| 1.Common shares invested by shareholders                       |  |  |  |  |  |  |               |  |  |  |                | 37,361.22     | 37,361.22      |
| 2. Capital invested by holders of other equity instruments     |  |  |  |  |  |  |               |  |  |  |                |               |                |
| 3. Amount reckoned into owners equity with share-based payment |  |  |  |  |  |  |               |  |  |  |                |               |                |
| 4. Other   |  |  |  |  |  |  | -2,647,197.88 |  |  |  |                | 22,594,172.73 | 19,946,974.85  |
| (III) Profit distribution                                      |  |  |  |  |  |  |               |  |  |  | -62,675,872.85 |               | -62,675,872.85 |
| 1. Withdrawal of surplus reserves                              |  |  |  |  |  |  |               |  |  |  |                |               |                |
| 2. Withdrawal of general risk provisions                       |  |  |  |  |  |  |               |  |  |  |                |               |                |
| 3. Distribution for owners (or shareholders)                   |  |  |  |  |  |  |               |  |  |  | -62,675,872.85 |               | -62,675,872.85 |
| 4. Other   |  |  |  |  |  |  |               |  |  |  |                |               |                |

|  |                  |  |  |  |                  |  |            |  |                |  |                |               |  |                  |
|--|------------------|--|--|--|------------------|--|------------|--|----------------|--|----------------|---------------|--|------------------|
| (IV) Carrying forward internal owners' equity            |                  |  |  |  |                  |  |            |  |                |  |                |               |  |                  |
| 1. Capital reserves converted to capital (share capital) |                  |  |  |  |                  |  |            |  |                |  |                |               |  |                  |
| 2. Surplus reserves converted to capital (share capital) |                  |  |  |  |                  |  |            |  |                |  |                |               |  |                  |
| 3. Remedying loss with surplus reserve                   |                  |  |  |  |                  |  |            |  |                |  |                |               |  |                  |
| 4. Other   |                  |  |  |  |                  |  |            |  |                |  |                |               |  |                  |
| (V) Reasonable reserve                                   |                  |  |  |  |                  |  |            |  |                |  |                |               |  |                  |
| 1. Withdrawal in the report period                       |                  |  |  |  |                  |  |            |  |                |  |                |               |  |                  |
| 2. Usage in the report period                            |                  |  |  |  |                  |  |            |  |                |  |                |               |  |                  |
| (VI) Others  |                  |  |  |  |                  |  |            |  |                |  |                |               |  |                  |
| IV. Balance at the end of the report period              | 1,044,597,881.00 |  |  |  | 2,685,313,862.77 |  | 938,467.33 |  | 391,029,420.33 |  | 997,496,549.90 | 98,755,957.79 |  | 5,218,132,139.12 |

Last Year

In RMB

| Item            | Last Period                                       |                         |       |  |                 |                        |                            |                    |                 |                           |                 |  | Minority interests | Total owners' equity |
|-----------------|---|-------------------------|-------|--|-----------------|------------------------|----------------------------|--------------------|-----------------|---------------------------|-----------------|--|--------------------|----------------------|
|                 | Owners' equity attributable to the parent Company |                         |       |  |                 |                        |                            |                    |                 |                           |                 |  |                    |                      |
|                 | Share capital                                     | Other equity instrument |       |  | Capital reserve | Less: Inventory shares | Other comprehensive income | Reasonable reserve | Surplus reserve | Provision of general risk | Retained profit |  |                    |                      |
| Preferred stock |   | Perpetual               | Other |  |                 |                        |                            |                    |                 |                           |                 |  |                    |                      |
|                 |   |                         |       |  |                 |                        |                            |                    |                 |                           |                 |  |                    |                      |

|   |                |  | capital securities |                  |  |               | ve |                |  |                |               |                  |
|---|----------------|--|--------------------|------------------|--|---------------|----|----------------|--|----------------|---------------|------------------|
| I. Balance at the end of the last year                            | 763,739,205.00 |  |                    | 1,529,183,876.13 |  | -2,280,500.61 |    | 367,066,994.18 |  | 817,667,480.44 | 36,291,435.86 | 3,511,668,491.00 |
| Add: Changes of accounting policy                                 |                |  |                    |                  |  |               |    |                |  |                |               |                  |
| Error correction of the last period                               |                |  |                    |                  |  |               |    |                |  |                |               |                  |
| Enterprise combine under the same control                         |                |  |                    |                  |  |               |    |                |  |                |               |                  |
| Other   |                |  |                    |                  |  |               |    |                |  |                |               |                  |
| II. Balance at the beginning of this year                         | 763,739,205.00 |  |                    | 1,529,183,876.13 |  | -2,280,500.61 |    | 367,066,994.18 |  | 817,667,480.44 | 36,291,435.86 | 3,511,668,491.00 |
| III. Increase/Decrease in this year (Decrease is listed with "-") | 280,858,676.00 |  |                    | 1,158,777,184.52 |  | 5,755,047.56  |    | 23,962,426.15  |  | 150,429,902.54 | 34,629,762.15 | 1,654,412,998.92 |
| (i) Total comprehensive income                                    |                |  |                    |                  |  | 5,755,047.56  |    |                |  | 220,216,680.96 | 1,996,589.61  | 227,968,318.13   |
| (ii) Owners' devoted and decreased capital                        | 280,858,676.00 |  |                    | 1,158,777,184.52 |  |               |    |                |  |                | 32,984,351.87 | 1,472,620,212.39 |
| 1. Common shares invested by shareholders                         | 280,858,676.00 |  |                    | 1,259,874,046.76 |  |               |    |                |  |                | 27,867,909.83 | 1,568,600,632.59 |
| 2. Capital invested   |                |  |                    |                  |  |               |    |                |  |                |               |                  |

|  |  |  |  |  |                 |  |  |  |               |  |                |              |                |
|--|--|--|--|--|-----------------|--|--|--|---------------|--|----------------|--------------|----------------|
| by holders of other equity instruments                         |  |  |  |  |                 |  |  |  |               |  |                |              |                |
| 3. Amount reckoned into owners equity with share-based payment |  |  |  |  |                 |  |  |  |               |  |                |              |                |
| 4. Other   |  |  |  |  | -101,096,862.24 |  |  |  |               |  |                | 5,116,442.04 | -95,980,420.20 |
| (III) Profit distribution                                      |  |  |  |  |                 |  |  |  | 23,962,426.15 |  | -69,786,778.42 | -351,179.33  | -46,175,531.60 |
| 1. Withdrawal of surplus reserves                              |  |  |  |  |                 |  |  |  | 23,962,426.15 |  | -23,962,426.15 |              | -              |
| 2. Withdrawal of general risk provisions                       |  |  |  |  |                 |  |  |  |               |  |                |              |                |
| 3. Distribution for owners (or shareholders)                   |  |  |  |  |                 |  |  |  |               |  | -45,824,352.27 | -351,179.33  | -46,175,531.60 |
| 4. Other   |  |  |  |  |                 |  |  |  |               |  |                |              |                |
| (IV) Carrying forward internal owners' equity                  |  |  |  |  |                 |  |  |  |               |  |                |              |                |
| 1. Capital reserves converted to capital (share capital)       |  |  |  |  |                 |  |  |  |               |  |                |              |                |
| 2. Surplus reserves converted to capital (share capital)       |  |  |  |  |                 |  |  |  |               |  |                |              |                |
| 3. Remedying loss with surplus reserve                         |  |  |  |  |                 |  |  |  |               |  |                |              |                |
| 4. Other   |  |  |  |  |                 |  |  |  |               |  |                |              |                |



|   |                  |  |  |  |                  |  |              |  |                |  |                |               |                  |
|---|------------------|--|--|--|------------------|--|--------------|--|----------------|--|----------------|---------------|------------------|
| (V) Reasonable reserve                      |                  |  |  |  |                  |  |              |  |                |  |                |               |                  |
| 1. Withdrawal in the report period          |                  |  |  |  |                  |  |              |  |                |  |                |               |                  |
| 2. Usage in the report period               |                  |  |  |  |                  |  |              |  |                |  |                |               |                  |
| (VI) Others                                 |                  |  |  |  |                  |  |              |  |                |  |                |               |                  |
| IV. Balance at the end of the report period | 1,044,597,881.00 |  |  |  | 2,687,961,060.65 |  | 3,474,546.95 |  | 391,029,420.33 |  | 968,097,382.98 | 70,921,198.01 | 5,166,081,489.92 |

Legal Representative: Li Wei

Person in charge of accounting works: Zhang Xiaolong

Person in charge of accounting institute: Luo Bo

## 8. Statement of Changes in Owners' Equity (Parent Company)

This Period

In RMB

| Item                                   | This Period      |                         |                              |       |                  |                        |                            |                    |                 |                 |                      |
|--|------------------|-------------------------|------------------------------|-------|------------------|------------------------|----------------------------|--------------------|-----------------|-----------------|----------------------|
|  | Share capital    | Other equity instrument |                              |       | Capital reserve  | Less: Inventory shares | Other comprehensive income | Reasonable reserve | Surplus reserve | Retained profit | Total owners' equity |
|  |                  | Preferred stock         | Perpetual capital securities | Other |                  |                        |                            |                    |                 |                 |                      |
| I. Balance at the end of the last year | 1,044,597,881.00 |                         |                              |       | 2,753,017,007.10 |                        |                            |                    | 390,811,254.65  | 956,339,194.01  | 5,144,765,336.76     |
| Add: Changes of accounting policy      |                  |                         |                              |       |                  |                        |                            |                    |                 |                 |                      |
| Error correction of the last period    |                  |                         |                              |       |                  |                        |                            |                    |                 |                 |                      |

|  |                  |  |  |  |                  |  |  |  |                |                |                  |
|--|------------------|--|--|--|------------------|--|--|--|----------------|----------------|------------------|
| Other  |                  |  |  |  |                  |  |  |  |                |                |                  |
| II. Balance at the beginning of this year                          | 1,044,597,881.00 |  |  |  | 2,753,017,007.10 |  |  |  | 390,811,254.65 | 956,339,194.01 | 5,144,765,336.76 |
| III. Increase/ Decrease in this year (Decrease is listed with “-”) |                  |  |  |  |                  |  |  |  |                | -23,536,903.82 | -23,536,903.82   |
| (i) Total comprehensive income                                     |                  |  |  |  |                  |  |  |  |                | 39,138,969.03  | 39,138,969.03    |
| (ii) Owners’ devoted and decreased capital                         |                  |  |  |  |                  |  |  |  |                |                |                  |
| 1.Common shares invested by shareholders                           |                  |  |  |  |                  |  |  |  |                |                |                  |
| 2. Capital invested by holders of other equity instruments         |                  |  |  |  |                  |  |  |  |                |                |                  |
| 3. Amount reckoned into owners equity with share-based payment     |                  |  |  |  |                  |  |  |  |                |                |                  |
| 4. Other   |                  |  |  |  |                  |  |  |  |                |                |                  |
| (III) Profit distribution  |                  |  |  |  |                  |  |  |  |                | -62,675,872.85 | -62,675,872.85   |
| 1. Withdrawal of surplus reserves                                  |                  |  |  |  |                  |  |  |  |                |                |                  |
| 2. Distribution for owners (or shareholders)                       |                  |  |  |  |                  |  |  |  |                | -62,675,872.85 | -62,675,872.85   |
| 3. Other   |                  |  |  |  |                  |  |  |  |                |                |                  |
| (IV) Carrying forward internal owners’ equity                      |                  |  |  |  |                  |  |  |  |                |                |                  |
| 1. Capital reserves converted to capital (share capital)           |                  |  |  |  |                  |  |  |  |                |                |                  |

|  |                  |  |  |  |                  |  |  |  |                |                |                  |
|--|------------------|--|--|--|------------------|--|--|--|----------------|----------------|------------------|
| 2. Surplus reserves converted to capital (share capital) |                  |  |  |  |                  |  |  |  |                |                |                  |
| 3. Remedying loss with surplus reserve                   |                  |  |  |  |                  |  |  |  |                |                |                  |
| 4. Other   |                  |  |  |  |                  |  |  |  |                |                |                  |
| (V) Reasonable reserve                                   |                  |  |  |  |                  |  |  |  |                |                |                  |
| 1. Withdrawal in the report period                       |                  |  |  |  |                  |  |  |  |                |                |                  |
| 2. Usage in the report period                            |                  |  |  |  |                  |  |  |  |                |                |                  |
| (VI) Others  |                  |  |  |  |                  |  |  |  |                |                |                  |
| IV. Balance at the end of the report period              | 1,044,597,881.00 |  |  |  | 2,753,017,007.10 |  |  |  | 390,811,254.65 | 932,802,290.19 | 5,121,228,432.94 |

Last year

In RMB

| Item                                   | Last period    |                         |                                |       |                  |                        |                            |                    |                 |                 |                      |
|--|----------------|-------------------------|--------------------------------|-------|------------------|------------------------|----------------------------|--------------------|-----------------|-----------------|----------------------|
|  | Share capital  | Other equity instrument |                                |       | Capital reserve  | Less: Inventory shares | Other comprehensive income | Reasonable reserve | Surplus reserve | Retained profit | Total owners' equity |
|  |                | Preferr ed stock        | Perpetu al capital securiti es | Other |                  |                        |                            |                    |                 |                 |                      |
| I. Balance at the end of the last year | 763,739,205.00 |                         |                                |       | 1,497,987,446.59 |                        |                            |                    | 366,848,828.50  | 786,501,710.90  | 3,415,077,190.99     |
| Add: Changes of accounting policy      |                |                         |                                |       |                  |                        |                            |                    |                 |                 |                      |
| Error correction of the last period    |                |                         |                                |       |                  |                        |                            |                    |                 |                 |                      |
| Other                                  |                |                         |                                |       |                  |                        |                            |                    |                 |                 |                      |

|  |                |  |  |  |                  |  |  |  |                |                |                  |
|--|----------------|--|--|--|------------------|--|--|--|----------------|----------------|------------------|
| II. Balance at the beginning of this year                          | 763,739,205.00 |  |  |  | 1,497,987,446.59 |  |  |  | 366,848,828.50 | 786,501,710.90 | 3,415,077,190.99 |
| III. Increase/ Decrease in this year (Decrease is listed with “-”) | 280,858,676.00 |  |  |  | 1,255,029,560.51 |  |  |  | 23,962,426.15  | 169,837,483.11 | 1,729,688,145.77 |
| (i) Total comprehensive income                                     |                |  |  |  |                  |  |  |  |                | 239,624,261.53 | 239,624,261.53   |
| (ii) Owners’ devoted and decreased capital                         | 280,858,676.00 |  |  |  | 1,259,877,498.56 |  |  |  |                |                | 1,540,736,174.56 |
| 1.Common shares invested by shareholders                           | 280,858,676.00 |  |  |  | 1,259,874,046.76 |  |  |  |                |                | 1,540,732,722.76 |
| 2. Capital invested by holders of other equity instruments         |                |  |  |  |                  |  |  |  |                |                |                  |
| 3. Amount reckoned into owners equity with share-based payment     |                |  |  |  |                  |  |  |  |                |                |                  |
| 4. Other   |                |  |  |  | 3,451.80         |  |  |  |                |                | 3,451.80         |
| (III) Profit distribution  |                |  |  |  |                  |  |  |  | 23,962,426.15  | -69,786,778.42 | -45,824,352.27   |
| 1. Withdrawal of surplus reserves                                  |                |  |  |  |                  |  |  |  | 23,962,426.15  | -23,962,426.15 |                  |
| 2. Distribution for owners (or shareholders)                       |                |  |  |  |                  |  |  |  |                | -45,824,352.27 | -45,824,352.27   |
| 3. Other   |                |  |  |  |                  |  |  |  |                |                |                  |
| (IV) Carrying forward internal owners’ equity                      |                |  |  |  |                  |  |  |  |                |                |                  |
| 1. Capital reserves converted to capital (share capital)           |                |  |  |  |                  |  |  |  |                |                |                  |
| 2. Surplus reserves converted to capital (share capital)           |                |  |  |  |                  |  |  |  |                |                |                  |
| 3. Remedying loss with surplus reserve                             |                |  |  |  |                  |  |  |  |                |                |                  |
| 4. Other   |                |  |  |  |                  |  |  |  |                |                |                  |
| (V) Reasonable reserve   |                |  |  |  |                  |  |  |  |                |                |                  |

|   |                  |  |  |  |                  |  |  |  |                |                |                  |
|---|------------------|--|--|--|------------------|--|--|--|----------------|----------------|------------------|
| 1. Withdrawal in the report period          |                  |  |  |  |                  |  |  |  |                |                |                  |
| 2. Usage in the report period               |                  |  |  |  |                  |  |  |  |                |                |                  |
| (VI) Others                                 |                  |  |  |  | -4,847,938.05    |  |  |  |                |                | -4,847,938.05    |
| IV. Balance at the end of the report period | 1,044,597,881.00 |  |  |  | 2,753,017,007.10 |  |  |  | 390,811,254.65 | 956,339,194.01 | 5,144,765,336.76 |

Legal Representative: Li Wei

Person in charge of accounting works: Zhang Xiaolong

Person in charge of accounting institute: Luo Bo

## **Annotations of Financial Statements of Hefei Meiling Co., Ltd.**

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, RMB for record in the Statement)

---

### **I. Company profile**

Hefei Meiling Co., Ltd (hereinafter referred to as “the Company”) is an incorporated Company established and reorganized by Hefei Meiling Refrigerator General Factory and approved on June 12<sup>th</sup> 1992 through [WanTiGaiHanZi (1992) No.039] issued by original Mechanism Reform Committee of Anhui Province. On August 30<sup>th</sup> 1993, through Anhui Provincial Government [Wanzhengmi (1993) No.166] and re-examination of China Securities Regulatory Commission, the Company made first public issue for 30 million A shares and the Company was listed on Oct. 18<sup>th</sup>, 1993 in Shenzhen Stock Exchange. On August 13<sup>th</sup>, 1996, the Company was approved to issue 100 million B shares to investors abroad through [ZhengWeiFa (1996) No.26] issued by China Securities Regulatory Commission. The Company went public in Shenzhen Stock Exchange on August 28<sup>th</sup>, 1996.

State-owned Assets Supervision & Administration Commission of the State Council approved such transfers with Document Guozi Chanquan No.253 in 2007 Reply on Matters of Hefei Meiling Group Holdings Company Limited Transferring Partial State-owned Ownership, Hefei Meiling Group Holdings Company Limited (hereinafter abbreviated as Meiling Group) transferred its holding 37,852,683 shares in 82,852,683 state-owned shares of the Company to Sichuan Changhong Electronic Group Co., Ltd (hereinafter abbreviated as Changhong Group), other 45,000,000 shares to Sichuan Changhong Electric Co. Ltd (hereinafter abbreviated as Sichuan Changhong). On Aug 15, 2007, the above ownerships were transferred and Cleaning Corporation Limited.

On 27 August 2007, State-owned Assets Supervision & Administration Commission of Anhui Provincial Government replied with Document [WGZCQH (2007) No.309] Reply on “Related Matters of Share Merger Reform of Meiling Co., Ltd.”, agreed the Company’s ownership split reform plan. The Company made consideration that non-tradable share holders deliver 1.5 shares to A share holders per 10 shares, and original Meiling Group made prepayment 3,360,329 shares for some non-tradable share holders as consideration for split reform plan.

On 29 May 2008, concerning 34,359,384 state-owned shares (including 3,360,329 shares paid for other non-tradable shareholders by original Meiling Group in share reform) held by original Meiling Group, the “Notice of Freely Transfer of Meiling Electrics Equity held by Meiling Group”[HGZCQ(2008) No. 59] issued from State-owned Assets Supervision & Administration Commission of Hefei Municipal, agrees to transfer the above said shares to Hefei Xingtai Holding Group Co., Ltd.(“Xingtai Holding Co.,”) for free. On 7 August 2008, the “Reply of Transfer Freely of Part of the Shares of Hefei Meiling Co., Ltd. held by State-owned shareholders” [GZCQ (2007) No. 750] issued by SASAC, agrees the above said transferring.

On October 29, 2008, Changhong Group Company signed Agreement on Equity Transfer of Hefei Meiling Co., Ltd with Sichuan Changhong, in which 32,078,846 tradable A-shares with conditional subscription of the Company (accounting for 7.76% in total shares) held by Changhong Group Company. On 23 December 2008, “Reply of Transfer Freely of Part of the Shares of Hefei Meiling Co., Ltd. held by State-owned shareholders” [GZCQ (2008) No. 1413] issued by SASAC agrees the above

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, RMB for record in the Statement)

said share transferring.

On 24 December 2010, being deliberated and approved in 32<sup>nd</sup> Meeting of 6<sup>th</sup> Session of the Board and 2<sup>nd</sup> Extraordinary Shareholders' General Meeting of 2010 as well as approval of document [ZJXP(2010) No. 1715] from CSRC, totally 116,731,500 RMB ordinary shares (A stock) were offering privately to target investors with issue price of RMB 10.28/share. Capital collecting amounting to RMB 1,199,999,820 after issuing expenses RMB 22,045,500 deducted, net capital collected amounting to RMB 1,177,954,320, and paid-in capital (share capital) increased RMB 116,731,500 with capital reserve (share premium) RMB 1,061,106,088.5 increased. The increasing capital has been verified by Capital Verification Report No.: [XYZH2010CDA6021] issued from Shinwing CPA Co., Ltd.

On 20 June 2011, the general meeting of the Company considered and approved the 2010 profit distribution plan, namely to distribute cash dividends of RMB0.5 (tax included) plus two shares for every ten shares held by shareholders to all shareholders, based on the total share capital of 530,374,449 shares as of 31 December 2010. The total share capital of the Company upon profit distribution increased to 636,449,338 shares. The capital increase was verified by Anhui Huashen Zhengda Accounting Firm with the verification report WHSZDKYZ (2011) No.141.

On 26 June 2012, the general meeting of the Company considered and approved the 2011 profit distribution and capitalization of capital reserve plan, namely to distribute cash dividends of RMB0.5 (tax included) plus two shares for every ten shares to all shareholders capitalized from capital reserve, based on the total share capital of 636,449,338 shares as of 31 December 2011. The total share capital of the Company upon implementation of capitalization of capital reserve increased to 763,739,205 shares from 636,449,338 shares, and was verified by Anhui Anlian Xinda Accounting Firm with the verification report WALXDYZ (2012) No.093.

On November 18, 2015, considered and approved by the 12<sup>th</sup> meeting of the 8<sup>th</sup> Board of Directors of the company and the first extraordinary general meeting in 2016, and approved by the document of China Securities Regulatory Commission [CSRC License No. (2016) 1396] "Reply to the approval of non-public offering of shares of Hefei Meiling Co., Ltd.", the company has actually raised funds of 1,569,999,998.84 Yuan by non-public offering of no more than 334,042,553 new shares at face value of RMB 1 Yuan per share and with issue price no less than RMB4.70 per share, after deducting the issue costs of 29,267,276.08 Yuan, the net amount of raised funds is 1,540,732,722.76 Yuan, the increased paid-in capital (share capital) of RMB 280,858,676.00 Yuan, increased capital reserve (share premium) of 1,259,874,046.76 Yuan. This capital increase has been verified by No. [XYZH2016CDA40272] capital verification report of ShineWing Certified Public Accountants special general partnership.

Ended as 30 June 2017, total share capital of the Company amounting to 1,044,597,881 shares with ordinary shares in full. Among which, 881,733,881 shares of A-share accounting 84.41% in total shares while B-share with 162,864,000 shares accounting 15.59% in total shares. Detail share capital as:

| Type of stock | Quantity | Proportion |
|---------------|----------|------------|
|---------------|----------|------------|

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless other wise specified, RMB for record in the Statement)

|   |                      |                |
|---|----------------------|----------------|
| <b>(I) Restricted shares</b>              | <b>290,457,371</b>   | <b>27.81%</b>  |
| 1. State-owned shares                     |                      |                |
| 2. State-owned legal person's shares      | 70,793,625           | 6.78%          |
| 3. Other domestic shares                  | 218,663,897          | 20.94%         |
| Including: Domestic legal person's shares | 215,697,115          | 20.65%         |
| Domestic natural person's shares          | 2,966,782            | 0.29%          |
| 4. Foreign shares                         | 999,849              | 0.09%          |
| <b>(II) Unrestricted shares</b>           | <b>754,140,510</b>   | <b>72.19%</b>  |
| 1. RMB Ordinary shares                    | 592,276,359          | 56.69%         |
| 2. Domestically listed foreign shares     | 161,864,151          | 15.50%         |
| 3. Overseas listed foreign shares         |                      |                |
| 4. Others                                 |                      |                |
| <b>Total shares</b>                       | <b>1,044,597,881</b> | <b>100.00%</b> |

The Company belongs to the manufacture of light industry, and engaged in the production and sale of refrigerator, freezer and air-conditioner. Unified social credit code of the Company: 9134000014918555XK; Address: No.2163, Lianhua Road, Economy and Technology Development Zone, Hefei City; Legal Representative: Li Wei; register capital(paid-in capital): RMB 1,044,597,881; type of company: limited liability company(joint venture and listed of Taiwan, Hong Kong and Macau) Business Scope: Manufacture of cooling apparatus, air-conditioner, washing machine, injection plastic machine of computer controlling, computer heater, plastic products, packaging products and decorations. Business of self-produced products, technology export and import-export of the raw&auxiliary materials, machinery equipment, instrument and technology; department sales and transportation

### II. Scope of consolidated financial statement

The Company's consolidated financial statement included 50 subsidiaries including Sichuan Changhong Air-Conditioner Company Limited, Zhongshan Changhong Electric Company Limited and Zhongke Meiling Cryogenic Technology Company Limited, etc. As compared to previous year, Subsidiary Meiling Candy Washing Machine Company Limited, Zhongshan Hongling Trade Company Limited and Guangzhou Changhong Trade Company Limited were newly included due to direct investment in this period; Subsidiary Xi'an Meizhilai Appliances Marketing Company Limited was excluded due to liquidation.

More detail can be seen in "VII-Changes of consolidated scope" and "VIII-Rights and interest in other subjects" in the Note.

### III. Basis for preparation of financial statement

#### 1. Basis for preparation

The financial statements of the Company were prepared in accordance with the actual transactions and proceedings, and relevant regulation of Accounting Standards for Enterprise released by the Ministry of Finance, and was on the basis of sustainable operation, and the accounting policy and estimation stated in the



## **Annotations of Financial Statements of Hefei Meiling Co., Ltd.**

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, RMB for record in the Statement)

---

“IV-Significant Accounting Policy and Accounting Estimation”.

### 2. Continuous operation

The Company recently has a history of profitability operation and has financial resources supporting, and prepared the financial statement on basis of going concern is reasonable.

## **IV. Significant Accounting Policy and Accounting Estimation**

### 1. Statement on observation of accounting standards for enterprise

The financial statement prepared by the Company applies with the requirements of Accounting Standard for Enterprise, and reflects the financial condition, operational achievements and cash flow of the Company effectively and completely.

### 2. Accounting period

The accounting period of the Company is the calendar date from 1 January to 31 December.

### 3. Standard currency for accounting

The Company takes RMB as the standard currency for accounting.

4. Accountant arrangement method of business combination under common control and not under common control

As acquirer, the Company measures the assets and liabilities acquired through business combination under common control at their carrying values as reflected in the consolidated financial statement of the ultimate controller as of the combination date. Capital reserve shall be adjusted in respect of any difference between carrying value of the net assets acquired and carrying value of the combination consideration paid. In case that capital reserve is insufficient to offset, the Company would adjust retained earnings.

The acquiree's net identifiable assets, liabilities or contingent liabilities acquired through business combination not under common control shall be measured at fair value as of the acquisition date. The cost of combination represents the fair value of the cash or non-cash assets paid, liabilities issued or committed and equity securities issued by the Company as at the date of combination in consideration for acquiring the controlling power in the acquiree, together with the sum of any directly related expenses occurred during business combination (in case of such business combination as gradually realized through various transactions, the combination cost refers to the sum of each cost of respective separate transaction). Where the cost of the combination exceeds the acquirer's interest in the fair value of the acquirer's identifiable net assets acquired, the difference is recognized as goodwill; where the cost of combination is lower than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the Company shall firstly make further review on the fair values of the net identifiable assets, liabilities or contingent liabilities acquired as well as the fair value of the non-cash assets portion of combination consideration or the equity securities issued by the Company. In case that the Company finds the cost of combination is still lower than the acquirer's interest in the fair value of the acquiree's identifiable net assets after such further review, the difference is recognized in non-operating income for the current period when combination occurs.

## **Annotations of Financial Statements of Hefei Meiling Co., Ltd.**

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, RMB for record in the Statement)

---

### 5. Measures on Preparation of Consolidated Financial Statements

The Company shall put all the subsidiaries controlled and main body structured into consolidated financial statements.

Any difference arising from the inconformity of accounting year or accounting policies between the subsidiaries and the Company shall be adjusted in the consolidated financial statements.

All the material inter-company transactions, non-extraordinary items and unrealized profit within the combination scope are written-off when preparing consolidated financial statement. Owners' equity of subsidiary not attributable to parent company and current net gains and losses, other comprehensive income and total comprehensive income attributable to minority shareholders are recognized as non-controlling interests, minority interests, other comprehensive income attributable to minority shareholders and total comprehensive income attributable to minority shareholders in consolidated financial statement respectively.

As for subsidiary acquired through business combination under common control, its operating results and cash flow will be included in consolidated financial statement since the beginning of the period when combination occurs. When preparing comparative consolidated financial statement, the relevant items in previous year's financial statement shall be adjusted as if the reporting entity formed upon combination has been existing since the ultimate controller commenced relevant control.

As for equity interests of the investee under common control acquired through various transactions which eventually formed business combination, the Company shall supplement disclosure of the accounting treatment in consolidated financial statement in the reporting period when controlling power is obtained. For example, as for equity interests of the investee under common control acquired through various transactions which eventually formed business combination, adjustments shall be made as if the current status had been existing when the ultimate controller commenced control in connection of preparing consolidated financial statement; in connection with preparing comparative statement, the Company shall consolidate the relevant assets and liabilities of the acquiree into the Company's comparative consolidated financial statement to the extent not earlier than the timing when the Company and the acquiree are all under control of the ultimate controller, and the net assets increased due to combination shall be used to adjust relevant items under owners' equity in comparative statement. In order to prevent double computation of the value of the acquiree's net assets, the relevant profits and losses, other comprehensive income and change of other net assets recognized during the period from the date when the Company acquires original equity interests and the date when the Company and the acquiree are all under ultimate control of the same party (whichever is later) to the date of combination in respect of the long-term equity investment held by the Company before satisfaction of combination shall be utilized to offset the beginning retained earnings and current gains and losses in the period as the comparative financial statement involves, respectively.

As for subsidiary acquired through business combination not under common control, its operating results and cash flow will be included in consolidated financial statement since the Company obtains controlling power. When preparing consolidated financial statement, the Company shall adjust the subsidiary's financial statement based on the fair value of the various identifiable assets, liabilities or

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, RMB for record in the Statement)

---

contingent liabilities recognized as of the acquisition date.

As for equity interests of the investee not under common control acquired through various transactions which eventually formed business combination, the Company shall supplement disclosure of the accounting treatment in consolidated financial statement in the reporting period when controlling power is obtained. For example, as for equity interests of the investee not under common control acquired through various transactions which eventually formed business combination, when preparing consolidated financial statement, the Company would re-measure the equity interests held in the acquiree before acquisition date at their fair value as of the acquisition date, and any difference between the fair value and carrying value is included in current investment income. In case that the equity interests in acquiree held by the Company before the relevant acquisition date involves other comprehensive income at equity method and change of other owners' equity (other than net gains and losses, other comprehensive income and profit distribution), then the equity interests would transfer to investment gains and losses for the period which the acquisition date falls upon. The other comprehensive income arising from change of the net liabilities or net assets under established benefit scheme as acquiree's re-measured such scheme is excluded.

The transaction with non-controlling interest to dispose long-term equity investment in a subsidiary without losing control rights over the subsidiary, the difference between the proceeds from disposal of interests and the decrease of the shared net assets of the subsidiary is adjusted to capital premium (share premium). In case capital reserve is not sufficient to offset the difference, retained earnings will be adjusted.

As for disposal of part equity investment which leads to losing control over the investee, the Company would re-measure the remaining equity interests at their fair value as of the date when the Company loses control over the investee when preparing consolidated financial statement. The sum of consideration received from disposal of equity interest and fair value of the remaining equity interest, less the net assets of the original subsidiary attributable to the Company calculated based on the original shareholding proportion since the acquisition date or the date then consolidation commences, is included in investment gains and losses for the period when control is lost, meanwhile to offset goodwill. Other comprehensive income related to equity interest investment in original subsidiaries is transferred into current investment gains and losses upon lost of control.

If the disposal of the equity investment of a subsidiary is realized through multiple transactions until loss of control and is a package deal, the accounting treatment of these transactions should be dealt with as one transaction of disposal of the subsidiary until loss of control. However, before the Company loses total control of the subsidiary, the differences between the actual disposal price and the share of the net assets of the subsidiary disposed of in every transaction should be recognized as other comprehensive income in the consolidated financial statements, and transferred to profit or loss when losing control.

### 6. Accounting treatment for joint venture arrangement and joint controlled entity

The joint venture arrangement of the Company consists of joint controlled entity and joint venture. As for jointly controlled entity, the Company determines the assets held and liabilities assumed separately as a party to the jointly controlled entity, recognizes such assets and liabilities according to its proportion, and

## **Annotations of Financial Statements of Hefei Meiling Co., Ltd.**

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, RMB for record in the Statement)

---

recognizes relevant income and expense separately under relevant agreement or according to its proportion. As for asset transaction relating to purchase and sales with the jointly controlled entity which does not constitute business activity, part of the gains and losses arising from such transaction attributable to other participators of the jointly controlled entity is only recognized.

### 7. Cash and cash equivalents

Cash in the cash flow statement comprises the Group's cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents are short-term, highly liquid investments held by the Group, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, including but not limited to the followings which meet the aforesaid conditions: debt investment matured within three months upon the acquisition date, bank time deposit which can be early withdrew by serving a notice and transferrable deposit receipt, etc. for time deposit which cannot be used for payment at any time, it would be not recognized as cash; while if can be used for such purpose, it would be recognized as cash. Guarantee deposit over three months in other monetary capital shall not be recognized as cash equivalents, and those less than three months are recognized as cash equivalents.

### 8. Foreign currency business and foreign currency financial statement conversion

#### (1) Foreign currency business

As for the foreign currency business, the Company converts the foreign currency amount into RMB amount pursuant to the spot exchange rate as of the business day. As at the balance sheet date, monetary items expressed by foreign currency are converted into RMB pursuant to the spot exchange rate as of the balance sheet date. The conversion difference occurred is recorded into prevailing gains and losses, other than the disclosure which is made according to capitalization rules for the exchange difference occurred from the special foreign currency borrowings borrowed for constructing and producing the assets satisfying condition of capitalization. As for the foreign currency non-monetary items measured by fair value, the amount is then converted into RMB according to the spot exchange rate as of the confirmation day for fair value. And the conversion difference occurred during the procedure is recorded into prevailing gains and losses directly as change of fair value. As for the foreign currency non-monetary items measured by historical cost, conversion is made with the spot exchange rate as of the business day, with no change in RMB amount.

#### (2) Conversion of foreign currency financial statement

Spot exchange rate as of the balance sheet date is adopted for conversion of assets and liabilities in foreign currency balance sheet; as for the items in statement of owners' equity except for "Undistributed profit", conversion is made pursuant to the spot exchange rate of business day; income and expense items in income statement then are also converted pursuant to the spot exchange rate of transaction day. Difference arising from the aforementioned conversions shall be listed separately in items of owners' equity. Spot exchange rate as of the occurrence date of cash flow is adopted for conversion of foreign currency cash flow. The amount of cash affected by exchange rate movement shall be listed separately in cash flow statement.

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless other wise specified, RMB for record in the Statement)

---

### 9. Financial assets and financial liabilities

#### (1) Financial assets

##### 1) Classification of financial assets

In consideration of investment targets and economic essence, the Company groups the financial assets owned by it as four categories, namely financial assets measured by fair value and whose movement is recorded into prevailing gains and losses, held-to-maturity investment, loans and accounts receivables, as well as financial assets available-for-sale.

Financial assets measured by fair value and whose movement is recorded into prevailing gains and losses represent the financial assets which are held mainly for disposal in a short time and listed as tradable financial assets in the balance sheet.

Held-to-maturity investment represents the non-derivative financial assets which has fixed maturity day, fixed or available-for-confirmation recovered amount and for which the management has definite intention and ability to hold till maturity.

Loans and accounts receivables represent the non-derivative financial assets which have no quotation in an active market and fixed or available-for-confirmation recovered amount.

Financial assets available-for-sale included the non-derivative financial assets available-for-sale and the financial assets which have not been grouped as others at the initial confirmation.

##### 2) Recognition and measurement for financial assets

Financial assets, while become part of the contract of financial instrument in the Company, recognized in balance sheet by fair value. For the financial assets which are measured by fair value and whose fair value change is recorded into prevailing gains and losses, the relevant transaction expense arising from acquisition is recorded into prevailing gains and losses directly, while the relevant transaction expense of other financial assets is recorded into initial recognition amount.

Financial assets which are measured by fair value and whose fair value change is recorded into prevailing gains and losses, together with financial assets available-for-sale, would have follow-up measurement according to fair value; effective interest method is adopted for loans and accounts receivables and held-to-maturity investment which are shown in amortized cost.

Fair value change of financial assets which are measured by fair value and whose fair value change is recorded into prevailing gains and losses is recorded into gains and losses of fair value change; interests or cash dividend acquired from holding assets are recognized as investment income; when disposing such assets, the difference between their fair value and initial accounting amount is recognized as investment gains and losses. Meanwhile, gains and losses of fair value shall be adjusted.

Except impairment losses and exchange gains/loss from financial assets with foreign currency, variation of the fair value for financial assets available for sale should reckon into shareholders' equity. The variation of fair value accumulative reckon into equity previously should transfer into current gains/losses while

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, RMB for record in the Statement)

---

recognition of this financial asset terminated. For the interest during period of holding for instrument investment of liability available for sale based on real interest rate, and cash dividend related with instrument investment of equity available for sale that announced by invested enterprises should reckon into current gains/losses as investment incomes.

### 3) Impairment of financial assets

Except for the financial assets which are measured by fair value and whose fair value change is recorded into prevailing gains and losses, the Company will make check in the carrying value of other financial assets as at the balance sheet date. If there is objective evidence proving impairment of certain financial assets, the Company then makes provision for impairment.

When the financial assets calculated by amortized cost decrease in value, count and draw the provision for impairment according to the balance between present value and book value of predicted future cash flows (Excluding future credit losses that haven't occurred yet.). If there is any objective evidence to indicate that the financial assets has recovered and is objectively connected with matters occurred after confirming the losses, the formerly confirmed impairment losses will be reversed and reckoned in current profits and losses.

When the fair value of financial assets available for sale goes down substantially or non- transiently, the accumulating losses previously and directly reckoned in shareholder's equity and formed due to shrinkage of fair value will be transferred and reckoned in impairment losses. As for the debt instrument investment available for sale with confirmed impairment losses, if its fair value rises after and it is objectively connected with matters occurred after confirming the primary impairment losses, the formerly confirmed impairment losses will be reversed and reckoned in current profits and losses. And the debt instrument investment available for sale with confirmed impairment losses shall be directly reckoned in stockholder's equity if its fair value rises after.

### 4) Transfer of financial assets

The financial assets meet one of following requirements will be terminated recognition: ① The contract rights of collecting cash flow of the financial assets is terminated; ②The financial assets has already been transferred, and the Company has transferred almost all risks and remunerations of financial assets ownership to the transferee; ③The financial assets has been transferred, even though the Company has neither transferred nor kept almost all risks and remunerations of financial assets ownership, the Company has given up controlling the financial assets.

If the enterprise has neither transferred or kept almost all risks and remunerations of financial assets ownership, nor given up controlling the financial assets, then confirm the relevant financial assets according to how it continues to involve into the transferred financial assets and confirm the relevant liabilities accordingly. The degree of keeping involving into the transferred financial assets refers to the risk level with which the fluctuation of this financial asset value makes the enterprise face.

If the entire transfer of financial assets satisfies the demand for derecognition, reckon the balance between the book value of the transferred financial assets and the sum of consideration received from

## **Annotations of Financial Statements of Hefei Meiling Co., Ltd.**

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, RMB for record in the Statement)

---

transfer and fluctuation accumulated amount of fair value formerly reckoned in other consolidated income in the current profits and losses.

If part transfer of financial assets satisfies the demand for derecognition, apportion the integral book value of the transferred financial assets between the derecognized parts and the parts not yet derecognized according to each relative fair value, and reckon the balance between the sum of consideration received from transfer and fluctuation accumulated amount of fair value formerly reckoned in other consolidated income that should be apportioned to the derecognized parts and the apportioned aforementioned carrying amounts in the current profits and losses.

### (2) Financial liabilities

When making the initial recognition for financial liabilities, the Company classifies the financial liabilities into ones which are measured by fair value and whose change is recorded into prevailing gains and losses, and other financial liabilities.

Financial liabilities which are measured by fair value and whose change is recorded into prevailing gains and losses include tradable financial liabilities and financial liabilities which are measured by fair value and whose change is recorded into prevailing gains and losses at the initial recognition day. Follow-up measurements are made by fair value. Recorded into prevailing gains and losses are the gains or losses formed through fair value change and dividend and interest expenditure regarding to the financial liabilities.

As for other financial liabilities, effective interest rate method is adopted and follow-up measurement is made according to amortized cost.

#### 1) Method for recognition of fair value of financial assets and liabilities

For those financial instruments existing in active markets, market quotation in the active market is used to confirm their fair values. In active market, the Company takes the present bid price of already-held financial assets or plan-to-undertake financial liabilities as the fair values of relevant assets and liabilities; the Company takes the present offer price of plan-to-buy financial assets and –already-undertaken liabilities as the fair values of relevant assets and liabilities. In the situation that there are no present bid and offer price for financial assets and liabilities, while there is no material change in economic environment after the latest business day, then fair value of the financial assets and liabilities is to confirm pursuant to the latest business market quotation.

Fair value of the financial instruments which have no active market is confirmed by adoption of estimation technology. Estimation technology includes reference to the price applied by parties which know well situation and are willing to make deals in the latest market business, reference to the current fair value of other financial assets which are the same in principle, reference to discounted cash flow method and option pricing model.

#### 10. Bad debt provision for accounts receivable

Allowance method is adopted for the bad debt losses which are likely to happen. And conducting

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless other wise specified, RMB for record in the Statement)

impairment test independently or by combination at period-end, withdrawn bad debt provision and then recorded into current gains and losses. As for the accounts receivable which are not able to call back through definite evidence, they shall be treated as bad debt losses after approval of the Group according to regulated procedures to offset withdrawn bad debt provision.

The following situation as standards for confirmation of bad debt losses of accounts receivable: revoke, bankruptcy, insolvency, serious insufficiency of cash flow of its debit units, or the debit units have to stop production due to serious natural disaster and are not able to settle the debts or in predicted time, or other definite evidence showing that the debt is not available to call back or the possibility of calling back is tiny.

Account receivables were divided as follow categories at period-end, which was performed impairment test in way of individual or group, and withdrawal bad debt provision:

### (1) Account receivable with single significant amount:

|  |  |
|--|--|
| Determine basis or amount standards for single significant amount                    | If totally amount takes over 80% of the total for over 5% occupied, than 5% of single amount in total amounts recognized as single significant amount; if totally amount takes less than 80% of the total for over 5% occupied, than lower recognition standards till qualified 80% in total |
| Method of bad debt provision accrual for account receivable with single major amount | Withdrawal bad debt provision according to difference between the current value of future cash flow and book values; if there has no impairment been found in individual test, withdrawal bad debt provision while testing by group  |

### (2) Account receivable withdrawal bad debt provision based on combination:

|  |   |
|--|---|
| Basis for combination recognized                                 |   |
| Combination 1  | Account receivable except combination 2   |
| Combination 2  | Employee reserve fund, foreign investment amount, contact with related party, export tax refund receivable, account receivable with L/C or insurance, government subsidy etc. |
| Methods on withdrawal of bad debt provision based on combination |   |
| Combination 1  | Withdrawal bad debt provision by proportion in different age group  |
| Combination 2  | Risks are under control without bad debt provision accrual  |

### In combination 1, withdrawal proportion of bad debt provision for account receivable based on age analysis:

| Age                             | Withdrawal proportion of account receivable (%) | Withdrawal proportion of other account receivable (%) |
|---------------------------------|---|---|
| Within 1 year (1 year included) | 5   | 5   |
| 1-2years                        | 15  | 15  |
| 2-3 years                       | 35  | 35  |
| 3-4 years                       | 55  | 55  |
| 4-5 years                       | 85  | 85  |
| Over 5 years                    | 100   | 100   |

### (3) Account receivable with single minor amount but withdrawal single item bad debt provision:

|   |  |
|---|--|
| Reasons for withdrawal single item bad debt provision | Account with minor amount but have significant inflow risk on predicted future cash flow |
|---|--|



## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless other wise specified, RMB for record in the Statement)

|  |  |
|--|--|
| Withdrawal method for bad debt provision | Impairment test on the current value of predicted future cash flow, bad debt provision withdrawal. |
|--|--|

### 11. Inventories

Inventories of the Company principally include raw materials, stock goods; work in process, self-made semi-finished product, materials consigned to precede, low-value consumption goods, goods in transit, goods in process and mould etc.

Perpetual inventory system is applicable to inventories. For daily calculation, standard price is adopted for raw materials, low-value consumption goods and stock goods. Switch-back cost of the current month is adjusted by distribution price difference at the end of the month, the dispatched goods will share the cost differences of inventory while in settlement the business income; and low-value consumption goods is carried forward at once when being applied for use; the mould expenses will evenly deferred share based on balance at period-begin plus increase amount in this period divided by 12 months.

Inventory at period-end is valued by the Lower-of-value between the cost and net realizable value. For those individual stock, suffering damage, totally or partly out of fashion or has lower sales price than cost, predicted recoverable parts in cost, and withdrawal provision of inventory depreciation single. For those raw materials, stock commodities and goods in transit, withdrawal provision of inventory depreciation by follow methods:

(1) Determined the net realizable value of raw materials on the higher amount between the final prices of estimated sale-price deducted cost (about to happen till products finished), estimated sales expense and relevant taxes, and the fair value of external disposal.

(2) Withdrawal obsolete provision for commodity stocks and goods in transit by the follow proportion:

(1) Refrigerator, freezer and washing machine

| Grade  | Stock duration  | Withdrawal proportion for obsolete provision |
|--|-----------------|--|
| Grade-A  | Within 3 months | 0%   |
|  | 4-6 months      | 5%   |
|  | 7-12 months     | 15%  |
|  | 1-2 years       | 25%  |
|  | 2-3 years       | 40%  |
|  | Over 3 years    | 100%   |
| Qualified  |                 | 40%  |
| Grade-B  |                 | 50%  |
| Grade-C  |                 | 60%  |
| Unqualified                                      |                 | 60%  |
| Disposal   |                 | 65%  |
| Sample machine                                   |                 | 30%  |
| Special user type that exceed the order quantity |                 | 50%  |

(2) Air-conditioner

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless other wise specified, RMB for record in the Statement)

| Location level  | Withdrawal proportion for obsolete provision |
|-----------------|--|
| Repair          | 50%  |
| Awaiting repair | 70%  |
| Store return    | 70%  |
| De-stocking     | 70%  |
| Overstock       | 100%   |

With respect to the inventories and delivered goods which are not vested to the above classification, their realizable net value will be calculated by the Company based on the estimated selling price of the inventories less estimated selling expense and related taxes. The Company re-checks the above mentioned proportion at every end of the year. Calculated the net realizable value by difference between the estimated sale price less the estimated sales expense and relevant taxation; after comparison with the book value of commodity stocks and goods in transit, determined whether adjusted the proportion or not. Mould expense will amortize in installment in usual times. Once the use-life of mould is terminated, and then transfers its remaining cost into gains/losses, no withdrawal of obsolete provision at period-end.

### 12. Long-term equity investment

Long-term equity investment of the Company is mainly about investment in subsidiary, investment in associates and investment in joint-ventures.

For long-term equity investments acquired through business combination under common control, the initial investment cost shall be the acquirer's share of the carrying amount of net assets of the acquiree as of the combination date as reflected in the consolidated financial statement of the ultimate controller. If the carrying amount of net assets of the acquiree as of the combination date is negative, the investment cost of long-term equity investment shall be zero. For long-term equity investment acquired through business combination not under common control, the initial investment cost shall be the combination cost.

Excluding the long-term equity investment acquired through business combination, there is also a king of long-term equity investment acquired through cash payment, for which the actual payment for the purchase shall be investment cost; If Long-term equity investments are acquired by issuing equity securities, fair value of issuing equity investment shall be investment cost; for Long-term equity investments which are invested by investors, the agreed price in investment contract or agreement shall be investment cost; and for long-term equity investment which is acquired through debt reorganization and non-monetary assets exchange, regulations of relevant accounting standards shall be referred to for confirming investment cost.

The Company adopts cost method for investment in subsidiaries, makes calculation for investments in joint-ventures and associates by equity method.

When calculated by cost method, long-term equity investment is priced according to its investment

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, RMB for record in the Statement)

---

cost, and cost of the investment is adjusted when making additional investment or writing off investment; When calculated by equity method, current investment gains and losses represent the proportion of the net gains and losses realized by the invested unit in current year attributable to or undertaken by the investor. When the Company is believed to enjoy proportion of net gains and losses of invested unit, gains and losses attributable to the Company according to its shareholding ratio is to computer out according to the accounting policy and accounting period of the Company, on the basis of the fair value of various recognizable assets of the invested unit as at the date of obtaining of the investment, after offset of gains and losses arising from internal transactions with associates and joint-ventures, and finally to make confirmation after adjustment of net profit of the invested unit. Confirmation on gains and losses from the long-term equity investment in associates and joint-ventures held by the Company prior to the first execution day, could only stand up with the precedent condition that debit balance of equity investment straightly amortized according to its original remaining term has already been deducted, if the aforementioned balance relating to the investment do exist.

In case that investor loses joint control or significant influence over investee due to disposal of part equity interest investment, the remaining equity interest shall be calculated according to Enterprise Accounting Principles No.22-Recognition and Measurement of Financial Instrument. Difference between the fair value of the remaining equity interest as of the date when lose of joint control or significant influence and the carrying value is included in current gains and losses. Other comprehensive income recognized in respect of the original equity interest investment under equity method should be treated according to the same basis which the investee adopts to directly dispose the relevant assets or liabilities when ceasing adoption of equity method calculation; and also switches to cost method for calculating the long-term equity investments which entitles the Company to have conduct control over the invested units due to its additional investments; and switches to equity method for calculating the long-term equity investments which entitles the Company to conduct common control or significant influence, while no control over the invested units due to its additional investments, or the long-term equity investments which entitles the Company with no control over the invested units any longer while with common control or significant influence.

When disposing long-term equity investment, the balance between its carrying value and effective price for obtaining shall be recorded into current investment income. When disposing long-term equity investment which is calculated by equity method, the proportion originally recorded in owners' equity shall be transferred to current investment income according to relevant ratio, except for that other movements of owners' equity excluding net gains and losses of the invested units shall be recorded into owners' equity.

### 13. Investment real estate

The investment real estate of the Company includes leased houses and buildings, and is accounted value by its cost. Cost of purchased-in investment real estate consists of payment for purchase, relevant taxes and other expenditure which is attributable to the assets directly; while cost of self-built investment

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, RMB for record in the Statement)

real estate is formed with all necessary expenditures occurred before construction completion of the assets arriving at the estimated utilization state.

Consequent measurement of investment estate shall be measured by cost method. Depreciation is provided with average service life method pursuant to the predicted service life and net rate of salvage value. The predicted service life and net rate of salvage value and annual depreciation are listed as follows:

| Type                 | Depreciation term | Predicted rate of salvage value | Depreciation rate per annum |
|----------------------|-------------------|---------------------------------|-----------------------------|
| Houses and buildings | 30-40 years       | 4%-5%                           | 2.375%-3.20%                |

When investment real estate turns to be used by holders, it shall switch to fixed assets or intangible assets commencing from the date of such turning. And when self-used real estate turns to be leased out for rental or additional capital, the fixed assets or intangible assets shall switch to investment real estate commencing from the date of such turning. In situation of switch, the carrying value before the switch shall be deemed as the credit value after the switch.

When investment is disposed, or out of utilization forever and no economic benefit would be predicted to obtain through the disposal, the Company shall terminate recognition of such investment real estate. The amount of income from disposal, transfer, discarding as scrap or damage of investment real estate after deducting the asset's carrying value and relevant taxation shall be written into current gains and losses.

### 14. Fixed assets

Fixed assets of the Company represent the tangible assets and assets package: held by the Company for purpose of producing commodities, providing labor service, leasing or operational management, service life exceeds one year, and unit price exceeds RMB 2,000, including four categories of houses and buildings, machinery equipments, transportation equipments and other equipments.

Their credit value is determined on the basis of the cost taken for obtaining them. Of which, cost of purchased-in fixed assets include bidding price and import duty and relevant taxes, and other expenditure which occurs before the fixed assets arrive at the state of predicted utilization and which could be directly attributable to the assets; while cost of self-built fixed asset is formed with all necessary expenditures occurred before construction completion of the assets arriving at the estimated utilization state; credit value of the fixed assets injected by investors is determined based on the agreed value of investment contracts or agreements, while as for the agreed value of investment contracts or agreements which is not fair, it shall take its fair value as credit value; and for fixed assets which are leased in through finance leasing, credit value is the lower of fair value of leased assets and present value of minimized leasing payment as at the commencing date of leasing.

Consequent expenditure related to fixed assets consists of expenditures for repair and update reform. For those meeting requirements for reorganization of fixed assets, they would be accounted as fixed asset cost; and for the part which is replaced, reorganization of its carrying value shall cease; for those not meeting requirements for reorganization of fixed assets, they shall be accounted in current gains and losses

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, RMB for record in the Statement)

as long as they occur. When fixed asset is disposed, or no economic benefit would be predicted to obtain through utilization or disposal of the asset, the Company shall terminate reorganization of such fixed asset. The amount of income from disposal, transfer, discarding as scrap or damage of fixed asset after deducting the asset's carrying value and relevant taxation shall be written into current gains and losses.

The Company withdraws depreciation for all fixed assets except for those which have been fully depreciated while continuing to use. It adopts average service life method for withdrawing depreciation which is treated respectively as cost or current expense of relevant assets according to purpose of use. The depreciation term, predicted rate of salvage value and depreciation rate applied to fixed assets of the Company are as follows:

| No. | Type                 | Depreciation term | Predicted rate of salvage value | Depreciation rate per annum |
|-----|----------------------|-------------------|---------------------------------|-----------------------------|
| 1   | Houses and buildings | 30-40 years       | 4%-5%                           | 2.375%-3.20%                |
| 2   | Machinery equipments | 10-14 years       | 4%-5%                           | 6.786%-9.60%                |
| 3   | Transport equipment  | 5-12 years        | 4%-5%                           | 7.92%-19.20%                |
| 4   | Other equipments     | 8-12 years        | 4%-5%                           | 7.92%-12.00%                |

The Company makes re-examination on predicted service life, predicted rate of salvage value and depreciation method at each year-end. Any change will be treated as accounting estimation change.

### 15. Construction in process

Construction in process is measured with effective cost. Self-operated constructions projects are measured with direct materials, direct salaries and direct construction expense; construction projects undertaken by external are measured with the engineering payment payable; and engineering cost (income abatement) of equipment-installation projects is confirmed with consideration of value of the equipments, installation fee, and expenditure arising from trial operation of the projects. Borrowing expense and exchange gains and losses which should be capitalized are also included in cost of construction in process.

### 16. Borrowing expense

Borrowing expenses include interest expense, amortization of discount or premium, auxiliary expenses and exchange difference due to borrowing in foreign currency. The borrowing expense which could be directly attributable to purchase or production of assets satisfying capitalization condition, starts capitalization when capital expenditure and borrowing expense occur and when necessary purchase or production conducted for promoting assets to reach the predicted available-for-use or available-for-sale state; and capitalization shall cease when purchased or produced assets satisfying capitalization condition have reached the predicted available-for-use or available-for-sale state. Other borrowing expense is recognized as expense during the occurrence period.

Capitalization shall be exercised for interest expense actually occurred from special borrowings in current period after deduction of the interest income arising from unutilized borrowing capital which is saved in banks or deduction of investment income obtained from temporary investment; For reorganization of capitalized amount of common borrowing, it equals to the weighted average of the

## **Annotations of Financial Statements of Hefei Meiling Co., Ltd.**

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, RMB for record in the Statement)

---

assets whose accumulated expense or capital disburse is more than common borrowing times capitalization rate of occupied common borrowing. Capitalization rate is determined according to weighted average interest rate of common borrowing.

Assets satisfying capitalization principle generally refer to fixed assets, investment real estate and inventories which can only arrive at predicted available-for-use and available-for-sale state after quite a long time (generally over one year) in purchase or production activities.

If abnormal interruption happens during purchase or production of assets satisfying capitalization principle and the interruption lasts over 3 months, the capitalization for the borrowing expense shall pause until the purchase or production restarts.

### 17. Intangible assets

The Company holds intangible assets including land use right, trademark, patent technology and non-patent technology. Intangible assets are measured according to the effective costs paid for obtaining the assets. For those intangible assets purchased in by the Company, their effective cost consist of actual payment and relevant other expenditure; for the intangible assets input by investors, effective cost is determined according to the value agreed in investment contracts and agreements, while if the agreed value is not fair, then effective value is confirmed according to fair value.

Land use right is averagely amortized according to its transfer term commencing from the sate of transfer; trademark use-rights averagely amortized by 10 years; patent technology, non-patent technology and other intangible assets is averagely amortized according to the shortest of their predicted service life, beneficial term concluded by contract and effective term regulated by laws. Amortization amount is recorded in assets cost and current gains and losses relevant to beneficial objectives.

Re-examination on predicted service life and amortization method of the intangible assets which have limited service life shall be conducted at the end of each year. If changed, it would be treated as change of accounting estimation. Re-examination on predicted service life of intangible assets which have uncertain service life shall be conducted. For any evidence proving that service life of intangible assets is limited, then the service life shall be estimated and the Company shall make amortization within the predicted service life period.

### 18. Research and development

As for expenditure for research and development, the Company classifies it into expenditure on research phase and development phase, based on nature of the expenditure and that whether the final intangible assets formed by research & development is of great uncertainty. Expenditure arising during research should be recorded in current gains and losses upon occurrence; expenditure arising during development is confirmed as intangible assets when satisfying the following conditions:

- (1) Completions of the intangible assets make it available for application or sell in technology;
- (2) Equipped with plan to complete the intangible asset and apply or sell it;

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless other wise specified, RMB for record in the Statement)

---

(3) There is market for products produced with this intangible assets or the intangible asset itself;

(4) Have sufficient technology, financial resource and other resources to support development of the intangible assets, and have ability to apply or sell the assets;

(5) Expenditure attributable to development of the intangible assets could be reliable measured.

Expenditure arising during development not satisfying the above conditions shall be recorded in current gains and losses upon occurrence. Development expenditure which had been recorded in gains and losses in previous period would not be recognized as assets in later period. Expenditure arising during development phase which has been starting capitalization is listed in balance sheet as development expenditure, and transferred to intangible assets since the project reaches at predicted utilization state.

### 19. Impairment of non-financial long-term assets

As at each balance sheet date, the Company has inspection on long-term equity investment, fixed assets, construction in process and intangible assets with limited service life. When the following indications appear, assets may be impaired, and the Company would have impairment test. As for goodwill and intangible assets which have uncertain service life, no matter there is impairment or not, impairment test shall be conducted at the end of every year. If it is hard to make test on recoverable amount of single asset, test is expected to make on the basis of the assets group or assets group portfolio where such asset belongs to.

After impairment test, if the carrying value exceeds the recoverable amount of the asset, the balance is recognized as impairment loss. As long as impairment loss of the aforementioned assets is recognized, it couldn't be switched back in later accounting periods. Recoverable amount of assets refers to the higher of fair value of assets net disposal expense and present value of predicted cash flow of the asset.

Indications for impairment are as follows:

(1) Market value of asset drops a lot in current period, the drop scope is obviously greater than the predicted drop due to move-on of times or normal utilization;

(2) Economy, technology or law environment where enterprise operates or market where asset is located will have significant change in current or recent periods, which brings negative influence to enterprise;

(3) Market interest rate or returning rate of other market investments have risen in current period, which brings influence in calculating discount rate of present value of predicted future cash flow of assets, which leads to a great drop in recoverable amount of such assets;

(4) Evidence proving that asset is obsolete and out of time or its entity has been damaged;

(5) Asset has been or will be keep aside, terminating utilization or disposed advance;

(6) Internal report of enterprise shows that economic performance of asset has been or will be lower than prediction, such as that net cash flow created by asset or operation profit (or loss) realized by asset is

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, RMB for record in the Statement)

---

greatly lower (or higher) than the predicted amount;

(7) Other indications showing possible impairment of assets.

### 20. Goodwill

Goodwill represents balance between equity investment cost or business combination cost under no common control exceeding the attributable part or fair value of recognizable net assets of party invested or purchased (obtained through business combination) as of acquisition day or purchase day.

Goodwill relating to subsidiaries is separately listed in consolidated financial statement. And goodwill relating to associates and joint-ventures is included in carrying value of long-term equity investment.

### 21. Long-term deferred expenses

Long-term deferred expenses of the Company refer to the expense which has been paid out while should be amortized from the current period and periods thereafter, with amortization term over 1 year (excluding 1 year). Such expense is averagely amortized during the beneficial period. If such long-term deferred expense could not bring benefit to following accounting periods, the unamortized value of the item shall be fully transferred to current gains and losses.

### 22. Staff remuneration

Employee benefits mainly include all kinds of remuneration incurred in exchange for services rendered by employees or compensation to the termination of employment relationship such as short-term wages, post-employment benefits, compensation for the termination of employment relationship and other long-term employee welfare.

Short-term remuneration includes: staff salary, bonus, allowances and subsidies, staff benefits, social insurances like medical insurance, work-related injury insurance and maternity insurance, housing fund, labor union funds and staff education funds, short-term paid absence of duty, short-term profit sharing scheme, and non-monetary benefits as well as other short-term remuneration. During the accounting period when staff provides services, the short-term remuneration actually occurred is recognized as liabilities and shall be included in current gains and losses or related asset costs according to the beneficial items.

Retirement benefits mainly consist of basic pension insurance, unemployment insurance and early-retirement benefits, etc. retirement benefit scheme represents the agreement reached by the Company and its employees in respect of retirement benefits, or the rules or regulations established by the Company for providing retirement benefits to employees. In particular, defined contribution plan means a retirement benefit plan, pursuant to which, the Company makes fixed contribution to independent fund, upon which, and it is not obliged to make further payment. Defined benefit plan refers to retirement benefit scheme other than defined contribution plan.

The early retirement policy for staff and workers of the Company is the compensation for encouraging staff and workers to accept the reduction voluntarily. The employees make applications



## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, RMB for record in the Statement)

---

voluntarily, the two parties sign the compensation agreement after approved by the Company and calculate the compensation amount according to the compensation standard passed by the staff representative conference, and the Company confirms it as dismiss welfare and reckons it in current profits and losses. As the Company promises to adjust the treatment for early retiring staff and workers with the increase of social basic cost of living allowances, the discount elements will not be considered for calculating the dismiss welfare.

### 23. Estimated liabilities

If the business in connection with such contingencies as a security involving a foreign party, commercial acceptance bill discount, pending litigation or arbitration, product quality assurance, etc. meets all of the following conditions, the Company will confirm the aforesaid as liabilities: the obligation is an existing obligation of the Company; performance of the obligation is likely to cause economic benefits to flow out of the enterprise; the amount of the obligation is reliably measurable.

### 24. Principle of recognition of revenue and measurement method

The Company's sales revenue is mainly comprised of revenue from sale of goods, labor providing income and revenue from assignment of asset use rights. The principle of recognition of such revenue is as follows:

(1) Revenue from the sale of goods shall be recognized when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods; the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; the amount of revenue can be measured reliably; it is probable that the associated economic benefits will flow into the Company; The export business is recognized when the packing list is received; and the associated costs incurred or to be incurred can be measured reliably. Air-conditioner OEM/ODM will recognize revenue while notes issued after commodity transferring to the shipping space that appointed by the client.

(2) The Company confirms the realization of service income when the gross income and total cost of labor service can be unfailingly calculated, the economic benefits related to labor service are likely to flow into the Group, and the progress of labor service can be confirmed reliably. On balance sheet date, with regard to those with results provided for labor service transactions can be estimated reliably, confirm the relevant service income according to percentage of completion method and determine the percentage-of-completion method by the proportion of the occurred cost in the estimated total cost; as for those with results provided for labor service transactions can't be estimated reliably and with occurred labor cost predicted to be able to get compensation, confirm to provide service income according to labor cost amount occurred and capable of getting compensation, and carry over the occurred labor costs; for those with results provided for labor service transactions can't be estimated reliably and with occurred labor cost predicted to be not able to get compensation, reckon the occurred labor cost in the current profits and losses, but not confirm to provide service income.

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, RMB for record in the Statement)

---

(3) The economy benefit of use-right of transfer assets probably wills inflow to the Company, if the income can be measure accountability, than use-right income of transfer assets recognized.

### 25. Government subsidies

Government subsidy at the Company be able to meet its attached conditions, and can be confirmed when received. Government grants for monetary assets, in accordance with the measurement of the amount actually received, according to a fixed quota for the allocation of the grant criteria, in accordance with the amount of accounts receivable measurement; government subsidies for non-monetary assets, in accordance with the fair value, fair value should not reliably achieved, in accordance with the notional amount (RMB 1.00) measurement.

Asset-related government grants recognized as deferred income, and average life of related assets included in the current profit and loss distribution. With the proceeds of the relevant government subsidies to compensate for the period after the relevant costs or losses recognized as deferred income and, while recognizing the associated costs included in current period profit and loss; for compensation related costs that have occurred or loss, directly gains and losses included in the current period.

Government subsidies related to the daily activities of the enterprise shall be included in other income or offset the relevant costs in accordance with the essence of the economic business. Government subsidies not related to the daily activities of the enterprise shall be included in the non-operating income and expenditure.

### 26. Deferred Income Tax Assets and Deferred Income Tax Liabilities

A deferred tax asset and deferred tax liability shall be determined by a difference (temporary difference) between the carrying amount of an asset or liability and its tax base. The deferred tax asset shall be recognized for the carry forward of unused deductible losses that it is probable that future taxable profits will be available against which the deductible losses can be utilized. For temporary difference arising from initial recognition of goodwill, no corresponding deferred income tax liabilities will be recognized. For temporary difference arising from initial recognition of assets and liabilities occurred in the transaction related to non business combination which neither affect accounting profit nor assessable income (or deductible losses), no corresponding deferred income tax assets and deferred income tax liabilities will be recognized. As of the balance sheet date, deferred income tax assets and deferred income tax liabilities are measured at the effective tax rate applicable to the period when recovery of assets or settlement of liabilities occur.

The Company recognizes deferred income tax assets to the extent of future assessable income tax which is likely to be obtained to offset deductible temporary difference, deductible losses and tax credits.

### 27. Lease

The Company categorizes the lease into the financial lease and the operating lease.

The financial lease is the lease in which all risks and returns related to the ownership of assets are

## **Annotations of Financial Statements of Hefei Meiling Co., Ltd.**

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, RMB for record in the Statement)

---

transferred in substance. The Company as a lease holder, on the date of lease, the financial lease is recognized as the fixed asset at lower cost of fair value of the rental asset and the NPV of minimum payment of leasing. The minimum payment of leasing is recognized as long-term payable and the difference is accounted into unrecognized financing expense.

The operating lease is the lease apart from the financial lease. The Company, as a lease holder, accounts the rents into current period by straight line method during the term of the lease. The Company, as a leaser, accounts the rental income into current period by straight line method during the term of the lease.

### 28. Income tax accounting

The Company accounted the income tax in a method of debit in balance sheet. The income tax expenses include income tax in the current year and deferred income tax. The income tax associated with the events and transactions directly included in the owners' equity shall be included in the owners' equity; and the deferred income tax derived from business combination shall be included in the carrying amount of goodwill, except for that above, the income tax expense shall be included in the profit or loss in the current period.

The income tax expense in the current year refers to the tax payable, which is calculated according to the tax laws on the events and transactions incurred in the current period. The deferred income tax refers to the difference between the carrying amount and the deferred tax assets and deferred tax liabilities at the year-end recognized in the method of debit in the balance sheet.

### 29. Segment information

Business segment was the major reporting form of the Company, which divided into 5 parts: air-conditioner, refrigerator and freezer, marketing, Small household appliances and others. The transfer price among the segments will recognize based on the market price, common costs will allocated by income proportion between segments except for the parts that without reasonable allocation.

### 30. Explanation on significant accounting estimation

The management of the Company needs to apply estimation and assumption when preparing financial statement which will affect the application of accounting policy and amounts of assets, liabilities, income and expense. The actual condition may differ from the estimation. Constant evaluation is conducted by the management in respect of the key assumption involved in the estimation and judgment of uncertainties. Effect resulting from change of accounting estimation is recognized in the period the change occurs and future periods.

The following accounting estimation and key assumption may result in material adjustment to the book value of assets and liabilities in future period.

#### (1) Inventory impairment provision

The Company provides impairment provision according to the type of finished products and goods

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, RMB for record in the Statement)

---

delivered under fixed proportion, and estimates the realizable net value of inventories by reference to the projected selling price of similar inventories less sales expenses and related taxes on a regular basis, so as to evaluate the rationality of the provision proportion. If the actual selling price or expense differs from the previous estimation, the management will make corresponding adjustment to the proportion. The estimation results based on existing experiences may differ from the latter actual results, which may result in adjustment to the book value of inventories in the balance sheet and affect over the gains and losses of the period when the estimation changes.

### (2) Accounting estimation on long-term assets impairment provision

The Company makes impairment test on fixed assets such as buildings, machine and equipments which have impairment indication and long-term assets such as goodwill as at the balance sheet date. The recoverable amount of relevant assets and assets group shall be the present value of the projected future cash flow which shall be calculated with accounting estimation.

If the management amends the gross profit margin and discount rate adopted in calculation of future cash flow of assets and assets group and the amended gross profit margin is lower than the currently adopted one or the amended discount rate is higher than the currently adopted one, the Company needs to increase provision of impairment provision. If the actual gross profit margin is higher (or the discount rate is lower) than the estimation of management, the Company cannot transfer back the long term assets impairment provision provided already.

### (3) Accounting estimation on realization of deferred income tax assets

Estimation on deferred income tax assets needs estimation on the taxable income and applicable tax rate for each future year. Realization of deferred income tax assets depends on whether a company is able to obtain sufficient taxable income in future. Change of future tax rate and switch back of temporary difference could affect the balance of income tax expense (gains) and deferred income tax. Change of the aforesaid estimation may result in material adjustment to deferred income tax.

### (4) Usable term and residual value rate of fixed assets and intangible assets

The Company, at least at the end of each accounting year, reviews the projected usable life and residual value rate of fixed assets and intangible assets. The projected usable life and residual value rate are determined by the management based on the historical experiences of similar assets by reference to the estimation generally used by the same industry with consideration on projected technical upgrade. If material change occurs to previous estimation, the Company shall accordingly adjust the depreciation expenses and amortization expenses for future period.

### (5) Projected liabilities arising from product quality guarantee

The Company commits to repair the major spare parts of refrigerators sold through go-to-countryside promotion activity for free for ten years. As to the maintenance expenses that may be increased arising from such commitment, the Company has provided projected liabilities.

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, RMB for record in the Statement)

Taking into account the various uncertainties during the ten years, the Company considers no discount factor of such projected liabilities. Instead, the Company reviews the parameters (probability, proportion, maintenance expense per single set) based on the actual occurrence of maintenance expenses as of each balance sheet date. If obvious change is found, the Company will adjust the projected liabilities according to the latest parameters so as to reflect the best estimation.

### 31. Other comprehensive income

Other comprehensive income represents various gains and losses not recognized in current gains and losses according to other accounting rules.

Other comprehensive income items shall be reported in the following two classes under other relevant accounting rules:

(1) Other comprehensive income items that cannot be reclassified into gains and losses in future accounting periods, mainly including changes arising from re-measurement of net liabilities or net assets under defined benefit plan and interest in investee's other comprehensive income which are measured under equity method and which cannot be reclassified into gains and losses in future accounting periods;

(2) Other comprehensive income items that will be reclassified into gains and losses in future accounting periods upon satisfaction of required conditions, mainly including interest in investee's other comprehensive income which are measured under equity method and which will be reclassified into gains and losses in future accounting periods upon satisfaction of required conditions, gains or losses arising from change of fair value of available-for-sale financial assets, gains or losses arising from reclassification of held-to-maturity investment into available-for-sale financial assets, gains or losses occurred by cash flow hedging instruments attributable to effective hedge, foreign currency financial statement translation difference, etc.

### 32. Change of significant accounting policies and accounting estimates

#### (1) Change of significant accounting policies

The Company had no change of significant accounting policies in the period.

#### (2) Change of significant accounting estimates

The Company had no change of significant accounting estimates in the period.

## V. Taxation

### (I) Major taxes (expenses) and tax (expense) rates

| Tax(expenses)                          | Tax base                                       | Tax rate      |
|--|--|---------------|
| VAT                                    | Income from sales of goods and from processing | 17%、13%、6%、5% |
| Urban maintenance and construction tax | Turnover tax                                   | 5% or 7%      |
| Education surcharge                    | Turnover tax                                   | 3%            |
| Local education surcharge              | Turnover tax                                   | 2%            |

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless other wise specified, RMB for record in the Statement)

| Tax(expenses)        | Tax base   | Tax rate  |
|----------------------|--|---|
| Corporate income tax | Taxable income   | 15% or 25%                                      |
| House Property Tax   | Original Book value of house property $\times$ (1-30%) or annual rent income | 1.2% or 12%                                     |
| Land use tax         | Actual land area used  | RMB 2.5/M <sup>2</sup> to RMB 15/M <sup>2</sup> |

### 2. Preferential tax and approval documents

The Company and its subsidiary Zhongke Meiling Cryogenics Technology Limited Company were recognized as second Hi-Tech Enterprise for year of 2014 in Anhui Province with term of three years. Therefore, the Company and its subsidiary Zhongke Meiling Cryogenics Technology Limited Company enjoys 15% rate for the income tax for State Hi-Tech Enterprise. On 22 January 2015, being recognized by “Name Lists of First Hi-Tech Enterprise for year of 2014 in Anhui Province” [WGQR(2014) No. 37] from Anhui Science & Technology Department, the Company and Zhongke Meiling Cryogenics Technology Limited Company continuous to enjoy 15% rate for the income tax for State Hi-Tech Enterprise for three years term.

Subsidiary Zhongshan Changhong Electric Co., LTD. was recognized as First Hi-Tech Enterprise for year of 2008 in Guangdong Province with 15% rate for the income tax for State Hi-Tech Enterprise enjoys for term of three years. On 10 October 2014, being recognized by “Name Lists of Second Hi-Tech Enterprise for year of 2014 in Guangdong Province” [YKGS(2014) No.15] from Guangdong Science & Technology Department, Zhongshan Changhong Appliance Co., Ltd. continuous to enjoy 15% rate for the income tax for State Hi-Tech Enterprise for three years term.

The subsidiary Sichuan Changhong Air Conditioning Co., Ltd. has passed the review for high-tech enterprise certification on December 8, 2016, which is valid for three years. After passing the filing and auditing of tax bureau, the company will only pay the corporate income tax by 15% of the tax rate.

Subsidiary Mianyang Meiling Software Technology Co., Ltd. pass the software enterprise certificate on 27 June 2014, and obtained the Software Enterprise Certification [Chuan No.:R-2014-0072]. Calculating the promotion period since the year of profit-making, the 1st year to 2nd year, the income tax shall be exempted, levy income tax based on half of the statutory rates from the 3rd year to 5th year, and enjoy the preferential till expired.

Subsidiary Mianyang Meiling Software Technology Co., Ltd. pass the software enterprise certificate on 27 June 2014, and obtained the Software Enterprise Certification [Chuan No.:R-2014-0072]. Calculating the promotion period since the year of profit-making, the 1st year to 2nd year, the income tax shall be exempted, levy income tax based on half of the statutory rates from the 3rd year to 5th year, and enjoy the preferential till expired.

Subsidiary Guangdong Changhong Ridian Technology Co., Ltd. obtained a High-Tech Enterprise certificates on 9 December 2016 with three-year valid, and the enterprise enjoys 15% favorable income

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, RMB for record in the Statement)

tax for the national high-tech enterprise

### VI. Notes to the major items in the consolidated financial statements

With respect to the financial statements figures disclosed below, unless otherwise specified, “year-beginning” refers to Jan. 1, 2017, “period-end” refers to June 30, 2017, “the period” refers to Jan. 1 to June 30, 2017, “the last period” refers to Jan. 1 to June 30, 2016, the currency is RMB.

#### 1. Monetary fund

| Item  | Balance at period-end   | Balance at year-begin   |
|---|-------------------------|-------------------------|
| Cash  | 83,233.09               | 94,415.53               |
| Bank deposit                                  | 4,349,072,332.23        | 3,827,367,022.13        |
| Other Monetary fund                           | 569,030,082.45          | 231,407,796.97          |
| <b>Total</b>                                  | <b>4,918,185,647.77</b> | <b>4,058,869,234.63</b> |
| Including: total amount deposited in overseas | 11,786,986.88           | 19,067,202.50           |

#### Other monetary fund:

| Item   | Amount at period-end  |
|--|-----------------------|
| Deposits                                     | 528,902,400.86        |
| Account of foreign currency for verification | 34,005,529.84         |
| Union Pay online                             | 4,456,393.66          |
| Taobao account                               | 1,665,758.09          |
| <b>Total</b>                                 | <b>569,030,082.45</b> |

Among the other monetary fund, the cash deposit (with over three months restriction) and account of third payment platform are not considered as the cash and cash equivalent, which amounting to 108,727,129.38 Yuan in total.

According to the national policies relating to foreign exchange management, all goods payment denominated in foreign currency should be transferred to reviewing accounts which may not be used temporarily. Upon approval of such review, those payments may be transferred to general accounts. Due to the relatively short time for reviewing foreign exchange, balance of the reviewing accounts is not limited on utilization.

2. Financial assets measured at fair value and whose changes are recorded in the profits and losses of the current period

| Item                        | Balance at period-end | Balance at year-begin |
|-----------------------------|-----------------------|-----------------------|
| Derivative financial assets | 10,813,272.50         | 12,060,213.30         |

Derivative financial assets refer to the RMB forward exchange fund in the period.

#### 3. Notes receivable

##### (1) Category of notes receivable

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless other wise specified, RMB for record in the Statement)

| Item                       | Balance at period-end   | Balance at year-begin   |
|----------------------------|-------------------------|-------------------------|
| Bank acceptance bill       | 2,314,320,720.47        | 1,096,452,069.60        |
| Commercial acceptance bill | 197,394,708.94          | 324,977,654.13          |
| <b>Total</b>               | <b>2,511,715,429.41</b> | <b>1,421,429,723.73</b> |

### (2) Notes receivable mortgaged by end of the year

| Item            | Amount mortgaged by end of the period |
|-----------------|---------------------------------------|
| Bank acceptance | 586,118,629.32                        |

Note: in order to improve the utilization rate of notes, the Company pledged to banks those notes that haven't expired yet in exchange for issuance of banking acceptance drafts.

### (3) Note receivables endorsement or discount at year-end and are not expired on balance sheet date

| Item                       | Termination confirmation amount at period-end | No termination confirmation amount at period-end |
|----------------------------|---|--|
| Bank acceptance bill       | 2,235,142,755.76                              |  |
| Commercial acceptance bill | 242,420,369.40                                |  |
| <b>Total</b>               | <b>2,477,563,125.16</b>                       |  |

(4) Notes transfer to account receivable due to the failure implementation from drawer at year-end:  
Nil

### 4 Accounts receivable

#### (1) Account receivable by category

| Category   | Amount at period-end    |                |                      |              | Book value              |
|--|-------------------------|----------------|----------------------|--------------|-------------------------|
|  | Book balance            |                | Bad debt provision   |              |                         |
|  | Amount                  | Percent age    | Amount               | Percent age  |                         |
| Significant account receivable and withdrawal bad debt provision single              |                         |                |                      |              |                         |
| Account receivable withdrawal bad debt provision by combination                      |                         |                |                      |              |                         |
| Combination 1  | 1,425,699,322.29        | 66.91%         | 73,041,490.89        | 5.12%        | 1,352,657,831.40        |
| Combination 2  | 690,888,200.94          | 32.42%         | -                    | -            | 690,888,200.94          |
| Subtotal of combination  | 2,116,587,523.23        | 99.33%         | 73,041,490.89        | 3.45%        | 2,043,546,032.34        |
| Account receivable with single minor amount but withdrawal bad debt provision singly | 14,236,410.51           | 0.67%          | 9,449,901.74         | 66.38%       | 4,786,508.77            |
| <b>Total</b>   | <b>2,130,823,933.74</b> | <b>100.00%</b> | <b>82,491,392.63</b> | <b>3.87%</b> | <b>2,048,332,541.11</b> |

(Continued)

| Category | Amount at year-begin |                    |            |
|----------|----------------------|--------------------|------------|
|          | Book balance         | Bad debt provision | Book value |



## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless other wise specified, RMB for record in the Statement)

|  | Amount                  | Percent age    | Amount               | Percent age  |                         |
|--|-------------------------|----------------|----------------------|--------------|-------------------------|
| Significant account receivable and withdrawal bad debt provision single              |                         |                |                      |              |                         |
| Account receivable withdrawal bad debt provision by combination                      |                         |                |                      |              |                         |
| Combination 1  | 834,543,507.58          | 71.22%         | 43,843,529.45        | 5.25%        | 790,699,978.13          |
| Combination 2  | 323,321,432.79          | 27.59%         |                      | 0.00%        | 323,321,432.79          |
| Subtotal of combination  | 1,157,864,940.37        | 98.81%         | 43,843,529.45        | 3.79%        | 1,114,021,410.92        |
| Account receivable with single minor amount but withdrawal bad debt provision singly | 13,898,468.17           | 1.19%          | 8,959,326.60         | 64.46%       | 4,939,141.57            |
| <b>Total</b>   | <b>1,171,763,408.54</b> | <b>100.00%</b> | <b>52,802,856.05</b> | <b>4.51%</b> | <b>1,118,960,552.49</b> |

1) No account receivable with single major amount but withdrawal bad debt provision singly at period-end.

2) Account receivable with withdrawal bad debt provision for combination 1 by aging account

| Age           | Balance at period-end   |                      |                      |
|---------------|-------------------------|----------------------|----------------------|
|               | Account receivable      | Bad debt provision   | Provision proportion |
| Within 1 year | 1,415,374,510.68        | 70,768,725.53        | 5.00%                |
| 1-2 years     | 7,781,228.46            | 1,167,184.27         | 15.00%               |
| 2-3 years     | 2,003,415.01            | 701,195.25           | 35.00%               |
| 3-4 years     | 250,015.02              | 137,508.26           | 55.00%               |
| 4-5 years     | 155,170.28              | 131,894.74           | 85.00%               |
| Over 5 years  | 134,982.84              | 134,982.84           | 100.00%              |
| <b>Total</b>  | <b>1,425,699,322.29</b> | <b>73,041,490.89</b> |                      |

3) Account receivable with no withdrawal bad debt provision for combination 2

| Combination                          | Book balance          |
|--------------------------------------|-----------------------|
| Account connect with related parties | 574,882,713.94        |
| Letter of Credit                     | 116,005,487.00        |
| <b>Total</b>                         | <b>690,888,200.94</b> |

4) Account receivable with single minor amount but withdrawal bad debt provision singly, refers to the minor single receivables, and withdrawal bad debt provision by combination shows no risk characteristic of the receivables, 11 clients involved.

(2) Bad debt reserve provided for, reversed (or recovered) during this period

New accrual bad debts in the period amounting to RMB 29,688,536.58, no trade receivables written-off in previous year were recovered.

(3) No account receivable actually written-off in the period.

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, RMB for record in the Statement)

(4) In the period, top five receivables collected by arrears party amounting to RMB 857,662,386.81 in total, accounted for 40.25% of the receivables at balance of the period-end, the bad debt provision accrual correspondingly amounting to RMB 16,602,557.02 at period-end balance.

### 5. Accounts paid in advance

#### (1) Age of account paid in advance

| Item          | Amount at period-end  |                | Amount at year-begin  |                |
|---------------|-----------------------|----------------|-----------------------|----------------|
|               | Amount                | Percentage     | Amount                | Percentage     |
| Within 1 year | 286,492,615.39        | 98.85%         | 131,113,656.82        | 97.33%         |
| 1—2 years     | 2,764,333.17          | 0.95%          | 2,983,725.64          | 2.22%          |
| 2—3 years     | 186,787.65            | 0.06%          | 487,258.38            | 0.36%          |
| Over 3 years  | 392,324.70            | 0.14%          | 121,847.54            | 0.09%          |
| <b>Total</b>  | <b>289,836,060.91</b> | <b>100.00%</b> | <b>134,706,488.38</b> | <b>100.00%</b> |

(2) Top 5 of account paid in advance in balance at period-end amounting to RMB 201,885,181.30, accounted for 69.65% of the account.

### 6. Interest receivable

| Item                        | Balance at period-end | Balance at year-begin |
|-----------------------------|-----------------------|-----------------------|
| Deposit interest receivable | 3,229,356.48          | 2,645,494.32          |

### 7. Other accounts receivable

#### (1) Category of other account receivable

| Category   | Amount at period-end |                |                     |              |                      |
|--|----------------------|----------------|---------------------|--------------|----------------------|
|  | Book balance         |                | Bad debt provision  |              | Book value           |
|  | Amount               | Percentage     | Amount              | Percent age  |                      |
| Significant other account receivable and withdrawal bad debt provision single              |                      |                |                     |              |                      |
| Other account receivable withdrawal bad debt provision by combination                      |                      |                |                     |              |                      |
| Combination 1  | 11,062,149.18        | 15.54%         | 2,360,977.37        | 21.34%       | 8,701,171.81         |
| Combination 2  | 59,836,339.63        | 84.08%         | -                   | -            | 59,836,339.63        |
| Subtotal of combination  | 70,898,488.81        | 99.62%         | 2,360,977.37        | 3.33%        | 68,537,511.44        |
| Other account receivable with single minor amount but withdrawal bad debt provision singly | 267,932.63           | 0.38%          | 267,932.63          | 100.00%      | -                    |
| <b>Total</b>   | <b>71,166,421.44</b> | <b>100.00%</b> | <b>2,628,910.00</b> | <b>3.69%</b> | <b>68,537,511.44</b> |

(Continued)

| Category                                 | Amount at year-begin |             |                    |             |            |
|--|----------------------|-------------|--------------------|-------------|------------|
|  | Book balance         |             | Bad debt provision |             | Book value |
|  | Amount               | Percent age | Amount             | Percent age |            |
| Significant other account receivable and |                      |             |                    |             |            |

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless other wise specified, RMB for record in the Statement)

| Category   | Amount at year-begin |                |                     |              | Book value           |
|--|----------------------|----------------|---------------------|--------------|----------------------|
|  | Book balance         |                | Bad debt provision  |              |                      |
|  | Amount               | Percent age    | Amount              | Percent age  |                      |
| withdrawal bad debt provision single   |                      |                |                     |              |                      |
| Other account receivable withdrawal bad debt provision by combination                      |                      |                |                     |              |                      |
| Combination 1  | 8,798,418.31         | 20.99%         | 2,091,596.95        | 23.77%       | 6,706,821.36         |
| Combination 2  | 32,347,098.08        | 77.18%         |                     |              | 32,347,098.08        |
| Subtotal of combination  | 41,145,516.39        | 98.17%         | 2,091,596.95        | 5.08%        | 39,053,919.44        |
| Other account receivable with single minor amount but withdrawal bad debt provision singly | 767,932.63           | 1.83%          | 267,932.63          | 34.89%       | 500,000.00           |
| <b>Total</b>   | <b>41,913,449.02</b> | <b>100.00%</b> | <b>2,359,529.58</b> | <b>5.63%</b> | <b>39,553,919.44</b> |

1) No significant other account receivable and no withdrawal bad debt provision single at period-end.

2) Other account receivable with withdrawal bad debt provision for combination 1 by aging account

| Age           | Balance at period-end |                     |                      |
|---------------|-----------------------|---------------------|----------------------|
|               | Account receivable    | Bad debt provision  | Provision proportion |
| Within 1 year | 7,661,808.58          | 383,090.43          | 5.00%                |
| 1-2 years     | 706,540.60            | 105,981.09          | 15.00%               |
| 2-3 years     | 969,067.92            | 339,173.77          | 35.00%               |
| 3-4 years     | 180,000.00            | 99,000.00           | 55.00%               |
| 4-5 years     | 740,000.00            | 629,000.00          | 85.00%               |
| Over 5 years  | 804,732.08            | 804,732.08          | 100.00%              |
| <b>Total</b>  | <b>11,062,149.18</b>  | <b>2,360,977.37</b> |                      |

3) Other account receivable with no withdrawal bad debt provision for combination 2

| Combination                | Book balance         |
|----------------------------|----------------------|
| Contact with related party | 200,000.00           |
| Employee's reserve loans   | 29,892,444.67        |
| Export rebate              | 29,743,894.96        |
| <b>Total</b>               | <b>59,836,339.63</b> |

4) The other account receivable with major amount at period-end and accrual for bad debt provision single refers to the receivable amount of 267,932.63 Yuan from Guangdong Xiongfeng Electric Co., Ltd.

(2) Reversal (or withdraw) of reserve for bad debts in the period

New accrual bad debts in the year amounting to RMB 269,380.42, no trade receivables written-off in previous year were recovered.

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, RMB for record in the Statement)

(3) No actual verification of other receivables in the period.

(4) Classification of other accounts receivable according to the nature of account

| Nature                         | Book balance at period-end | Book balance at year-begin |
|--------------------------------|----------------------------|----------------------------|
| Employee's reserve loans       | 29,892,444.67              | 18,784,317.17              |
| Non-consolidated related party | 200,000.00                 | 12,870,014.08              |
| Deposit                        | 7,990,509.82               | 8,062,507.62               |
| Advance money temporary        | 267,932.63                 | 1,413,879.45               |
| Export rebate                  | 29,743,894.96              | 159,982.87                 |
| Other                          | 3,071,639.36               | 622,747.83                 |
| <b>Total</b>                   | <b>71,166,421.44</b>       | <b>41,913,449.02</b>       |

(5) Top 5 other receivables collected by arrears party at balance of period-end:

| Name  | Nature of account | Balance at period-end | Bookage       | Proportion in total other receivables at period-end | Bad Balance at period-end of debt provision |
|---|-------------------|-----------------------|---------------|---|---|
| State Administration of Taxation of Hefei Economic & Technological Development Zone | Export rebate     | 29,358,965.71         | Within 1 year | 41.25%  |   |
| Fei Ming  | Employees deposit | 4,293,600.00          | Within 1 year | 6.03%   |   |
| Nanjing Customs of PRC  | Cash deposit      | 1,775,972.11          | Within 1 year | 2.50%   | 88,798.61                                   |
| Li Miao   | Employees deposit | 1,090,329.05          | Within 1 year | 1.53%   |   |
| Beijing Tongzhou New Rural Construction Service Center                              | Guarantee money   | 1,000,000.00          | Within 1 year | 1.41%   | 50,000.00                                   |
| <b>Total</b>  |                   | <b>37,518,866.87</b>  |               | <b>52.72%</b>                                       | <b>138,798.61</b>                           |

(6) No other account receivable involved government subsidies at period-end.

(7) No other receivables terminated reorganization due to the transfer of financial assets at period-end.

(8) No assets and liability transfer other receivables and continues to involve at period-end.

### 8. Inventories

(1) Classification of inventories

| Item                          | Amount at period-end |                      |                  |
|-------------------------------|----------------------|----------------------|------------------|
|                               | Book balance         | Impairment provision | Book value       |
| Raw materials                 | 322,314,685.16       | 2,144,408.97         | 320,170,276.19   |
| Stock commodities             | 1,825,782,218.57     | 79,589,804.12        | 1,746,192,414.45 |
| Low value consumable articles | 12,545,529.30        | -                    | 12,545,529.30    |
| Goods in transit              | 426,481,411.06       | 8,326,761.05         | 418,154,650.01   |

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, RMB for record in the Statement)

| Item                        | Amount at period-end    |                      |                         |
|-----------------------------|-------------------------|----------------------|-------------------------|
|                             | Book balance            | Impairment provision | Book value              |
| Goods-in-process            | 41,023,888.17           | -                    | 41,023,888.17           |
| Deferred expense for moulds | 44,451,856.35           | -                    | 44,451,856.35           |
| <b>Total</b>                | <b>2,672,599,588.61</b> | <b>90,060,974.14</b> | <b>2,582,538,614.47</b> |

(Continues)

| Item                          | Amount at year-begin    |                      |                         |
|-------------------------------|-------------------------|----------------------|-------------------------|
|                               | Book balance            | Impairment provision | Book value              |
| Raw materials                 | 239,470,144.24          | 2,133,956.27         | 237,336,187.97          |
| Stock commodities             | 1,477,211,122.85        | 71,224,130.62        | 1,405,986,992.23        |
| Low value consumable articles | 11,908,736.75           | -                    | 11,908,736.75           |
| Goods in transit              | 245,587,568.44          | 2,700,789.83         | 242,886,778.61          |
| Goods-in-process              | 31,950,329.21           | -                    | 31,950,329.21           |
| Deferred expense for moulds   | 44,457,710.09           | -                    | 44,457,710.09           |
| <b>Total</b>                  | <b>2,050,585,611.58</b> | <b>76,058,876.72</b> | <b>1,974,526,734.86</b> |

### (2) Inventory falling price reserves

| Item              | Amount at year-begin | Increased in the period | Decreased in the period |                     | Amount at period-end |
|-------------------|----------------------|-------------------------|-------------------------|---------------------|----------------------|
|                   |                      |                         | Switch-back             | Other switch-out    |                      |
| Raw materials     | 2,133,956.27         | 10,447.01               |                         |                     | 2,144,403.28         |
| Stock commodities | 71,224,130.62        | 9,586,178.63            |                         | 1,220,499.44        | 79,589,809.81        |
| Goods in transit  | 2,700,789.83         | 5,795,290.81            |                         | 169,319.59          | 8,326,761.05         |
| <b>Total</b>      | <b>76,058,876.72</b> | <b>15,391,916.45</b>    |                         | <b>1,389,819.03</b> | <b>90,060,974.14</b> |

### (3) Provision for inventories

| Item              | Specific basis for determining of net realizable value                         | Reasons for the Switch-back or conversion in the period |
|-------------------|--|---|
| Raw materials     | Cost is higher than net realizable value (The processed products are decline)  |   |
| Stock commodities | Cost is higher than net realizable value (The market price at period-end fell) |   |
| Goods in transit  | Cost is higher than net realizable value (The market price at period-end fell) |   |
| Goods in process  | Cost is higher than net realizable value (The processed products are decline)  |   |

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, RMB for record in the Statement)

### 9. Non-current assets due within one year

| Item                              | Balance at period-end | Balance at year-begin | Nature                           |
|-----------------------------------|-----------------------|-----------------------|----------------------------------|
| Time deposits due within one year | 46,133,664.00         | 12,625,340.00         | Reclassification of time deposit |

Note: This project is the three-year term fixed deposit that the subsidiary Zhongshan Changhong has deposited at Guangdong Development Bank Zhongshan Branch for getting the bank's long-term loan. The deposit amount is US \$ 6,810,000.00 dollars, will expire in 2017 and reclassify to this project.

### 10. Other current assets

| Item                                    | Balance at period-end   | Balance at year-begin   | Nature   |
|---|-------------------------|-------------------------|--|
| Financial products                      | 1,767,200,000.00        | 1,385,200,000.00        | Bank financial products  |
| Value-added tax to be deducted          | 86,050,824.57           | 56,525,274.99           | Reclassify of value-added tax to be deducted                     |
| Advance payment of income tax           | 11,124,666.91           | 12,357,316.25           | Reclassify of advance payment of income tax                      |
| Advance payment of taxes and surcharges | 3,307,780.55            | 263,706.18              | Re-classify the prepaid construction tax and education surcharge |
| <b>Total</b>                            | <b>1,867,683,272.03</b> | <b>1,454,346,297.42</b> |  |

### 11. Finance asset available for sales

#### (1) Finance asset available for sales

| Item                                  | Balance at period-end |                      |                      | Balance at year-begin |                      |                      |
|---------------------------------------|-----------------------|----------------------|----------------------|-----------------------|----------------------|----------------------|
|                                       | Book balance          | Impairment provision | Book value           | Book balance          | Impairment provision | Book value           |
| Equity instrument available for sales | 31,000,000.00         |                      | 31,000,000.00        | 17,000,000.00         |                      | 17,000,000.00        |
| Including: measured by cost           | 31,000,000.00         |                      | 31,000,000.00        | 17,000,000.00         |                      | 17,000,000.00        |
| <b>Total</b>                          | <b>31,000,000.00</b>  |                      | <b>31,000,000.00</b> | <b>17,000,000.00</b>  |                      | <b>17,000,000.00</b> |

#### (2) Finance asset available for sales measured by cost at period-end

| Invested Unit                       | Year-begin           | Increase in the period | Decrease in the period | Period-end           | Holding proportion in invested unit | Cash dividend for the period |
|-------------------------------------|----------------------|------------------------|------------------------|----------------------|-------------------------------------|------------------------------|
| Huishang Bank Co., Ltd.             | 5,000,000.00         |                        |                        | 5,000,000.00         | 0.0972%                             | -                            |
| Sichuan Hongyun New Investment Fund | 2,000,000.00         | 14,000,000.00          |                        | 26,000,000.00        | 16.00%                              |                              |
| <b>Total</b>                        | <b>17,000,000.00</b> | <b>14,000,000.00</b>   |                        | <b>31,000,000.00</b> |                                     | <b>-</b>                     |

#### (3) No impairment reserve of finance asset available for sales at period-end.

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, RMB for record in the Statement)

### 12. Long-term equity investment

| Invested Unit                                       | Balance at year-begin | Change in the period  |               |   |                                       |                         |  |                          |       | Balance at period-end | Impairment reserve balance at period-end |
|---|-----------------------|-----------------------|---------------|---|---------------------------------------|-------------------------|--|--------------------------|-------|-----------------------|--|
|   |                       | Additional investment | Disinvestment | Investment profit and loss confirmed by equity method | Other comprehensive income adjustment | Other changes of equity | Declaration of cash dividends or profits | Provision for impairment | Other |                       |  |
| <b>Associated companies</b>                         |                       |                       |               |   |                                       |                         |  |                          |       |                       |  |
| 1. ChanghongRuba Electric Company(Private)Ltd.      | 29,314,674.36         |                       |               | 720,850.57  | -921,916.41                           |                         |  |                          |       | 29,113,608.52         |  |
| 2. Hefei Xingmei Assets Management Co., Ltd.        | 12,394,800.39         |                       |               | -512,602.26   |                                       |                         |  |                          |       | 11,882,198.13         |  |
| 3. Sichuan Zhiyijia Network Technology Co., Ltd.    | 9,380,373.67          |                       |               | -2,236,489.97   |                                       |                         |  |                          |       | 7,143,883.70          |  |
| 4. Hengyuan Dineng Rebao Technology Company Limited | 22,771,065.45         |                       |               | -41,337.05  |                                       |                         |  |                          |       | 22,729,728.40         |  |
| 5. Sichuan Tianyou Guigu Technology Co., Ltd.       | 7,782,717.50          |                       |               | 971,714.68  |                                       |                         |  |                          |       | 8,754,432.18          |  |
| 6. Chengdu Guigu Environment Technology Co., Ltd.   |                       | 12,500,000.00         |               | -1,876,105.23   |                                       |                         |  |                          |       | 10,623,894.77         |  |
| <b>Total</b>  | <b>81,643,631.37</b>  | <b>12,500,000.00</b>  |               | <b>-2,973,969.26</b>                                  | <b>-921,916.41</b>                    |                         |  |                          |       | <b>90,247,745.70</b>  |  |

Note: Chengdu Guigu Environment Technology Co., Ltd. established on 22 May 2013, and according to the equity transfer agreement and supplementary agreement signed between the Sichuan Changhong Air-conditioner Co., Ltd. and Sichuan Tianyou Guigu Technology Co., Ltd. dated 31 December 2016, the 25% equity of Chengdu Guigu Environment Technology Co., Ltd. are acquired by the Company with 12.5 million Yuan contributed on 31 March 2017

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, RMB for record in the Statement)

### 13. Investment properties

#### (1) Investment properties measured at costs

| Item   | Houses and buildings | Land use rights | Total         |
|--|----------------------|-----------------|---------------|
| <b>I. Original book value</b>                                    |                      |                 |               |
| 1. Balance at year-begin   | 23,142,172.83        | 916,691.38      | 24,058,864.21 |
| 2. Increased in the period                                       |                      |                 |               |
| 3. Decreased in the period                                       |                      |                 |               |
| 4. Balance at period-end   | 23,142,172.83        | 916,691.38      | 24,058,864.21 |
| <b>II. Accumulated depreciation and accumulated amortization</b> |                      |                 |               |
| 1. Balance at year-begin   | 10,328,434.76        | 454,798.05      | 10,783,232.81 |
| 2. Increased in the period                                       | 385,106.79           | 19,184.28       | 404,291.07    |
| (1) provision or amortization                                    | 385,106.79           | 19,184.28       | 404,291.07    |
| 3. Decreased in the period                                       |                      |                 |               |
| 4. Balance at period-end   | 10,713,541.55        | 473,982.33      | 11,187,523.88 |
| <b>III. Provision for impairment</b>                             |                      |                 |               |
| <b>IV. Book value</b>  |                      |                 |               |
| <b>1. Book value at period-end</b>                               | 12,428,631.28        | 442,709.05      | 12,871,340.33 |
| <b>2. Book value at year-begin</b>                               | 12,813,738.07        | 461,893.33      | 13,275,631.40 |

(2) No investment real estate measured by fair value at period-end.

(3) No particular about mortgage of investment property at period-end.

(4) No investment real estate having not completed the property right certificate at period-end.

### 14. Fixed assets

#### (1) Details of fixed assets

| Item                                      | Houses and buildings  | Mechanical equipment  | Transport equipment  | Others equipment      | Total                   |
|---|-----------------------|-----------------------|----------------------|-----------------------|-------------------------|
| <b>I. Original book value</b>             |                       |                       |                      |                       |                         |
| <b>1. Balance at year-begin</b>           | <b>904,218,907.77</b> | <b>985,418,849.90</b> | <b>24,269,870.93</b> | <b>173,600,487.55</b> | <b>2,087,508,116.15</b> |
| <b>2. Increased in the period</b>         | <b>11,505,120.83</b>  | <b>65,881,249.60</b>  | <b>2,414,923.37</b>  | <b>14,454,768.32</b>  | <b>94,256,062.12</b>    |
| (1) Purchase                              | 1,017,777.70          | 23,488,521.06         | 1,752,055.74         | 4,005,376.97          | 30,263,731.47           |
| (2) Construction in progress transfer-in  | 10,487,343.13         | 42,392,728.54         | 662,867.63           | 10,449,391.35         | 63,992,330.65           |
| (3) Inventory transfer-in                 |                       |                       |                      |                       | -                       |
| (4) Increase in exchange rate fluctuation |                       |                       |                      |                       | -                       |
| <b>3. Decreased in the period</b>         | <b>2,311,532.81</b>   | <b>53,784,188.91</b>  | <b>1,035,550.14</b>  | <b>22,819,027.46</b>  | <b>79,950,299.32</b>    |
| (1) dispose or retirement                 | 2,311,532.81          | 46,099,647.91         | 1,035,550.14         | 22,819,027.46         | 72,265,758.32           |
| (2) Construction in progress              | -                     | 7,684,541.00          | -                    | -                     | 7,684,541.00            |



## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless other wise specified, RMB for record in the Statement)

| Item                                     | Houses and buildings  | Mechanical equipment  | Transport equipment  | Others equipment      | Total                   |
|--|-----------------------|-----------------------|----------------------|-----------------------|-------------------------|
| transfer-in                              |                       |                       |                      |                       |                         |
| (3) other decrease                       | -                     | -                     | -                    | -                     | -                       |
| <b>4 Balance at period-end</b>           | <b>913,412,495.79</b> | <b>997,515,910.59</b> | <b>25,649,244.16</b> | <b>165,236,228.41</b> | <b>2,101,813,878.95</b> |
| <b>II Accumulated depreciation</b>       |                       |                       |                      |                       | -                       |
| <b>1 Balance at year-begin</b>           | <b>181,544,269.20</b> | <b>605,064,394.99</b> | <b>15,989,039.94</b> | <b>79,008,738.98</b>  | <b>881,606,443.11</b>   |
| <b>2 Increased in the period</b>         | <b>14,967,319.56</b>  | <b>40,878,868.73</b>  | <b>893,212.38</b>    | <b>7,814,416.44</b>   | <b>64,553,817.11</b>    |
| (1) provision                            | 14,967,319.56         | 40,878,868.73         | 893,212.38           | 7,814,416.44          | 64,553,817.11           |
| <b>3 Decreased in the period</b>         | <b>417,225.55</b>     | <b>40,937,661.52</b>  | <b>990,798.74</b>    | <b>18,350,809.90</b>  | <b>60,696,495.71</b>    |
| (1) dispose or retirement                | 417,225.55            | 39,381,369.90         | 990,798.74           | 18,350,809.90         | 59,140,204.09           |
| (2) Construction in progress transfer-in | -                     | 1,556,291.62          | -                    | -                     | 1,556,291.62            |
| (3) other decrease                       | -                     | -                     | -                    | -                     | -                       |
| <b>4 Balance at period-end</b>           | <b>196,094,363.21</b> | <b>605,005,602.20</b> | <b>15,891,453.58</b> | <b>68,472,345.52</b>  | <b>885,463,764.51</b>   |
| <b>III Provision for impairment</b>      |                       |                       |                      |                       | -                       |
| <b>1 Balance at year-begin</b>           | -                     | <b>1,601,411.95</b>   | <b>7,403.67</b>      | <b>199,687.70</b>     | <b>1,808,503.32</b>     |
| <b>2 Increased in the period</b>         |                       |                       |                      |                       | -                       |
| <b>3 Decreased in the period</b>         |                       |                       |                      |                       | -                       |
| (1) dispose or retirement                |                       |                       |                      |                       | -                       |
| <b>4 Balance at period-end</b>           | -                     | <b>1,601,411.95</b>   | <b>7,403.67</b>      | <b>199,687.70</b>     | <b>1,808,503.32</b>     |
| <b>IV. Book value</b>                    |                       |                       |                      |                       | -                       |
| <b>1 Book value at period-end</b>        | <b>717,318,132.58</b> | <b>390,908,896.44</b> | <b>9,750,386.91</b>  | <b>96,564,195.19</b>  | <b>1,214,541,611.12</b> |
| <b>2 Book value at year-begin</b>        | <b>722,674,638.57</b> | <b>378,753,042.96</b> | <b>8,273,427.32</b>  | <b>94,392,060.87</b>  | <b>1,204,093,169.72</b> |

The new fixed assets in the period mainly due to the transfer-in of construction in progress, and disposal of fixed assets in the period makes the decrease of fixed assets

- (2) No fixed assets temporary idle at period-end.
- (3) No fixed assets for collateral at period-end.
- (4) No fixed assets leased through operating lease at period-end.
- (5) No fixed assets leased through operating lease at period-end.

| Items                 | Original book value | Accumulated depreciation | Depreciation provision | Net book value |
|-----------------------|---------------------|--------------------------|------------------------|----------------|
| Mechanical equipment  | 1,750,124.70        | 212,108.29               | -                      | 1,538,016.41   |
| Transport equipment   | 197,640.00          | 187,758.00               | -                      | 9,882.00       |
| Building construction | 32,626,483.29       | 7,399,519.29             | -                      | 25,226,964.00  |
| Others equipment      | 15,214,412.00       | 2,097,531.77             | -                      | 13,116,880.23  |

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless other wise specified, RMB for record in the Statement)

|              |                      |                     |          |                      |
|--------------|----------------------|---------------------|----------|----------------------|
| <b>Total</b> | <b>49,788,659.99</b> | <b>9,896,917.35</b> | <b>-</b> | <b>39,891,742.64</b> |
|--------------|----------------------|---------------------|----------|----------------------|

### (6) Fixed assets without property certificate

| Item  | Book value           | Reason of not complete the property certificate |
|---|----------------------|---|
| II canteen of living area                                     | 25,910,795.15        | In procedure                                    |
| 6# building for cadremen                                      | 8,930,447.86         | In procedure                                    |
| 7# building for cadremen                                      | 8,215,215.45         | In procedure                                    |
| 4# makeshift shelter (dormitory building transfer to capital) | 6,651,069.97         | In procedure                                    |
| 3# makeshift shelter  | 5,689,907.18         | In procedure                                    |
| 8# makeshift shelter  | 5,178,824.74         | In procedure                                    |
| 5# makeshift shelter  | 5,140,247.60         | In procedure                                    |
| Canteen   | 2,716,313.94         | In procedure                                    |
| <b>Total</b>  | <b>68,432,821.89</b> |   |

(7) No fixed assets ready for sale at period-end.

## 15. Construction in progress

### (1) Details of construction in progress

| Item  | Amount at period-end |                      | Amount at year-begin |               |                      |               |
|---|----------------------|----------------------|----------------------|---------------|----------------------|---------------|
|   | Book balance         | Impairment provision | Book value           | Book balance  | Impairment provision | Book value    |
| Relocation and capacity expansion project of Zhongke Meiling                                | 83,304,597.68        |                      | 83,304,597.68        | 60,889,270.95 |                      | 60,889,270.95 |
| Construction of intelligent manufacturing   | 23,126,522.82        |                      | 23,126,522.82        | 12,785,053.55 |                      | 12,785,053.55 |
| Leasing project in college  | 7,072,430.40         |                      | 7,072,430.40         | 5,631,371.46  |                      | 5,631,371.46  |
| Reform of the box shell molding in Jiangxi  | 4,654,700.80         |                      | 4,654,700.80         |               |                      |               |
| Equipments pending for installation   | 4,278,102.62         |                      | 4,278,102.62         | 3,490,730.72  |                      | 3,490,730.72  |
| Production reform of J line big refrigeration   | 3,190,119.66         |                      | 3,190,119.66         |               |                      |               |
| 28 station box foam line  | 3,072,649.63         |                      | 3,072,649.63         |               |                      |               |
| Jiangmei door foam line   | 2,256,410.28         |                      | 2,256,410.28         |               |                      |               |
| Door shell molding extruder of Jiangxi Meiling  | 1,897,435.90         |                      | 1,897,435.90         |               |                      |               |
| Reform of line R290   | 1,769,230.77         |                      | 1,769,230.77         | 4,031,885.46  |                      | 4,031,885.46  |
| Upgrading and reform of the production line of intelligent refrigerator of Mianyang Meiling | 1,496,635.61         |                      | 1,496,635.61         | 11,190,008.45 |                      | 11,190,008.45 |

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, RMB for record in the Statement)

| Item  | Amount at period-end |                      |                | Amount at year-begin |                      |                |
|---|----------------------|----------------------|----------------|----------------------|----------------------|----------------|
|   | Book balance         | Impairment provision | Book value     | Book balance         | Impairment provision | Book value     |
| Construction of the lab test center building and experiment ability               | 1,051,340.78         |                      | 1,051,340.78   |                      |                      |                |
| Squeeze board line of Jiangxi Meiling   | 979,843.89           |                      | 979,843.89     | 593,777.99           |                      | 593,777.99     |
| Cold perfusion system of Jiangxi Meiling  | 773,504.23           |                      | 773,504.23     |                      |                      |                |
| Liner punch line of Jiangxi Meiling   | 721,794.87           |                      | 721,794.87     |                      |                      |                |
| Domestic web depart. Of Jiangxi Meiling   | 589,743.59           |                      | 589,743.59     |                      |                      |                |
| Central air conditioning relocation and Capacity Upgrading Project                |                      |                      | -              | 1,124,429.99         |                      | 1,124,429.99   |
| KA line   |                      |                      | -              | 792,136.75           |                      | 792,136.75     |
| 2nd phase construction of the fitting life zone in new industrial park of Meiling |                      |                      | -              | 165,000.00           |                      | 165,000.00     |
| Comprehensive promotion of non shrink tube expander                               |                      |                      | -              | 87,220.00            |                      | 87,220.00      |
| Other miscellaneous items   | 8,391,347.64         |                      | 8,391,347.64   | 6,256,524.63         |                      | 6,256,524.63   |
| <b>Total</b>  | 148,626,411.17       | -                    | 148,626,411.17 | 107,037,409.95       | -                    | 107,037,409.95 |

### (2) Changes in significant construction in progress

| Projects  | Book balance at year-begin | Increase during the period | Transfer to fixed assets in the period | Other decrease | Book balance at period-end | Source of funds |
|---|----------------------------|----------------------------|--|----------------|----------------------------|-----------------|
| Relocation and capacity expansion project of Zhongke Meiling                                | 60,889,270.95              | 22,453,788.27              | 38,461.54                              | -              | 83,304,597.68              | Self-raised     |
| Intelligent manufacturing project   | 12,785,053.55              | 17,751,938.34              | 7,410,469.07                           | -              | 23,126,522.82              | Raise funds     |
| Upgrading and reform of the production line of intelligent refrigerator of Mianyang Meiling | 11,190,008.45              | 22,846,920.68              | 32,540,293.52                          | -              | 1,496,635.61               | Self-raised     |

(Continued)

| Projects   | Budget (in 10 thousand Yuan) | Proportion of project investment in budget | Progress | Accumulated amount of interest capitalization | including: interest capitalized amount of the period | Interest capitalization rate of the period |
|--|------------------------------|--|----------|---|--|--|
| Relocation and capacity expansion project of Zhongke Meiling | 16,512.00                    | 96.00%                                     | 96.00%   |   |  |  |
| Intelligent manufacturing project                            | 26,128.00                    | 13.81%                                     | 23.00%   |   |  |  |

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless other wise specified, RMB for record in the Statement)

|   |          |        |        |  |  |  |
|---|----------|--------|--------|--|--|--|
| Upgrading and reform of the production line of intelligent refrigerator of Mianyang Meiling | 4,792.00 | 71.03% | 90.00% |  |  |  |
|---|----------|--------|--------|--|--|--|

(3) No depreciation reserves for construction in process at year-end.

### 16. Disposal of fixed assets

| Item  | Amount at period-end | Amount at year-begin | Reasons for disposal transferred |
|---|----------------------|----------------------|----------------------------------|
| Relevant assets disposal for reserved lands | 75,846,390.89        | 75,788,138.47        | Relocation for land reserve      |

Pursuant to the urban planning requirements of the People's Government of Hefei city, Hefei Land Reserve Center plans to purchase and store the land use right of an integrated economic development zone of the Company located at Longgang of Hefei with an area of 103,978.9 sq.m. (Approximately 155.9684 mu, Land Use Right Certificate No.: Dong Guo Yong (2004) Zi No. 0200, the stated use of the land is for industrial purpose). The estimated consideration for purchasing and storage is RMB74.48 million. The land is mainly used for the Company's warehouse, product finishing workshop and the factory of Zhongke Meiling. Pursuant to the purchasing and storage requirements of land use right, the land will be purchased and stored with vacant possession. In April 2013, the Company completed the relocation of occupants of the premises, and the net fixed assets in relation to the land will transfer as disposal, accounting treatment will be conduct in line with relevant rules upon receiving of the relocation compensation.

Pursuant to the urban planning requirements of Hefei Municipal Government and the Government of Feidong county, the land reserve center of Feidong county will purchase and store the land use right of an economic development zone located at Feidong county, Hefei city, which is owned by the Company's subordinate companies, Equator Electric and Equator Home Appliance, respectively, with an area of 19,245.09 sq.m. (Approximately 28.87 mu, Land Use Right Certificate No.: Dong Guo Yong (2008) No. 0366, the stated use of the land is for industrial purpose) and an area of 46,161.9 sq.m. (Approximately 69.24 mu, Land Use Right Certificate No.: Dong Guo Yong (2008) No. 0367, the stated use of the land is for industrial purpose). The total consideration for purchasing and storage is approximately RMB36 million, of which the consideration for the land use right owned by Equator Electric and Equator Home Appliance is approximately RMB10.59 million and RMB25.41 million, respectively. The Company has completed the relocation of occupants of the premises, and the net fixed assets in relation to the land will transfer as disposal, accounting treatment will be conduct in line with relevant rules upon receiving of the relocation compensation.

No impairment of relevant assets disposal for reserved lands at period-end.

### 17. Intangible assets

(1) According to intangible assets item

| Item | Land use right | Trademark special right | Non-patent technology | Other | Total |
|------|----------------|-------------------------|-----------------------|-------|-------|
|------|----------------|-------------------------|-----------------------|-------|-------|

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless other wise specified, RMB for record in the Statement)

| Item                                 | Land use right | Trademark special right | Non-patent technology | Other      | Total            |
|--------------------------------------|----------------|-------------------------|-----------------------|------------|------------------|
| <b>I. Original book value</b>        |                |                         |                       |            |                  |
| 1. Balance at year-begin             | 613,696,837.62 | 283,292,439.34          | 195,407,299.78        | 161,699.32 | 1,092,558,276.06 |
| 2. Increased in the period           | -              | -                       | 17,766,418.25         | 179,245.29 | 17,945,663.54    |
| (1) purchase                         | -              | -                       | -                     | 179,245.29 | 179,245.29       |
| (2) Internal research                | -              | -                       | 17,766,418.25         | -          | 17,766,418.25    |
| 3. Decreased in the period           | -              | -                       | -                     | -          | -                |
| (1) Disposal                         | -              | -                       | -                     | -          | -                |
| (2) other decrease                   | -              | -                       | -                     | -          | -                |
| 4. Balance period-end                | 613,696,837.62 | 283,292,439.34          | 213,173,718.03        | 340,944.61 | 1,110,503,939.60 |
| <b>II. Accumulated depreciation</b>  |                |                         |                       |            | -                |
| 1. Balance at year-begin             | 116,684,176.11 | 270,959,304.29          | 90,912,770.61         | 32,753.42  | 478,589,004.43   |
| 2. Increased in the period           | 6,549,112.52   | 1,941,443.40            | 18,084,625.99         | 19,157.36  | 26,594,339.27    |
| (1) provision                        | 6,549,112.52   | 1,941,443.40            | 18,084,625.99         | 19,157.36  | 26,594,339.27    |
| 3. Decreased in the period           | -              | -                       | -                     | -          | -                |
| (1) other decrease                   | -              | -                       | -                     | -          | -                |
| 4. Balance period-end                | 123,233,288.63 | 272,900,747.69          | 108,997,396.60        | 51,910.78  | 505,183,343.70   |
| <b>III. Provision for impairment</b> |                |                         |                       |            | -                |
| <b>IV. Book value</b>                |                |                         |                       |            | -                |
| 1. Book value at period-end          | 490,463,548.99 | 10,391,691.65           | 104,176,321.43        | 289,033.83 | 605,320,595.90   |
| 2. Book value at year-begin          | 497,012,661.51 | 12,333,135.05           | 104,494,529.17        | 128,945.90 | 613,969,271.63   |

(2) As of the end of the period, mortgage of intangible assets is as follows:

| Name           | Property certificate serials | Area(M <sup>2</sup> ) | Net book value | Note |
|----------------|------------------------------|-----------------------|----------------|------|
| Land use right | HGYJCZi No.: 0121            | 27,120.22             | 19,827,456.74  |      |

### 18. Development expense

| Item                                       | Balance at year-begin | Increase during the period       |       | Decrease during the period             |                                |       | Balance at period-end |
|--|-----------------------|----------------------------------|-------|--|--------------------------------|-------|-----------------------|
|  |                       | Internal development expenditure | Other | Included in current profits and losses | Confirmed as intangible assets | Other |                       |
| Technology development for Air-conditioner | 30,878,434.47         | 41,688,995.69                    | -     | -                                      | 4,534,710.78                   | -     | 68,032,719.38         |

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless other wise specified, RMB for record in the Statement)

|   |                      |                      |          |          |                      |                      |
|---|----------------------|----------------------|----------|----------|----------------------|----------------------|
| Technology development for refrigerator | 12,797,092.26        | 3,915,239.55         | -        | -        | 13,231,707.47        | 3,480,624.34         |
| Other technology development            | 1,348,223.87         | 1,099,654.74         | -        | -        | -                    | 2,447,878.61         |
| <b>Total</b>                            | <b>45,023,750.60</b> | <b>46,703,889.98</b> | <b>-</b> | <b>-</b> | <b>17,766,418.25</b> | <b>73,961,222.33</b> |

### 19. Goodwill

#### (1) Original value of goodwill

| Name of invested unit                        | Balance at year-begin | Increase during the period       |       | Decrease during the period       |       | Balance at period-end |
|--|-----------------------|----------------------------------|-------|----------------------------------|-------|-----------------------|
|  |                       | Formation from enterprise merger | Other | Formation from enterprise merger | Other |                       |
| Hefei Meiling Group Holding Co., Ltd.        | 3,553,367.77          |                                  |       |                                  |       | 3,553,367.77          |
| Guangxi Huidian Household Electrics Co., Ltd | 5,313,913.50          |                                  |       |                                  |       | 5,313,913.50          |
| <b>Total</b>                                 | <b>8,867,281.27</b>   |                                  |       |                                  |       | <b>8,867,281.27</b>   |

#### (2) Impairment provision of goodwill

| Name of invested unit                        | Balance at year-begin | Increase during the period |       | Decrease during the period |       | Balance at period-end |
|--|-----------------------|----------------------------|-------|----------------------------|-------|-----------------------|
|  |                       | Provision                  | Other | Provision                  | Other |                       |
| Hefei Meiling Group Holding Co., Ltd.        | 3,553,367.77          |                            |       |                            |       | 3,553,367.77          |
| Guangxi Huidian Household Electrics Co., Ltd | 5,313,913.50          |                            |       |                            |       | 5,313,913.50          |
| <b>Total</b>                                 | <b>8,867,281.27</b>   |                            |       |                            |       | <b>8,867,281.27</b>   |

Note: at the period end, the Company conducted impairment test on goodwill, and provided for impairment reserve in connection with the difference between the predicted future cash flow of the investee and the group of assets including the goodwill. The recoverable amount is based on the predicted future cash flow of the investee.

### 20. Long-term deferred expenses

| Item   | Balance at year-begin | Increase during the period | Amortization during the period | Other increase during the period | Balance at period-end |
|--|-----------------------|----------------------------|--------------------------------|----------------------------------|-----------------------|
| Relocation expenses of the intelligent manufacturing plant | 1,132,075.48          | 1,546,289.16               | 95,258.41                      | -                                | 2,583,106.23          |

### 21. Deferred income tax assets and deferred income tax liabilities

#### (1) Deferred income tax assets without the offset

| Item | Balance at period-end           |                            | Balance at year-begin           |                            |
|------|---------------------------------|----------------------------|---------------------------------|----------------------------|
|      | Deductible temporary difference | Deferred income tax assets | Deductible temporary difference | Deferred income tax assets |

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, RMB for record in the Statement)

| Item   | Balance at period-end           |                            | Balance at year-begin           |                            |
|--|---------------------------------|----------------------------|---------------------------------|----------------------------|
|  | Deductible temporary difference | Deferred income tax assets | Deductible temporary difference | Deferred income tax assets |
| Deferred income tax assets recognized from property depreciation preparation | 140,671,711.72                  | 21,466,063.56              | 107,230,307.69                  | 16,454,229.77              |
| Deferred income tax assets recognized from accrual liability                 | 328,801,716.59                  | 49,320,257.49              | 331,575,430.79                  | 49,736,314.62              |
| Deferred income tax assets recognized from dismissal welfare                 | 32,119,825.09                   | 4,817,973.76               | 35,517,365.78                   | 5,327,604.87               |
| Deferred income tax assets recognized from deferred income                   | 68,179,831.33                   | 10,252,327.40              | 82,260,654.75                   | 12,339,098.21              |
| Deferred income tax assets recognized from ir-reparable losses               | 1,268,504.84                    | 317,126.21                 | 1,293,875.10                    | 323,468.74                 |
| Deferred income tax assets recognized from changes in the fair value         | 8,881,394.08                    | 1,332,209.11               | 559,249.58                      | 83,887.44                  |
| <b>Total</b>   | <b>579,922,983.65</b>           | <b>87,505,957.53</b>       | <b>558,436,883.69</b>           | <b>84,264,603.65</b>       |

### (2) Deferred income tax liabilities without the offset

| Item  | Balance at period-end           |                            | Balance at year-begin           |                            |
|---|---------------------------------|----------------------------|---------------------------------|----------------------------|
|   | Deductible temporary difference | Deferred income tax assets | Deductible temporary difference | Deferred income tax assets |
| Deferred income tax liabilities recognized from changes in the fair value | 10,023,272.50                   | 1,503,490.88               | 12,060,213.30                   | 1,809,032.00               |

### (3) Deferred income tax assets or liabilities listed after set-off

| Item                            | Inter-neutralization at period-end | Ending balance after set-off | Inter-neutralization at year-begin | Opening balance after set-off |
|---------------------------------|------------------------------------|------------------------------|------------------------------------|-------------------------------|
| Deferred income tax assets      |                                    | 87,505,957.53                |                                    | 84,264,603.65                 |
| Deferred income tax liabilities |                                    | 1,503,490.88                 |                                    | 1,809,032.00                  |

### (4) Details of unrecognized deferred income tax assets

| Item                            | Balance at period-end | Balance at year-begin |
|---------------------------------|-----------------------|-----------------------|
| Deductible temporary difference | 36,196,248.37         | 26,140,372.22         |
| Deductible loss                 | 241,612,758.47        | 373,985,517.42        |
| <b>Total</b>                    | <b>277,809,006.84</b> | <b>400,125,889.64</b> |

## 22. Other non-current assets

| Item                    | Balance at period-end | Balance at year-begin |
|-------------------------|-----------------------|-----------------------|
| Term deposit for pledge | -                     | 34,615,630.00         |

Note: This project is the three-year term fixed deposit that the subsidiary Zhongshan Changhong has deposited at Guangdong Development Bank Zhongshan Branch for getting the bank's long-term loan. The deposit amount is US \$ 4,990,000 dollars, part will expire in 2017 and reclassify to this project.

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, RMB for record in the Statement)

### 23. Short-term loans

#### (1) Types of short-term loans

| 2. Type of loans | Balance at period-end   | Balance at year-begin |
|------------------|-------------------------|-----------------------|
| Loan in pledge   | 26,500,000.00           | 26,500,000.00         |
| Loan in credit   | 1,406,122,701.07        | 261,843,724.73        |
| <b>Total</b>     | <b>1,432,622,701.07</b> | <b>288,343,724.73</b> |

#### New loans in the period:

The Company signed the Agreement on Comprehensive Credit Line of Trade Financing with China Everbright Bank Hefei Branch. Up to June 30, 2017, the financing amount under this service agreement was USD 39,800,000.00, equivalent to RMB 269,621,120.00.

The Company signed the Agreement on Trade Financing Business Service with Agricultural Bank of China Co., Ltd., Hefei Jinzhai Road Sub-branch, up to June 30, 2017, the financing amount under this service agreement was EUR 10,005,959.80, equivalent to RMB 77,542,186.07, and the financing period was from April 1, 2017 to August 22, 2017.

The Company signed the Agreement on Financing Business Cooperation of Export Commercial Invoice with China Construction Bank Co., Ltd., Hefei Luyang Sub-branch, up to June 30, 2017, the financing amount under this service agreement was EUR 10,000,000.00, equivalent to RMB 77,496,000.00.

The Company signed the Agreement on Financing of Export Commercial Invoice with Bank of China Co., Ltd. Hefei Economic Development Zone Branch, up to June 30, 2017, the financing amount under this service agreement was RMB 5,770,000.00, and the financing period was from June 30, 2017 to December 11, 2017.

The Company signed the Agreement on Financing of Export Order with Industrial and Commercial Bank of China Co., Ltd., Hefei Changjiang East Road Sub-branch, up to June 30, 2017, the financing amount under this service agreement was RMB 107,000,000.00.

The Company signed the Contract of Working Capital Loan with Agricultural Bank of China Co., Ltd., Hefei Jinzhai Road Sub-branch, up to June 30, 2017, the financing amount under this service agreement was RMB 50,000,000.00, and the financing period was from June 12, 2017 to June 11, 2018.

The Company signed the Contract of Ren Min Bi Working Capital Loans with China Construction Bank Co., Ltd., Hefei Luyang Sub-branch, up to June 30, 2017, the financing amount under this service agreement was RMB 200,000,000.00, and the financing period was from March 1, 2017 to February 28, 2018.

The Company signed the Contract of Working Capital Loan with Bank of Communications Co., Ltd. Anhui Branch, up to June 30, 2017, the financing amount under this service agreement was RMB



## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, RMB for record in the Statement)

268,483,395.00.

The Company signed the Trade Credit Financing Letter with United Overseas Bank, Chengdu Branch, up to June 30, 2017, the financing amount under this service agreement was RMB 100,000,000.00, and the financing period was from June 20, 2017 to December 20, 2017.

The Company signed the Agreement on Trade Financing with China Minsheng Bank, Hefei Branch, up to June 30, 2017, the financing amount under this service agreement was RMB 195,000,000.00.

The subsidiary Zhongke Meiling signed the Contract of Working Capital Loan with Bank of China, Anhui Branch on June 26, 2017, the loan amount on the contract was RMB 9,200,000.00 and the loan term was from June 27, 2017 to June 26, 2018, the loan adopted floating interest rate, every 12 months was a floating cycle; the interest rate was the average interest rate floating by 92 base points based on the loan prime rate of one working day before the actual withdrawal date published by National Interbank Funding Center.

On March 29, 2021, Zhongshan Changhong Company applied for the financing of EUR 5,500,000.00 to China Construction Bank Co., Ltd. Zhongshan Branch by export commodity financing, equivalent to RMB 42,622,800.00, the financing interest rate was 1.4%, and the financing period was from March 29, 2017 to September 22, 2017.

On June 30, 2017, the subsidiary Zhongshan Changhong Company applied for the financing of USD 500,000.00 to Huaxia Bank Co., Ltd. Zhongshan Branch by export commodity financing, equivalent to RMB 3,387,200.00, the financing interest rate was 2.9%, and the financing period was from June 30, 2017 to July 28, 2017.

On September 13, 2016, the subsidiary Zhongshan Changhong Company applied for financing of RMB26,500,000.00 from Agricultural Bank of China Co., Ltd., Zhongshan Nantou Sub-branch by export commodity financing, the financing interest rate was 3.15%, and the financing period was from September 13, 2016 to September 8, 2017.

(2) No overdue short term borrowings unredeemed at period-end.

### 24. Financial liabilities at fair value through gains and losses

| Item                             | Balance at period-end | Balance at year-begin |
|----------------------------------|-----------------------|-----------------------|
| Derivative financial liabilities | 9,671,394.08          | 559,249.58            |

### 25. Notes payable

| Type                       | Balance at period-end   | Balance at year-begin   |
|----------------------------|-------------------------|-------------------------|
| Bank acceptance bill       | 4,151,427,967.62        | 2,315,706,781.72        |
| Commercial acceptance bill | 422,430,013.95          | 319,344,958.58          |
| <b>Total</b>               | <b>4,573,857,981.57</b> | <b>2,635,051,740.30</b> |

Notes expired at period-end without paid.

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, RMB for record in the Statement)

### 26. Account payable

#### (1) Age of account payable

| Item                   | Balance at period-end   | Balance at year-begin   |
|------------------------|-------------------------|-------------------------|
| <b>Total</b>           | <b>3,168,053,679.32</b> | <b>2,331,899,310.82</b> |
| Including: over 1 year | 68,509,996.79           | 47,332,805.86           |

(2) No account payable with over one year book age at period-end.

### 27. Advance payment

#### (1) Age of advance payment

| Item                   | Amount at period-end  | Amount at year-begin  |
|------------------------|-----------------------|-----------------------|
| <b>Total</b>           | <b>472,573,801.58</b> | <b>390,935,440.46</b> |
| Including: over 1 year | 18,267,405.69         | 13,605,202.15         |

(2) No major account received in advance with over one year age at period-end

### 28. Wages payable

#### (1) Types of wages payable

| Item  | Balance at year-begin | Increase in this period | Decrease in this period | Balance at period-end |
|---|-----------------------|-------------------------|-------------------------|-----------------------|
| Short-term compensation                           | 178,822,854.81        | 583,841,841.44          | 677,554,930.79          | 85,109,765.46         |
| After-service welfare- defined contribution plans | 4,948,222.26          | 47,830,929.91           | 38,416,264.80           | 14,362,887.37         |
| Dismiss welfare                                   | 5,820,961.93          | 1,652,300.02            | 3,414,853.22            | 4,058,408.73          |
| <b>Total</b>                                      | <b>189,592,039.00</b> | <b>633,325,071.37</b>   | <b>719,386,048.81</b>   | <b>103,531,061.56</b> |

#### (2) Short-term compensation

| Item  | Balance at year-begin | Increase in this period | Decrease in this period | Balance at period-end |
|---|-----------------------|-------------------------|-------------------------|-----------------------|
| Wages, bonuses, allowances and subsidies                | 146,971,903.13        | 519,315,260.52          | 589,643,902.20          | 76,643,261.45         |
| Welfare for workers and staff                           | 100,340.00            | 19,747,658.74           | 19,740,043.13           | 107,955.61            |
| Social insurance  | 2,498,982.71          | 20,788,123.40           | 20,539,250.66           | 2,747,855.45          |
| Including: Medical insurance                            | 2,345,425.78          | 17,580,484.43           | 17,548,178.68           | 2,377,731.53          |
| Work injury insurance                                   | 47,092.65             | 1,618,690.35            | 1,577,678.15            | 88,104.85             |
| Maternity insurance                                     | 106,464.28            | 1,588,948.62            | 1,413,393.83            | 282,019.07            |
| Housing accumulation fund                               | 3,326,804.54          | 22,868,732.94           | 22,374,622.48           | 3,820,915.00          |
| Labor union expenditure and personnel education expense | 1,742,673.51          | 1,122,065.84            | 1,074,961.40            | 1,789,777.95          |
| Short-term profit sharing plan                          | 24,182,150.92         | -                       | 24,182,150.92           | -                     |
| <b>Total</b>  | <b>178,822,854.81</b> | <b>604,629,964.84</b>   | <b>698,094,181.45</b>   | <b>87,857,620.91</b>  |

#### (3) Defined contribution plans

| Item | Balance at year-begin | Increase in this period | Decrease in this period | Balance at period-end |
|------|-----------------------|-------------------------|-------------------------|-----------------------|
|------|-----------------------|-------------------------|-------------------------|-----------------------|

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless other wise specified, RMB for record in the Statement)

| Item                      | Balance at year-begin | Increase in this period | Decrease in this period | Balance at period-end |
|---------------------------|-----------------------|-------------------------|-------------------------|-----------------------|
| Basic endowment insurance | 3,867,272.79          | 45,384,484.37           | 36,077,525.26           | 13,174,231.90         |
| Unemployment insurance    | 1,080,949.47          | 2,446,445.54            | 2,338,739.54            | 1,188,655.47          |
| <b>Total</b>              | <b>4,948,222.26</b>   | <b>47,830,929.91</b>    | <b>38,416,264.80</b>    | <b>14,362,887.37</b>  |

### 29. Tax payable

| Item   | Balance at period-end | Balance at year-begin |
|--|-----------------------|-----------------------|
| Value-added tax  | 39,161,576.95         | 19,079,499.27         |
| Enterprise income tax                                      | 2,902,240.90          | 3,423,898.42          |
| Individual income tax                                      | 7,340,175.56          | 3,205,739.98          |
| Urban maintenance and construction tax                     | 2,726,475.63          | 3,302,546.79          |
| House property tax   | 5,010,184.86          | 5,593,587.71          |
| Land-use right tax   | 4,603,515.26          | 4,802,263.59          |
| Educational surtax   | 1,964,898.41          | 2,428,555.60          |
| Stamp tax  | 904,624.34            | 2,944,485.06          |
| Construction fund of Water Conservancy Projects            | 621,024.81            | 745,069.75            |
| Treatment fund for abandon electric & electronics products | 18,173,836.00         | 12,328,067.00         |
| Other  | 1,968,457.01          | 1,995,318.96          |
| <b>Total</b>   | <b>85,377,009.73</b>  | <b>59,849,032.13</b>  |

### 30. Interest payable

#### (1) Classification of interest payable

| Item   | Balance at period-end | Balance at year-begin |
|--|-----------------------|-----------------------|
| Interest on long-term loans for repayment of principal of installment maturity | 708,602.61            | 1,617,352.01          |

(2) No significant overdue and unpaid interest at period-end.

### 31. Dividends payable

| Item   | Balance at period-end | Balance at year-begin |
|--|-----------------------|-----------------------|
| Sichuan Changhong Electric Co., Ltd.           | 14,082,358.08         | -                     |
| City insurance company                         | 450,504.45            | 376,729.65            |
| Hefei Branch of BOC                            | 225,252.20            | 188,364.80            |
| Hefei collective industry association          | 225,251.86            | 188,364.52            |
| Entrust Investment Wuhu of Provincial ABC      | 180,201.78            | 150,691.86            |
| BOC-Fullgoal Tianyi Securities Investment Fund | 153,697.50            | 153,697.50            |
| Other piecemeal units                          | 1,655,457.01          | 1,487,952.90          |
| <b>Total</b>                                   | <b>16,972,722.88</b>  | <b>2,545,801.23</b>   |

Note: Balance at period-end refers to the common dividends that not receiving by shareholders.

### 32. Other payable

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless other wise specified, RMB for record in the Statement)

### (1) Classification of other payable according to nature of account

| Nature of account   | Balance at period-end | Balance at year-begin |
|---|-----------------------|-----------------------|
| 1.Accrued expenses(expenses occurred without reimbursed)      | 635,158,520.52        | 479,907,162.28        |
| 2. receivables received temporary and deducted temporary      | 13,736,245.44         | 7,725,476.68          |
| 3.deposit, margin   | 94,875,963.37         | 88,308,204.63         |
| 4.not the come-and-go with related parties in statement scope | 28,054,566.50         | 12,959,890.54         |
| 5.other   | 40,945,232.23         | 33,679,589.30         |
| <b>Total</b>  | <b>812,770,528.06</b> | <b>622,580,323.43</b> |

(2) Other significant payables aging over one year as at the period-end mainly refers to the procurement deposit.

### 33. Non-current liability due within one year

#### (1) Classification of non-current liability due within one year

| Item   | Balance at period-end | Balance at year-begin |
|--|-----------------------|-----------------------|
| Long term loans due within one year                          | 46,202,065.60         | 262,486,600.00        |
| Deferred income transfer to gains and losses within one year | 13,516,439.17         | 9,715,990.10          |
| <b>Total</b>   | <b>59,718,504.77</b>  | <b>272,202,590.10</b> |

#### (2) Deferred income transfer into profit and loss within 1 year

| Item of government subsidies  | Amount at year-begin | Subsidy increase during this period | Amount reckoned into non-operation revenue in the period | Other changes        | Amount at period-end |
|---|----------------------|-------------------------------------|--|----------------------|----------------------|
| Demolition compensation of Hefei Meiling  | 2,425,513.16         | 1,204,791.70                        | 1,188,519.14   | 2,409,240.60         | Assets-related       |
| Technical reform for Athena Project   | 4,286,250.00         | 2,143,125.00                        | 2,143,125.00   | 4,286,250.00         | Assets-related       |
| Freezer project of Hefei Meiling  | 734,062.52           | 367,031.25                          | 367,031.21   | 734,062.48           | Assets-related       |
| Promotion of new industrialization (annual output of 0.6 million large and volume environmental protection energy-saving freezer project) | 304,412.50           | 152,206.24                          | 152,206.22   | 304,412.48           | Assets-related       |
| Demolition compensation of Jiangxi Meiling  | 1,797,880.32         | 898,940.16                          | 898,940.16   | 1,797,880.32         | Assets-related       |
| Production adaption project of FTXS   | 167,871.60           | 1,182,490.85                        | 3,379,600.93   | 2,364,981.68         | Assets-related       |
| Industrialization project of the intelligent energy-saving AC   |                      | 105,154.63                          | 315,463.91   | 210,309.28           | Assets-related       |
| VISA research and application project   |                      | 704,651.16                          | 2,113,953.49   | 1,409,302.33         | Assets-related       |
| <b>Total</b>  | <b>9,715,990.10</b>  | <b>6,758,390.99</b>                 | <b>10,558,840.06</b>                                     | <b>13,516,439.17</b> |                      |

### 34. Long-term loans

#### (1) Classification of long-term loans

| Type | Amount at period-end | Amount at year-begin |
|------|----------------------|----------------------|
|------|----------------------|----------------------|

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless other wise specified, RMB for record in the Statement)

| Type             | Amount at period-end  | Amount at year-begin |
|------------------|-----------------------|----------------------|
| Loan in pledge   | -                     | 34,157,788.00        |
| Loan in mortgage | 2,560,000.00          | 3,200,000.00         |
| Loan in credit   | 250,900,000.00        | 1,551,000.00         |
| <b>Total</b>     | <b>253,460,000.00</b> | <b>38,908,788.00</b> |

### (2) Details of long-term loans at year-end

| Loan unit   | Borrowing day | Returning day | Foreign currency | Interest rate | Amount at period-end (RMB) | Amount at year-begin (RMB) |
|---|---------------|---------------|------------------|---------------|----------------------------|----------------------------|
| Zhongshan Branch of China Guangfa Bank <sup>Note1</sup> | 2015-01-06    | 2018-01-06    | USD              | 3.20%         | -                          | 34,157,788.00              |
| Ministry of Finance of Hefei <sup>Note2</sup>           | 2002-11-21    | 2017-11-20    | RMB              | 1.80%         | -                          | 651,000.00                 |
| Ministry of Finance of Hefei <sup>Note3</sup>           | 2004-12-10    | 2019-12-10    | RMB              | 1.80%         | 900,000.00                 | 900,000.00                 |
| Ministry of Finance of Hefei <sup>Note4</sup>           | 2006-11-9     | 2021-11-8     | RMB              | 1.80%         | 2,560,000.00               | 3,200,000.00               |
| Anhui branch Import and Export Bank <sup>Note5</sup>    | 2017-05-16    | 2019-05-12    | RMB              | 3.35%         | 250,000,000.00             | -                          |
| <b>Total</b>  |               |               |                  |               | <b>253,460,000.00</b>      | <b>38,908,788.00</b>       |

Note 1: on 6 January 2015, subsidiary Zhongshan Changhong entered into Middle and Long Term Foreign Currency Borrowing Contract with China Guangfa Bank Zhongshan Branch, which agreed that China Guangfa Bank Zhongshan Branch would provide loans of USD 4,924,000.00 to the Company to finance the joint venture project conducted by Zhongshan Changhong Appliances Co., Ltd and RUBA GENERAL TRADING FZE Company in Pakistan. This borrowing was secured by Zhongshan Changhong with the fixed deposits of USD 86, 000.00 and USD 4, 904,000.00 saved by it in China Guangfa Bank Zhongshan Branch, respectively. And re-classified to non-current liability due within one year in the period

Note 2: on 1 November 2002, the Company entered into the Agreement Relating to Implementing Construction Projects through Lending Treasury Bond Funds with the finance office of Hefei, pursuant to which, the finance office of Hefei lent the treasure bonds or RMB7.16 million related to our “Technology Reform Project in relation to Nanometer Materials for Retaining Freshness” to our Company, with a terms of 15 years. The lent funds have begun to carry interest commencing from the date of appropriation of funds by the finance office of Hefei (namely 21 November 2002), and the Company shall pay the interests to the finance office of Hefei annually on an average basis during the lending period. The first four years of the loan is grace period. The interest rate per annum applicable to the lent funds is floating interest rate since 1999 (for interest rate per annum in respect of each batch of Treasury bond lending capital, it is determined by reference to one-year time deposit rate per annum on value date of the prevailing year as published by the PBOC, plus 0.3 percentage points). And re-classified to non-current liability due within one year in the period

Note 3: It was the special Treasury bond capital appropriated by Ministry of Finance of Hefei for

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless other wise specified, RMB for record in the Statement)

enterprises' information reform, received on Dec. 10th, 2004.

Note 4: In August of 2006, the Company signed Asset Mortgage Agreement with Ministry of Finance of Hefei. It takes five industry crusher chambers which cover an area of 2,322.98 square meters as mortgage for the Company to get the lending of treasury bond fund which has 15-year term and worthy of RMB 7,040,000 from the Ministry of Finance of Hefei. The capital on-lending began to bear interest from the appropriate date (November 9, 2006), which would be paid by stages in the loan period to Ministry of Finance of Hefei by the Company. The first four years were grace period, during which the annual interest rate was subject to floating interest rate (the annual interest rate was the annual interest rate of one year fixed deposit plus 0.3%). On 1 March 2013, according to the Letter Relating to Ceasing Process of Other Securities in respect of the Properties in Feidong Longgang Industrial Park of Hefei Meiling Co., Ltd. (HCJ(2006)No.85) issued by the finance office of Hefei, Meiling commenced the national purchase of its land parcels in Longgang in compliance with the land planning of Hefei municipal government, which required its properties in Longgang land parcel to be unrestricted. The real estate for mortgage lifted in 2006 of the Company with registration No. HGYJCZ No.0121 which was used as the security for treasury bonds lending capital (details were set out in Note VI-15).

Note 5: On May 12, 2017, the Company signed the Loan Contract (seller's credit on exports) with the Export-Import Bank Anhui Branch, the contract appointed Export-Import Bank Anhui Branch to offer loans of total amount of RMB 250 million to the Company, this loan should be exclusively used in the export of general mechanical and electrical products, the loan period is 2 years, and the interest rate is subject to the interest rate of the seller's credit on exports.

### 35. Long-term wage payable

| Item              | Balance at period-end | Balance at year-begin |
|-------------------|-----------------------|-----------------------|
| Dismissal welfare | 28,061,416.36         | 29,696,403.85         |

According to the internal early retirement policy, the long-term payable dismissal welfare bears by the Company up to end of the period.

### 36. Account payable special funds

| Item  | Balance at year-begin | Increase in the period | Decrease in the period | Balance at period-end | Reason                              |
|---|-----------------------|------------------------|------------------------|-----------------------|-------------------------------------|
| Special fund of technical transformation of Zhongshan | 1,400,000.00          |                        | 420,000.00             | 980,000.00            | Zhongshan Science & Technology Plan |

### 37. Projected liability

| Item                               | Balance at period-end | Balance at year-begin | Reason               |
|------------------------------------|-----------------------|-----------------------|----------------------|
| Product quality guarantee          | 11,795,030.15         | 11,795,030.15         | Guarantee of product |
| Guarantee fund for quality service | 317,006,686.44        | 319,780,400.64        | Guarantee of product |
| <b>Total</b>                       | <b>328,801,716.59</b> | <b>331,575,430.79</b> |                      |

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, RMB for record in the Statement)

Product quality deposit is the maintenance expense provided by the Company under the national policy, while quality service special guarantee capital is the warranty costs provided for product quality in addition to such policy.

### 38. Deferred income

#### (1) Classification of deferred income

| Item  | Amount at period-end  | Amount at year-begin  |
|---|-----------------------|-----------------------|
| Government subsidies---subsidies of development project | 58,560,896.86         | 67,032,277.62         |
| Government subsidies---subsidies of relocation          | 64,152,104.28         | 75,887,284.87         |
| <b>Total</b>  | <b>122,713,001.14</b> | <b>142,919,562.49</b> |

#### (2) Government subsidy

| Item   | Amount at year-begin | New subsidy in the period | Amount reckoned into non-operating income in the period | Other changes | Amount at period-end | Concerned with assets/earnings |
|--|----------------------|---------------------------|---|---------------|----------------------|--------------------------------|
| Demolition compensation of Hefei Meiling   | 44,974,521.48        |                           |   | 1,188,519.14  | 43,786,002.34        | Assets concerned               |
| Demolition compensation  | 23,356,008.77        |                           | 9,647,721.29  |               | 13,708,287.48        | Assets concerned               |
| Adaptability improvement of the FTXS production (Propane instead of the HCFC-22)   | 18,751,981.92        |                           |   | 3,379,600.93  | 15,372,380.99        | Assets concerned               |
| Special fund of the Athena technical transformation  | 13,450,312.50        |                           |   | 2,143,125.00  | 11,307,187.50        | Assets concerned               |
| VISA research and application project  | 10,100,000.00        |                           |   | 2,113,953.49  | 7,986,046.51         | Assets concerned               |
| Demolition compensation of Jiangxi Meiling   | 7,556,754.62         |                           |   | 898,940.16    | 6,657,814.46         | Assets concerned               |
| Subsidy fund for the new factory of Zhongke Meiling  | 5,000,000.00         |                           |   |               | 5,000,000.00         | Assets concerned               |
| Intelligent white-goods software platform and research and industrialization of typical applications                                       | 4,000,000.00         |                           |   |               | 4,000,000.00         | Assets concerned               |
| Capital appropriated from the national treasury  | 2,950,000.00         |                           |   |               | 2,950,000.00         | Assets concerned               |
| Development and productization of the CHIQ AC  | 2,350,000.00         |                           |   |               | 2,350,000.00         | Assets concerned               |
| Research and application of frequency conversion control MCU chip  | 2,300,000.00         |                           |   |               | 2,300,000.00         | Assets concerned               |
| Freezer project of Hefei Meiling   | 2,202,187.45         |                           |   | 367,031.21    | 1,835,156.24         | Assets concerned               |
| Special fund of strategy emerging industry and high-end growth industry  | 2,000,000.00         |                           |   |               | 2,000,000.00         | Assets concerned               |
| Industrialization project of the intelligent energy-saving AC  | 1,700,000.00         |                           |   | 315,463.91    | 1,384,536.09         | Assets concerned               |
| Promotion of new industrialization (annual output of 0.6 million large and volume environmental protection energy-saving freezer project.) | 1,674,268.75         |                           |   | 152,206.22    | 1,522,062.53         | Assets concerned               |

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, RMB for record in the Statement)

| Item  | Amount at year-begin  | New subsidy in the period | Amount reckoned into non-operating income in the period | Other changes        | Amount at period-end  | Concerned with assets/earnings |
|---|-----------------------|---------------------------|---|----------------------|-----------------------|--------------------------------|
| Design and application of energy saving air conditioning duct | 300,000.00            |                           |   |                      | 300,000.00            | Assets concerned               |
| Subsidy of project development                                | 253,527.00            |                           |   |                      | 253,527.00            | Assets concerned               |
| <b>Total</b>  | <b>142,919,562.49</b> |                           | <b>9,647,721.29</b>                                     | <b>10,558,840.06</b> | <b>122,713,001.14</b> |                                |

Note: other movements of this item are attributable to reclassification of the amount to be amortized over one year to non-current liabilities due within one year.

### 39. Share capital

| Item         | Balance at year-begin | Change during the period (+, -) |             |   |       |          | Balance at period-end |
|--------------|-----------------------|---------------------------------|-------------|---|-------|----------|-----------------------|
|              |                       | New shares issued               | Bonus share | Shares transferred from capital reserve | Other | Subtotal |                       |
| Total shares | 1,044,597,881.00      |                                 |             |   |       |          | 1,044,597,881.00      |

### 40. Capital reserve

| Item                  | Amount at year-begin    | Increase during the period | Decrease during the period | Amount at period-end    |
|-----------------------|-------------------------|----------------------------|----------------------------|-------------------------|
| Share premium         | 2,639,787,797.95        | -                          | 2,647,197.88               | 2,637,140,600.07        |
| Other capital reserve | 48,173,262.70           | -                          | -                          | 48,173,262.70           |
| <b>Total</b>          | <b>2,687,961,060.65</b> | <b>-</b>                   | <b>2,647,197.88</b>        | <b>2,685,313,862.77</b> |

Note: decrease of the share premium mainly because purchasing minority equity from part of the marketing subsidiaries in the period, which is off-setting the capital reserves as 2,647,197.88 Yuan.

### 41. Other comprehensive income

| Item   | Balance at year-begin | Account in the period                   |  |                          |                                    |   | Balance at period-end |
|--|-----------------------|---|--|--------------------------|------------------------------------|---|-----------------------|
|  |                       | Account before income tax in the period | Less: written in other comprehensive income in previous period and carried forward to gains and losses in current period | Less: income tax expense | Belong to parent company after tax | Belong to minority shareholders after tax |                       |
| Other comprehensive income re-divided into gains/losses                            |                       |   |  |                          |                                    |   |                       |
| Including: conversion difference arising from foreign currency financial statement | 3,474,546.95          | -3,352,515.41                           |  |                          | -253,079.62                        | -816,435.79                               | 938,467.33            |

### 42. Surplus reserves



## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless other wise specified, RMB for record in the Statement)

| Item                          | Amount at year-begin  | Increase during the period | Decrease during the period | Amount at period-end  |
|-------------------------------|-----------------------|----------------------------|----------------------------|-----------------------|
| Statutory surplus reserve     | 275,421,718.17        |                            |                            | 275,421,718.17        |
| Discretionary surplus reserve | 115,607,702.16        |                            |                            | 115,607,702.16        |
| <b>Total</b>                  | <b>391,029,420.33</b> |                            |                            | <b>391,029,420.33</b> |

### 43. Retained profit

| Item  | This period           | Last year             |
|---|-----------------------|-----------------------|
| <b>Amount at the end of last year</b>   | <b>968,097,382.98</b> | <b>817,667,480.44</b> |
| Add: adjustment from undistributed profit at year-begin                           |                       |                       |
| Including: retroactive adjustment by Accounting Standards for Business Enterprise |                       |                       |
| change of accounting policy   |                       |                       |
| Correction of former material error   |                       |                       |
| Change of combination scope under common control                                  |                       |                       |
| <b>Amount at the beginning of this year</b>                                       | <b>968,097,382.98</b> | <b>817,667,480.44</b> |
| Add: net profit attributable to shareholders of parent company for this year      | 92,075,039.77         | 220,216,680.96        |
| Less: withdraw of statutory surplus reserve                                       |                       | 23,962,426.15         |
| withdraw of discretionary surplus reserve   |                       |                       |
| Withdraw of general risk provision  |                       |                       |
| Dividend payable for ordinary shares  | 62,675,872.85         | 45,824,352.27         |
| Dividend of ordinary shares transferred to share capital                          |                       |                       |
| <b>Amount at the end of this period</b>   | <b>997,496,549.90</b> | <b>968,097,382.98</b> |

### 44. Operating income and operating cost

#### (1) Operating income and operating cost

| Item                  | Amount for this period  | Amount for the same period of last year |
|-----------------------|-------------------------|---|
| Main business income  | 8,133,419,814.85        | 6,635,243,672.98                        |
| Other business income | 384,374,378.25          | 231,387,589.70                          |
| <b>Total</b>          | <b>8,517,794,193.10</b> | <b>6,866,631,262.68</b>                 |
| Main business cost    | 6,646,020,504.49        | 5,226,428,116.77                        |
| Other business cost   | 350,205,544.36          | 206,033,570.33                          |
| <b>Total</b>          | <b>6,996,226,048.85</b> | <b>5,432,461,687.10</b>                 |

#### (2) Main business classified according to product

| Product               | Amount for this period |                  | Amount for the same period of last year |                  |
|-----------------------|------------------------|------------------|---|------------------|
|                       | Operation income       | Operation cost   | Operation income                        | Operation cost   |
| Refrigerator, freezer | 3,712,357,454.31       | 3,021,413,721.30 | 3,511,755,682.66                        | 2,641,347,914.01 |
| Air-condition         | 3,830,599,287.94       | 3,157,180,107.27 | 2,578,582,275.76                        | 2,117,657,552.65 |
| Washing machine       | 227,162,009.50         | 177,357,302.38   | 214,447,675.62                          | 174,849,330.14   |

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless other wise specified, RMB for record in the Statement)

| Product                                 | Amount for this period  |                         | Amount for the same period of last year |                         |
|---|-------------------------|-------------------------|---|-------------------------|
|   | Operation income        | Operation cost          | Operation income                        | Operation cost          |
| Small appliances and kitchen and toilet | 264,195,096.38          | 229,232,770.78          | 192,655,423.38                          | 174,011,438.27          |
| Other                                   | 99,105,966.72           | 60,836,602.76           | 137,802,615.56                          | 118,561,881.70          |
| <b>Total</b>                            | <b>8,133,419,814.85</b> | <b>6,646,020,504.49</b> | <b>6,635,243,672.98</b>                 | <b>5,226,428,116.77</b> |

### (3) Main business classified according to sales region

| Region       | Amount for this period  |                         | Amount for the same period of last year |                         |
|--------------|-------------------------|-------------------------|---|-------------------------|
|              | Operation income        | Operation cost          | Operation income                        | Operation cost          |
| Domestic     | 6,013,436,261.57        | 4,647,630,149.87        | 4,999,875,111.36                        | 3,763,161,367.63        |
| Overseas     | 2,119,983,553.28        | 1,998,390,354.62        | 1,635,368,561.62                        | 1,463,266,749.14        |
| <b>Total</b> | <b>8,133,419,814.85</b> | <b>6,646,020,504.49</b> | <b>6,635,243,672.98</b>                 | <b>5,226,428,116.77</b> |

Top five clients have income in sales of RMB 3,048,439,744.17 yuan in total, a 35.79% in total operation income.

### 45. Business tax and extra charges

| Item   | Amount for this period | Amount for the same period of last year |
|--|------------------------|---|
| Business tax   | -                      | 354,041.11                              |
| City construction tax                                    | 8,915,596.60           | 19,899,317.46                           |
| Extra charge for education and local education surcharge | 6,645,828.18           | 14,421,660.64                           |
| Real estate tax  | 5,629,056.96           | 5,722,192.63                            |
| Treatment fund for abandon electrics & electronics       | 31,420,436.00          | 27,244,167.00                           |
| Land tax   | 4,976,086.01           | 5,143,139.80                            |
| Stamp duty   | 4,878,793.95           | 3,644,166.46                            |
| Water fund   | 3,205,205.83           | 2,763,018.05                            |
| Other  | 165,016.78             | 265,878.11                              |
| <b>Total</b>   | <b>65,836,020.31</b>   | <b>79,457,581.26</b>                    |

According to the finance and accounting of the Ministry of Finance No. [2016] 22 "About Printing the Notice of Accounting Treatment Provisions for Value Added Tax", after the overall trial implementation of business tax changing to value-added tax, the title of "business tax and surcharges" changes to "taxes and surcharges", this account is used to calculate the consumption tax, city maintenance and construction tax, resource tax, education surcharge and property tax, land use tax, travel tax, stamp tax and other related taxes occurred in business operations. The company adjusts property tax, land tax, stamp tax, water conservancy funds and other taxes and fees to the taxes and additional subject accounting accordingly, relevant items are re-state in administrative expenses of last period

### 46. Sales expense

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, RMB for record in the Statement)

| Item                                  | Amount for this period  | Amount for the same period of last year |
|---------------------------------------|-------------------------|---|
| Market support                        | 147,028,679.89          | 267,473,422.40                          |
| Wages and surcharges, social security | 236,131,802.33          | 236,101,636.65                          |
| Transport expenses                    | 294,108,877.21          | 207,605,016.03                          |
| Air conditioner installation fee      | 178,757,254.42          | 120,680,390.00                          |
| National three guarantees expense     | 119,131,144.08          | 82,896,108.22                           |
| Storage lease expenses                | 54,395,016.56           | 51,149,832.06                           |
| Advertisement expenses                | 30,738,929.11           | 29,181,669.39                           |
| Travelling expenses                   | 19,520,650.45           | 14,924,457.13                           |
| Operation activities expenses         | 10,205,202.11           | 8,087,086.19                            |
| Communication expenses                | 6,278,918.66            | 6,235,033.36                            |
| House-lease expenses                  | 8,851,097.31            | 5,521,119.25                            |
| Vehicle consumption                   | 3,093,351.13            | 3,604,088.38                            |
| Depreciation                          | 3,128,078.94            | 2,999,300.47                            |
| Communication fee                     | 2,912,337.19            | 2,432,210.13                            |
| Exhibition expenses                   | 2,926,713.09            | 2,267,160.86                            |
| Others                                | 22,963,979.60           | 34,489,220.08                           |
| <b>Total</b>                          | <b>1,140,172,032.08</b> | <b>1,075,647,750.60</b>                 |

### 47. Administration expense

| Item                              | Amount for this period | Amount for the same period of last year |
|-----------------------------------|------------------------|---|
| Salary and social insurance etc.  | 96,746,046.21          | 78,371,373.79                           |
| Trial fee of R&D                  | 20,069,927.78          | 19,368,311.75                           |
| Amortized intangible assets       | 26,351,436.68          | 19,260,530.22                           |
| Depreciation                      | 12,215,178.83          | 10,181,555.80                           |
| Inspection and authentication fee | 3,236,512.69           | 4,684,054.78                            |
| Domestic travelling fee           | 3,657,865.58           | 4,132,225.03                            |
| Utilities                         | 5,236,432.59           | 4,029,484.90                            |
| Business activities               | 2,348,636.48           | 3,906,395.17                            |
| Office charge                     | 3,101,227.29           | 3,027,548.26                            |
| Property insurance                | 1,947,504.69           | 1,797,851.23                            |
| Others                            | 47,622,322.92          | 27,205,090.02                           |
| <b>Total</b>                      | <b>222,533,091.74</b>  | <b>175,964,420.95</b>                   |

### 48. Financial expense

| Item                  | Amount for this period | Amount for the same period of last year |
|-----------------------|------------------------|---|
| Interest expenditure  | 16,357,573.34          | 4,108,756.46                            |
| Less: Interest income | 74,918,215.41          | 32,356,650.27                           |
| Add: exchange loss    | 12,143,246.92          | -18,503,350.12                          |

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless other wise specified, RMB for record in the Statement)

|                              |                       |                       |
|------------------------------|-----------------------|-----------------------|
| procedure charge expenditure | 6,631,231.15          | 10,153,124.33         |
| discount expenditure         | 6,331,681.33          | -3,102,122.56         |
| other expenditure            |                       | 900.00                |
| <b>Total</b>                 | <b>-33,454,482.67</b> | <b>-39,699,342.16</b> |

### 49. Loss from Assets depreciation

| Item                                     | Amount for this period | Amount for the same period of last year |
|--|------------------------|---|
| Bad debt losses                          | 30,101,356.29          | 33,194,478.64                           |
| Provision for falling price of inventory | 15,391,916.45          | 3,392,202.47                            |
| <b>Total</b>                             | <b>45,493,272.74</b>   | <b>36,586,681.11</b>                    |

### 50. Changes in fair value gains/loses

| Item   | Amount for this period | Amount for the same period of last year |
|--|------------------------|---|
| Financial assets measured at fair value and whose movements are included in the profit and loss of the current period      | -1,246,940.80          | 2,340,308.20                            |
| Including :Income of fair value changes from derivative financial instruments  | -1,246,940.80          | 2,340,308.20                            |
| Financial liabilities measured at fair value and whose movements are included in the profit and loss of the current period | -9,112,144.50          | -3,618,878.41                           |
| Including :Income of fair value changes from derivative financial instruments  | -9,112,144.50          | -3,618,878.41                           |
| <b>Total</b>   | <b>-10,359,085.30</b>  | <b>-1,278,570.21</b>                    |

### 51. Investment income

#### (1) Sources of investment income

| Item  | Amount for this period | Amount for the same period of last year |
|---|------------------------|---|
| Long-term equity investment income by equity method   | -3,226,328.17          | -833,210.42                             |
| Investment income obtained from disposal of long-term equity investment   | 2,506.98               | -                                       |
| Investment income obtained from held of finance asset available for sales   | 19,584,987.35          | 4,986,301.37                            |
| Investment income obtained from disposal of financial assets measured at fair value and whose movements are included in the profit and loss of the current period | 7,232,183.50           | -                                       |
| <b>Total</b>  | <b>23,593,349.66</b>   | <b>4,153,090.95</b>                     |

#### (2) Long-term equity investment income by equity method

| Item   | Amount for this period | Amount for the same period of last year | Reason of change of this period than last year         |
|--|------------------------|---|--|
| Hefei Xingmei Assets Management Co., Ltd.      | -512,602.26            | -56,019.64                              | Changes of net profit of the invested unit             |
| ChanghongRuba Electric Company(Private)Limited | 468,491.66             | -220,932.04                             | Changes of net profit of the invested unit and counter |

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, RMB for record in the Statement)

| Item   | Amount for this period | Amount for the same period of last year | Reason of change of this period than last year |
|--|------------------------|---|--|
| Sichuan Zhiyijia Network Technology Co., Ltd.  | -2,236,489.97          | 2,322,881.18                            | current transaction offset                     |
| Hongyuan Dineng Rebao Technology Co. Ltd.      | -41,337.05             | -2,196,252.31                           |  |
| Sichuan Tianyou Guigu Technology Co., Ltd.     | 971,714.68             | -682,887.61                             |  |
| Chengdu Guigu Environment Technology Co., Ltd. | -1,876,105.23          | -                                       |  |
| <b>Total</b>                                   | <b>-3,226,328.17</b>   | <b>-833,210.42</b>                      |  |

### (3) Investment income obtained from disposal of long-term equity investment

| Item   | Amount for this period | Amount for the same period of last year |
|--|------------------------|---|
| Equity income obtained from disposal of Hefei MeiLing Packing Products Co., Ltd. | 2,506.98               | -                                       |

### (4) Investment income obtained from financial assets available for sales

| Item                                | Amount for this period | Amount for the same period of last year |
|-------------------------------------|------------------------|---|
| Purchase of bank financial products | 19,584,987.35          | 4,986,301.37                            |
| <b>Total</b>                        | <b>19,584,987.35</b>   | <b>4,986,301.37</b>                     |

(5) The investment income from disposal of financial assets at fair value through profit or loss refers to the profit or loss occurred from non-deliverable forward (*NDF*) transaction.

## 52. Other income

| Source of other revenue                      | Amount for this period | Amount for the same period of last year |
|--|------------------------|---|
| Drawback policy of VAT for software products | 1,275,937.62           | -                                       |
| <b>Total</b>                                 | <b>1,275,937.62</b>    | <b>-</b>                                |

According to the regulations of Accounting Standards for Business Enterprises No. 16 - Government Subsidy (CK No.[2017] 15) issued and revised by the Ministry of Finance in May 2017, since January 1, 2017, the government subsidy related to the daily activities of the enterprise should be included in other income or offset the relevant costs in accordance with the essence of economic business. During the reporting period, the wholly-owned subsidiary Mianyang Meiling Software Technology Co., Ltd. received the refunds of added-value tax of software products in accordance with the Notice on VAT Policy of Software Products of State Administration of Taxation (CS No. [2011] 100), which is closely related to the company's normal business, and this business should be included in the subject list in the current period.

## 53. Non-operation revenue

### (1) Non-operation revenue

| Item | Current period | Amount for the same period of last year | Amount reckoned into non-recurring gains/losses in the period |
|------|----------------|---|---|
|------|----------------|---|---|

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless other wise specified, RMB for record in the Statement)

| Item  | Current period       | Amount for the same period of last year | Amount reckoned into non-recurring gains/losses in the period |
|---|----------------------|---|---|
| Gains from disposal of non-current assets     | 261,776.49           | 330,833.76                              | 261,776.49  |
| Including:Gains from disposal of fixed assets | 261,776.49           | 330,833.76                              | 261,776.49  |
| Government subsidy                            | 22,490,062.54        | 16,456,206.17                           | 22,490,062.54   |
| Income of penalty                             | 483,051.41           | 301,433.90                              | 483,051.41  |
| Other   | 256,257.41           | 4,383,228.61                            | 256,257.41  |
| <b>Total</b>                                  | <b>23,491,147.85</b> | <b>21,471,702.44</b>                    | <b>23,491,147.85</b>  |

### (2) Government subsidy

| Item  | Current period | Amount for the same period of last year | Resource and basis  | Assets/benefit related |
|---|----------------|---|---|------------------------|
| VAT refunds   | -              | 1,705,532.50                            | Drawback policy of VAT for software product                             | Income related         |
| Other government subsidy etc.   | 1,960,999.85   | 2,641,549.48                            | -   | Income related         |
| Other Deferred income transfer-in   | 16,406,112.28  | 4,803,445.57                            | Deferred income transfer-in   | Income related         |
| NJP production trade enterprise award   | 1,238,685.00   | -                                       | Nanjing Port (Group) Co., Ltd.  | Income related         |
| Government subsidy for Step Out   | 526,900.00     | -                                       | Finance Bureau of Zhongshan City  | Income related         |
| Supporting fund of Anhui Branch of SINOsure   | 508,404.98     | -                                       | Hefei Government, He Zheng (2014) No.62 etc.                            | Income related         |
| National informatization standard recognition award   | 500,000.00     | -                                       | He Zheng [2016] No. 35  | Income related         |
| Social security subsidies   | 304,629.43     | -                                       | Wan RSF (2016) No. 33   | Income related         |
| Skills development cash grant from Hefei Human Resources and Social Security Bureau           | 211,500.00     | -                                       | He Cai Zhen 2011 [No.1035]  | Income related         |
| Training base grants from Hefei Board of Education  | 200,000.00     | -                                       | He Jiao Mi [2017] No. 234   | Income related         |
| Subsidy for high-tech enterprise  | 200,000.00     | -                                       | Zhongshan Ke Fa (2017) No. 85   | Income related         |
| Contract foreign projects of special funds for foreign trade and economic development of 2016 | 177,831.00     | -                                       | Zhong Shangwu He Zi (2016) No. 24                                       | Income related         |
| Supporting fund for multi hierarchy man power (2 <sup>nd</sup> batch)                         | 104,000.00     | -                                       | He Jing Qu Guan [2016] No.90  | Income related         |
| Self-service innovation award   | 100,000.00     | -                                       | He Zheng [2016] No. 35  | Income related         |
| Offering rewards for NEEQ   | 51,000.00      | -                                       | Cai Jin (2015) No. 2035   | Income related         |
| A special fund of trade promotion for year of 2016  | -              | 1,733,000.00                            | City Commercial Bureau-special fund of trade promotion for year of 2016 | Income related         |
| Reward of the new-type industrialization development policy                                   | -              | 1,538,700.00                            | He Zheng [2015] No. 36  | Income related         |

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, RMB for record in the Statement)

| Item  | Current period       | Amount for the same period of last year | Resource and basis   | Assets/benefit related |
|---|----------------------|---|--|------------------------|
| promotion   |                      |   |  |                        |
| Subsidy for technically improve of the fixed assets       | -                    | 1,217,800.00                            | He Zheng [2015] No. 36   | Income related         |
| Subsidy of industry carry-over fund                       | -                    | 1,000,000.00                            | Hefei 2015 Economic & Technological Development Area (HETA) - promotion of the new-type industrialization development policy | Income related         |
| Policy rewards  | -                    | 1,014,456.72                            | Agreement of the Tianjin Xintai Industrial Economic Development Management Center  | Income related         |
| Enterprise development fund distributed by High-Tech Zone | -                    | 801,721.90                              | Contract of the investment of 2 million refrigerators for one year   | Income related         |
| <b>Total</b>  | <b>22,490,062.54</b> | <b>16,456,206.17</b>                    |  |                        |

### 54. Non-operating expenditure

| Item  | Current period       | Amount for the same period of last year | Amount reckoned into non-recurring gains/losses in the period |
|---|----------------------|---|---|
| Loss from disposal of non-current assets      | 11,359,875.16        | 1,545,129.64                            | 11,359,875.16   |
| Including: loss from disposal of fixed assets | 11,359,875.16        | 1,545,129.64                            | 11,359,875.16   |
| Penalty and late fee                          | 16,170.32            | 259,138.22                              | 16,170.32   |
| Other   | 79,255.15            | 14,606.32                               | 79,255.15   |
| <b>Total</b>                                  | <b>11,455,300.63</b> | <b>1,818,874.18</b>                     | <b>11,455,300.63</b>  |

### 55. Income tax expenses

| Item                | Current period      | Amount for the same period of last year |
|---------------------|---------------------|---|
| Current income tax  | 12,992,795.39       | 23,825,374.34                           |
| Deferred Income Tax | -3,553,237.53       | -5,009,188.36                           |
| <b>Total</b>        | <b>9,439,557.86</b> | <b>18,816,185.98</b>                    |

### 56. Other comprehensive income

Found more in "VI. 41. Other comprehensive income" in the Note

### 57. Items to cash flow statement

(1) Cash received (paid) from (for) other activities relating to operation/investment/financing

1) Cash received from other activities relating to operation

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless other wise specified, RMB for record in the Statement)

| Item                           | Current period       | Amount for the same period of last year |
|--------------------------------|----------------------|---|
| Government subsidy and rewards | 6,083,950.26         | 9,947,228.10                            |
| Margin, deposit                | 2,932,691.26         | 3,672,988.85                            |
| Rental and trademark income    | 2,326,107.91         | 3,930,732.75                            |
| Compensations                  | 492,082.89           | 103,131.84                              |
| Other                          | 4,734,239.77         | 1,961,189.58                            |
| <b>Total</b>                   | <b>16,569,072.09</b> | <b>19,615,271.12</b>                    |

### 2) Cash paid for other activities relating to operation

| Item                                 | Current period        | Amount for the same period of last year |
|--------------------------------------|-----------------------|---|
| Market support fee                   | 107,158,880.74        | 100,020,332.36                          |
| Advertising fee                      | 16,086,131.50         | 14,594,018.03                           |
| Travel expense                       | 25,366,506.33         | 21,472,512.46                           |
| Rental fee                           | 17,832,545.16         | 9,218,885.60                            |
| Business activity fee                | 16,561,532.31         | 11,903,159.89                           |
| Pretty cash for employees            | 9,558,081.08          | 11,554,152.86                           |
| Meeting organization fee             | 6,041,902.70          | 7,113,406.24                            |
| Regular bus expenses                 | 5,069,668.94          | 4,598,247.00                            |
| Inspection and certification fee     | 6,369,408.44          | 5,446,512.42                            |
| Vehicle cost                         | 5,736,637.76          | 3,973,278.42                            |
| Handling Charges                     | 4,719,226.91          | 25,077,479.49                           |
| Office expenses                      | 5,656,327.46          | 3,575,528.11                            |
| Exhibition expenses                  | 3,018,403.85          | 3,215,177.35                            |
| Penalty and overdue fine             | 16,170.32             | 259,138.22                              |
| Changes of the limited monetary fund | 37,101,414.00         | 60,085,067.00                           |
| Other                                | 53,980,478.26         | 36,462,279.04                           |
| <b>Total</b>                         | <b>320,273,315.76</b> | <b>318,569,174.49</b>                   |

### 3) Cash received from other activities relating to investment

| Item                                      | Current period       | Amount for the same period of last year |
|---|----------------------|---|
| Interest income arising from bank savings | 40,936,820.59        | 31,720,923.67                           |
| Government investment granted             | -                    | 4,331,970.00                            |
| Margin                                    | 540,386.28           | 336,823.00                              |
| <b>Total</b>                              | <b>41,477,206.87</b> | <b>36,389,716.67</b>                    |

### 4) Cash paid for other activities relating to investment

| Item                                  | Current period | Amount for the same period of last year |
|---------------------------------------|----------------|---|
| Losses of forward exchange settlement | 647,270.61     |   |



## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless other wise specified, RMB for record in the Statement)

|                 |                   |  |
|-----------------|-------------------|--|
| Bid bond refund | 351,000.00        |  |
| <b>Total</b>    | <b>998,270.61</b> |  |

### 5) Cash received from other activities relating to financing

| Item                                  | Current period | Amount for the same period of last year |
|---------------------------------------|----------------|---|
| Odd shares returned by stock exchange | -              | 3,451.80                                |

### 6) Cash paid for other activities relating to financing

| Item   | Current period    | Amount for the same period of last year |
|--|-------------------|---|
| Amount refund to minority shareholders due to the cancellation of subsidiary | 15,642.93         | -                                       |
| Handling charge of dividend  | 135,968.31        | 98,192.48                               |
| <b>Total</b>   | <b>151,611.24</b> | <b>98,192.48</b>                        |

### (2) Supplementary information about consolidated cash flow statement

| Item   | Current period    | Amount for the same period of last year |
|--|-------------------|---|
| <b>1. Net profit is adjusted to cash flow of operation activities:</b>                                       |                   |   |
| Net profit   | 98,094,701.39     | 109,923,646.84                          |
| Add: provision for depreciation of assets  | 45,493,272.74     | 36,586,681.11                           |
| Depreciation of fixed assets, consumption of oil gas assets and depreciation of productive biological assets | 64,958,108.18     | 69,875,277.54                           |
| Amortization of intangible assets  | 26,594,339.27     | 19,417,253.87                           |
| Amortization of long-term retained expense   | 95,258.41         |   |
| Loss from disposal of fixed assets, intangible assets and other long term assets(gain is listed with "-")    | 11,098,098.67     | 1,214,295.88                            |
| Loss from discarding fixed assets as useless (gain is listed with "-")                                       |                   |   |
| Loss from change of fair value(gain is listed with "-")  | 10,359,085.30     | 1,278,570.21                            |
| Financial expense (gain is listed with "-")  | -46,417,395.15    | -28,247,893.81                          |
| Investment loss (gain is listed with "-")  | -23,593,349.66    | -4,153,090.95                           |
| Decrease of deferred income tax assets (increase is listed with "-")   | -3,241,353.88     | -5,009,188.36                           |
| Increase of deferred income tax liabilities (decrease is listed with "-")                                    | -305,541.12       |   |
| Decrease of inventories (increase is listed with "-")  | -622,013,977.03   | -27,646,224.86                          |
| Decrease of operational accounts receivable (increase is listed with "-")                                    | -2,129,300,425.57 | -995,881,410.16                         |
| Increase of operational accounts payable (decrease is listed with "-")                                       | 3,052,409,876.36  | 1,694,331,587.58                        |
| Other  |                   |   |
| Net cash flow arising from operation activities  | 484,230,697.91    | 871,689,504.89                          |
| <b>2. Major investment and financing activities that do not involve cash receipts:</b>                       |                   |   |

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, RMB for record in the Statement)

| Item   | Current period   | Amount for the same period of last year |
|--|------------------|---|
| Conversion of debt into capital                    |                  |   |
| Switching Company bonds due within one year        |                  |   |
| financing lease of fixed assets                    |                  |   |
| <b>3. Net change in cash and cash equivalents:</b> |                  |   |
| Balance at period-end of cash                      | 4,809,458,518.39 | 4,062,884,413.48                        |
| Less: Balance at year-begin of cash                | 3,986,098,419.76 | 2,121,161,238.01                        |
| Add: Balance at year-end of cash equivalents       |                  |   |
| Less: Balance at year-begin of cash equivalents    |                  |   |
| Net increase in cash and cash equivalents          | 823,360,098.63   | 1,941,723,175.47                        |

(3) No net cash paid for subsidiary obtained in the period.

(4) No cash received from subsidiary and other operation units disposal in the period

(5) Cash and cash equivalent

| Item   | Amount at period-end | Amount at year-begin |
|--|----------------------|----------------------|
| Cash   | 4,809,458,518.39     | 3,986,098,419.76     |
| Including: cash in stock   | 83,233.09            | 94,415.53            |
| Bank deposits available for payment at any time.   | 4,349,072,332.23     | 3,810,367,022.13     |
| Bank deposits available for payment at any time  | 460,302,953.07       | 175,636,982.10       |
| Cash equivalents   |                      |                      |
| including: bond investment due within 3 months   |                      |                      |
| Balance of cash and cash equivalents at year end   | 4,809,458,518.39     | 3,986,098,419.76     |
| Including: using the restricted cash and cash equivalents of the parent company or subsidiary of the group |                      |                      |

### 58. Assets with ownership or the right to use restricted

| Item  | Ending book value     | Reasons |
|---|-----------------------|---------|
| Monetary fund   | 108,727,129.38        | Margin  |
| Notes receivable                                      | 586,118,629.32        | Pledged |
| Intangible assets <sup>note1</sup>                    | 19,827,456.74         | Pledged |
| Non-current assets due within 1 year <sup>note2</sup> | 46,133,664.00         | Pledged |
| <b>Total</b>  | <b>760,806,879.44</b> |         |

Note 1: security for intangible assets was security of land use right. For details, please refer to “34. Long term borrowings” under this note VI.

Note 2: non-current assets due within one year are pledged as time deposit, found more in 9. non-current assets due within one year in Note VI.

### 59. Foreign currency

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless other wise specified, RMB for record in the Statement)

| (1) Foreign currency          |                                 |               |                              |
|-------------------------------|---------------------------------|---------------|------------------------------|
| Item                          | Ending foreign currency balance | Exchange rate | Ending RMB converted balance |
| <b>Monetary fund</b>          |                                 |               |                              |
| Including: USD                | 58,017,135.02                   | 6.7744        | 393,031,279.50               |
| Euro                          | 6,580,132.00                    | 7.7496        | 50,993,390.95                |
| AUD                           | 1,384,006.85                    | 5.2099        | 7,210,537.29                 |
| IDR                           | 2,337,016,816.00                | 0.0005        | 1,168,508.41                 |
| Rupi                          | 17,834,337.79                   | 0.0645        | 1,150,314.79                 |
| <b>Account receivable</b>     |                                 |               |                              |
| Including: USD                | 126,320,333.81                  | 6.7744        | 855,744,469.38               |
| Euro                          | 8,571,952.19                    | 7.7496        | 66,429,200.69                |
| AUD                           | 2,031,639.94                    | 5.2099        | 10,584,640.92                |
| IDR                           | 17,415,143,335.00               | 0.0005        | 8,707,571.67                 |
| Rupi                          | 1,593,760,001.86                | 0.0645        | 102,797,520.12               |
| <b>Other receivables</b>      |                                 |               |                              |
| Including: USD                | 67,569.47                       | 6.7744        | 457,742.62                   |
| Euro                          | 8,268.56                        | 7.7496        | 64,078.03                    |
| IDR                           | 1,856,629,640.00                | 0.0005        | 928,314.82                   |
| Rupi                          | 18,676,421.30                   | 0.0645        | 1,204,629.17                 |
| <b>Advance payment</b>        |                                 |               |                              |
| Including: USD                | 1,920,308.16                    | 6.7744        | 13,008,935.60                |
| IDR                           | 1,052,966.00                    | 0.0005        | 526.48                       |
| Rupi                          | 740,762,639.24                  | 0.0645        | 47,779,190.23                |
| <b>Other accounts payable</b> |                                 |               |                              |
| Including: USD                | 225,933.49                      | 6.7744        | 1,530,563.83                 |
| IDR                           | 1,094,956,343.00                | 0.0005        | 547,478.17                   |
| Rupi                          | 264,014,236.91                  | 0.0645        | 17,028,918.28                |
| <b>Short-term loans</b>       |                                 |               |                              |
| Including: USD                | 40,300,000.00                   | 6.7744        | 273,008,320.00               |
| Euro                          | 25,505,959.80                   | 7.7496        | 197,660,986.07               |
| <b>Payment in advance</b>     |                                 |               |                              |
| Including: USD                | 35,319,258.98                   | 6.7744        | 239,266,788.04               |
| Euro                          | 2,380,231.99                    | 7.7496        | 18,445,845.83                |
| AUD                           | 2,273.84                        | 5.2099        | 11,846.48                    |
| IDR                           | 2,500,000.00                    | 0.0005        | 1,250.00                     |
| <b>Advance payment</b>        |                                 |               |                              |
| Including: USD                | 581,515.25                      | 6.7744        | 3,939,416.91                 |
| Euro                          | 2,579,917.72                    | 7.7496        | 19,993,330.36                |
| IDR                           | 781,556,641.00                  | 0.0005        | 390,778.32                   |

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless other wise specified, RMB for record in the Statement)

| Item   | Ending foreign currency balance | Exchange rate | Ending RMB converted balance |
|--|---------------------------------|---------------|------------------------------|
| <b>Current assets due within one year</b>        |                                 |               |                              |
| Including: USD                                   | 6,810,000.00                    | 6.7744        | 46,133,664.00                |
| <b>Non-current liabilities due within 1 year</b> |                                 |               |                              |
| Including: USD                                   | 6,724,000.00                    | 6.7744        | 45,551,065.60                |

### (2) Foreign operational entity

The foreign operational entity of the Company was Changhong Ruba Trading Company (Private) Limited, mainly operates in Lahore, Pakistan; Recording currency is Pakistan Rupi. CHANGHONG MEILING ELECTRIC INDONESIA,PT, mainly operates in Jakarta; Recording currency is IDR.

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless other wise specified, RMB for record in the Statement)

### VII. Changes of consolidation rage

1. Enterprise combined under the different control: Nil
2. Enterprise combined under the same control: Nil
3. Reversed takeover: Nil
4. Disposal of subsidiary: Nil
5. Subsidiary liquidated

| Subsidiary                                    | Price of the equity disposed | Ratio of the equity disposed | Way of the equity disposed | Time point of control right lose | Determination basis for the time point of control right lose | Difference between the disposal price and proportion of the subsidiary's net assets enjoy in aspect of the consolidated financial statement, which is respond to the disposal investment | Other comprehensive income transferred into investment income, which related with the equity investment of original subsidiary |
|---|------------------------------|------------------------------|----------------------------|----------------------------------|--|--|--|
| Xi'an Meizhilai Appliance Marketing Co., Ltd. |                              | 98.50%                       | Liquidation cancelled      | 2017.6                           | Liquidation completed  |  |  |

### 6. Subsidiary established

| Subsidiary                              | Type                      | Registered place | Business nature | RC (10 thousand Yuan) | Capital actually paid at period-end (10 thousand Yuan) | Other balance that consider as the net investment for subsidiary in nature | Share-holding Ratio (%) | Ratio of voting right (%) | Consolidated (Y/N) | Minority's interest |
|---|---------------------------|------------------|-----------------|-----------------------|--|--|-------------------------|---------------------------|--------------------|---------------------|
| MeiLing Candy Washing Machine Co., Ltd. | Limited Liability Company | Hefei            | Sale            | RMB:15,000            | RMB:5,000  |  | 60.00                   | 60.00                     | Y                  | 19,962,638.78       |
| Guangzhou Changhong Trade Co., Ltd.     | Limited Company           | Zhongshan        | Sale            | RMB:100               | RMB:100  |  | 100.00                  | 100.00                    | Y                  | -                   |
| Zhongshan Hongling Trade Co., Ltd.      | Limited Company           | Zhongshan        | Sale            | RMB:100               | RMB:60   |  | 100.00                  | 100.00                    | Y                  | -                   |

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless other wise specified, RMB for record in the Statement)

### VIII. Equity in other entity

#### 1. Equity in subsidiary

##### (1) Composition of the enterprise group

| Subsidiary  | Business area | Registration place | Business nature      | Share-holding ratio (%) |            | Acquire way                                     |
|---|---------------|--------------------|----------------------|-------------------------|------------|---|
|   |               |                    |                      | Directly                | Indirectly |   |
| Zhongke Meiling Cryogenic Technology Co., Ltd.1)      | Hefei         | Hefei              | Manufactures, sales  | 66.76                   |            | Investment                                      |
| Miayang Meiling Software Technology Co., Ltd.2)       | Miayang       | Miayang            | Software development |                         | 100.00     | Investment                                      |
| Miayang Meiling Refrigeration Co., Ltd.3)             | Miayang       | Miayang            | Manufactures, sales  | 95.00                   | 5.00       | Investment                                      |
| Jiangxi Meiling Appliance Co., Ltd.4)                 | Jingdezhen    | Jingdezhen         | Manufactures, sales  | 98.75                   | 1.25       | Investment                                      |
| Hefei Meiling Appliance Marketing Co., Ltd.5)         | Hefei         | Hefei              | Sales                | 99.82                   | 0.18       | Investment                                      |
| Guangxi Huidian Home Appliance Co., Ltd.6)            | Nanning       | Nanning            | Sales                |                         | 100.00     | Enterprise combined under the different control |
| Wuhu Meiling Appliance Marketing Co., Ltd.7)          | Wuhu          | Wuhu               | Sales                |                         | 98.00      | Investment                                      |
| Changchun Meiling Appliance Marketing Co., Ltd.8)     | Changchun     | Changchun          | Sales                |                         | 100.00     | Investment                                      |
| Lanzhou Mizhilai Appliance Marketing Co., Ltd.9)      | Lanzhou       | Lanzhou            | Sales                |                         | 100.00     | Investment                                      |
| Jinan Meiling Appliance Marketing Co., Ltd.10)        | Jinan         | Jinan              | Sales                |                         | 91.40      | Investment                                      |
| Nanchang Xiangyou Appliance Marketing Co., Ltd.11)    | Nanchang      | Nanchang           | Sales                |                         | 85.00      | Investment                                      |
| Jingzhou Meiling Appliance Marketing Co., Ltd.12)     | Jingzhou      | Jingzhou           | Sales                |                         | 96.00      | Investment                                      |
| Shenyang Meiling Appliance Marketing Co., Ltd.13)     | Shenyang      | Shenyang           | Sales                |                         | 100.00     | Investment                                      |
| Wuhan Meizhirong Appliance Marketing Co., Ltd.14)     | Wuhan         | Wuhan              | Sales                |                         | 91.00      | Investment                                      |
| Zhengzhou Meiling Appliance Marketing Co., Ltd.15)    | Zhengzhou     | Zhengzhou          | Sales                |                         | 100.00     | Investment                                      |
| Shijiazhuang Meiling Appliance Marketing Co., Ltd.16) | Shijiazhuang  | Shijiazhuang       | Sales                |                         | 100.00     | Investment                                      |
| Miayang Meiling Appliance Marketing Co., Ltd.17)      | Miayang       | Miayang            | Sales                |                         | 100.00     | Investment                                      |
| Chengdu Meiling Appliance Marketing Co., Ltd.18)      | Chengdu       | Chengdu            | Sales                |                         | 94.80      | Investment                                      |
| Guiyang Meiling Appliance Marketing Co., Ltd.19)      | Guiyang       | Guiyang            | Sales                |                         | 100.00     | Investment                                      |
| Fuzhou Meiling Appliance Marketing Co., Ltd.20)       | Fuzhou        | Fuzhou             | Sales                |                         | 100.00     | Investment                                      |
| Nanjing Meiling Appliance Marketing Co., Ltd.21)      | Nanjing       | Nanjing            | Sales                |                         | 100.00     | Investment                                      |
| Hefei Meiling White Appliance Marketing Co., Ltd.22)  | Hefei         | Hefei              | Sales                |                         | 95.00      | Investment                                      |
| Taiyuan Meiling Appliance Marketing Co., Ltd.23)      | Taiyuan       | Taiyuan            | Sales                |                         | 100.00     | Investment                                      |
| Changsha Meiling Appliance Marketing Co., Ltd.24)     | Changsha      | Changsha           | Sales                |                         | 97.00      | Investment                                      |
| Hohhot Xiangyou Appliance Marketing Co., Ltd.25)      | Hohhot        | Hohhot             | Sales                |                         | 95.00      | Investment                                      |
| Hangzhou Meiling Appliance Marketing Co., Ltd.26)     | Hangzhou      | Hangzhou           | Sales                |                         | 100.00     | Investment                                      |
| Chongqing Meiling Appliance Marketing Co., Ltd.27)    | Chongqing     | Chongqing          | Sales                |                         | 100.00     | Investment                                      |
| Kunming Meiling Appliance Marketing Co., Ltd.28)      | Kunming       | Kunming            | Sales                |                         | 97.5       | Investment                                      |
| Shanghai Meiling Appliance Marketing Co., Ltd.29)     | Shanghai      | Shanghai           | Sales                |                         | 99.00      | Investment                                      |
| Nantong Meiling Appliance Marketing Co., Ltd.30)      | Nantong       | Nantong            | Sales                |                         | 100.00     | Investment                                      |

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, RMB for record in the Statement)

| Subsidiary  | Business area | Registration place | Business nature     | Share-holding ratio (%) |            | Acquire way                                     |
|---|---------------|--------------------|---------------------|-------------------------|------------|---|
|   |               |                    |                     | Directly                | Indirectly |   |
| Guangzhou Meiling Appliance Marketing Co., Ltd.31)      | Guangzhou     | Guangzhou          | Sales               |                         | 98.00      | Investment                                      |
| Tianjin Meiling Appliance Marketing Co., Ltd.32)        | Tianjin       | Tianjin            | Sales               |                         | 100.00     | Investment                                      |
| Urunchi Meiling Appliance Marketing Co., Ltd.33)        | Urunchi       | Urunchi            | Sales               |                         | 90.00      | Investment                                      |
| Harbin Meiling Appliance Marketing Co., Ltd.34)         | Harbin        | Harbin             | Sales               |                         | 100.00     | Investment                                      |
| Beijing Meiling Appliance Marketing Co., Ltd.35)        | Beijing       | Beijing            | Sales               |                         | 100.00     | Investment                                      |
| Hefei MeiLing Nonferrous Metal Products Co., Ltd.36)    | Hefei         | Hefei              | Manufactures, sales |                         | 100.00     | Enterprise combined under the different control |
| Guangdong Changhong Ridian Technology Co., Ltd.37)      | Zhongshan     | Zhongshan          | Manufactures, sales | 98.855                  |            | Enterprise combined under the same control      |
| Changmei Technology Co., Ltd. 38)                       | Mianyang      | Mianyang           | Sales               | 92.64                   |            | Investment                                      |
| CHONGHONG MEILING ELECTRIC INDONESIA, PT.39)            | Jakarta       | Jakarta            | Sales               |                         | 100.00     | Investment                                      |
| Changhong Ruba Trading Company40)                       | Pakistan      | Pakistan           | Sales               |                         | 60.00      | Investment                                      |
| Sichuan Changhong Air Conditioner Co., Ltd.41)          | Mianyang      | Mianyang           | Manufactures, sales | 100.00                  |            | Enterprise combined under the same control      |
| Zhongshan Changhong Electric Co., LTD.42)               | Zhongshan     | Zhongshan          | Manufactures, sales | 90.00                   | 10.00      | Enterprise combined under the same control      |
| Hefei Meiling Group Holding Co., Ltd.43)                | Hefei         | Hefei              | Manufactures, sales | 100.00                  |            | Enterprise combined under the different control |
| Meiling Equator Electric (Hefei) Co., Ltd. 44)          | Hefei         | Hefei              | Manufactures, sales |                         | 100.00     | Enterprise combined under the different control |
| Hefei Equator Electric Co., Ltd. 45)                    | Hefei         | Hefei              | Manufactures, sales |                         | 100.00     | Enterprise combined under the different control |
| Hongyuan Earth Energy Heat Pump Technology Co., Ltd.46) | Mianyang      | Mianyang           | Manufactures, sales |                         | 51.00      | Investment                                      |
| MeiLing Candy Washing Machine Co., Ltd. 47)             | Hefei         | Hefei              | Manufactures, sales | 60.00                   |            | Investment                                      |
| Guangzhou Changhong Trade Co., Ltd.48)                  | Zhongshan     | Zhongshan          | Sales               |                         | 100.00     | Investment                                      |
| Zhongshan Hongling Trade Co., Ltd.49)                   | Zhongshan     | Zhongshan          | Sales               |                         | 100.00     | Investment                                      |

Note:

1) Zhongke Meiling Low Temperature Technology Company Limited (“Zhongke Meiling”), the predecessor of which was Zhongke Meiling Low Temperature Technology Limited Liability Company, was established on 29 October 2002 by joint contribution from the Company and Technical Institute of Physics and Chemistry, CAS (“TIPC”), with registered capital of RMB60 million upon the establishment, among which, the Company made capital contribution of RMB42 million (including the assets in specie at the consideration of RMB35,573,719.70 as evaluated by Beijing Zhongzheng Appraisal Co., Ltd. with issuance of the Appraisal Report (ZZPBZ(2002)No.029) and cash contribution of RMB6,426,280.30) accounting for 70% of the aforesaid registered capital, and TIPC made capital contribution of RMB18 million with intangible assets of such value (namely the single compressor mixture industrial low temperature refrigeration technology) as evaluated by Jingzhongzi Assets Appraisal Co., Ltd. with

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, RMB for record in the Statement)

issuance of the Appraisal Report (ZZPBZ(2002)No.225) accounting for 30% of the aforesaid registered capital. The paid-in of the above registered capital has been verified by Huazheng Accounting Firm by issuance of the Assets Verification Report (HZYZ(2002)No.B157) dated 16 October 2002.

In October 2014, according to the relevant provision under the Management Rules on Application of State Owned Assets by Central Business Organs, TIPC transferred the 30% equity interests held by it in Zhongke Meiling Low Temperature Technology Company Limited to its wholly-owned subsidiary Zhongke Xianxing (Beijing) Assets Management Co., Ltd (“Zhongke Xianxing”) which would perform management over the operating assets of TIPC. Upon consideration and approval at the 37th meeting of the 7th Board of Directors of Hefei Meiling Co., Ltd, it is agreed to waive the pre-emptive right.

On 10 August 2015, all the founders signed the Founder Agreement of Zhongke Meiling Low Temperature Technology Company Limited, pursuant to which, they decided to change the firm type of Zhongke Meiling Low Temperature Technology Company Limited to a joint stock company. Based on the net assets of RMB96, 431,978.25 as audited by Xinyong Zhonghe CPA as of 30 June 2015, an aggregate of 65,000,000 shares have been converted at the proportion of 1:0.67, which are to be held by the original shareholders according to their respective entitlement. In case that the net assets exceed registered capital, the balance shall be recorded in capital reserve. On 28 August 2015, Xinyong Zhonghe CPA reviewed the registered capital and paid-in thereof in respect of the stock reform, and issued Assets Verification Report (XYZH/2015CDA40161). The Company registered industrial and commercial information on 11 September 2015.

On November 25, 2016, the first Extraordinary Shareholders' General Meeting of Zhongke Meiling Low Temperature Technology Co., Ltd. in 2016 considered and approved the Proposal on the Issuance Plan of the Company, Zhongke Meiling Company issued 3,150,000 shares to specific investors by the non-public offering of shares at 1.63 Yuan per share. The current capital increase was verified by the No. [XYZH/2016CDA40294] capital verification report issued by ShineWing CPA (special general partnership). After the completion of the issuance, the share capital of Zhongke Meiling Company increased to 68,150,000 shares and the Company's shareholding ratio was 66.76%.

2) Mianyang Meiling Software Technology Co., Ltd. (hereinafter referred to as Meiling Software Company) was established on Jan. 24, 2014. It is a limited company jointly invested by the Company and Mianyang Meiling Refrigeration Co., Ltd., being approved by the Industrial and Commerce Bureau of Peicheng District, Mianyang City. The company owes registered capital of RMB 5 million, including RMB 4.95 million contributed by Meiling Company in cash, accounted for 99% of the registered capital; Mianyang Meiling Refrigeration Co., Ltd. contributed RMB 50000 in cash with 1% of the register capital occupied. The above mentioned register capital have been verified by verification report of Chuanjinlai Yanzi No.[2014] B039 issued by Sichuan Jinlai Accounting Firm Co., Ltd. In July 2016, the shares of Mianyang Meiling Software Technology Co., Ltd., held by the Company has transferred to Sichuan Changhong AC Co., Ltd., after transferred, Changhong AC has 99% equity of Mianyang Software, the Company has no shares of Mianyang Software directly



## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, RMB for record in the Statement)

3) Mianyang Meiling Refrigeration Co., Ltd. (hereinafter referred to as Mianyang Meiling Company), a limited liability company jointly set up by the Company and China-tech Meiling Company, was founded on Mar. 6, 2009. Its registered capital and paid-in capital was RMB 50 million upon establishment, of which, the Company invested RMB 45 million, accounting for 90% of the registered capital; Zhongke Meiling Company invested RMB 5 million, accounting for 10% of the registered capital. The capital receipt was verified by the verification report [CXKY (2009) No. 008] of Sichuan Xingrui Certified Public Accountants. On 19 January 2011, the Company increase RMB 50 million in capital of Mianyang Meiling, of which RMB 95 million invested by the Company, a 95% of total register capital while RMB 5 million invested by Zhongke Meiling, a 5% of total capital occupied. The paid-in capital has been verified by Capital Verification Report [XYZH/2010CDA6040] from Chengdu Branch of Shinewing CPA CO., Ltd. In 2011, Zhongke Meiling entered into “Equity Transfer Agreement” with Jiangxi Meiling Refrigeration Co., Ltd. 5 percent equity of Mianyang Meiling held by Zhongke Meiling was transferred to Jiangxi Meiling Refrigerator. In September 2013, Jiangxi Meiling Refrigeration was combined by Jiangxi Meiling Appliance Co., Ld, than 5 percent equity was transfer to Jiangxi Meiling Appliance.

4) Jiangxi Meiling Appliance Co., Ld.(Jiangxi Meiling Appliance Co.,) was a limited liability company jointly established by the Company and Mianyang Meiling on 23 May 2011. Register capital of the company totally as RMB 50 million, RMB 49.375 million invested by the Company, 98.75% in total register capital while RMB 0.625 million invested by Mianyang Meiling , a 1.25% in total register capital occupied. The initial investment RMB 10.50 million was received dated 13 May 2011 with RMB 10 million from the Company and RMB 0.5 million from Mianyang Meiling. Rest of the capital shall be invested fully within 2 years after the joint ventures established according to capital requirement. The initial investment capital were verified by the Capital Verification Report [JXKYZi(2011) No. 090] issued from Jingdezhen Xingci CPA Co., Ltd. Second capital RMB 39.5 million was fully funded on 28 July 2011, the Company contributed RMB 39.375 million while Mianyang Meiling Company invested RMB 125,000, the contributions have been verified by the capital verification report [Jing Xing Kuai Yan Zi (2011) No.: 134] issued from JDZ Xingci CPA Co., Ltd.

5) Hefei Meiling Appliance Marketing Co., Ltd. (Meiling Marketing Company for short) is the limited company jointly invested by the Company and Mianyang Meiling Company on 21 Oct. 2009. Registered capital and paid-up capital was RMB 10 million, including RMB 9.9 million invested by the Company, a 99% of the registered capital; Mianyang Meiling Company contributed RMB 0.1 million, a 1% of the registered capital. The above mentioned paid-up register capital have been verified by verification report of [Wan An Lian Xin Da Yan Zi (2009) No. 074] issued by Anhui An Lian Xin Da Accounting Firm Co., Ltd. On 25 Nov. 2010, the Company increased capital RMB 45 million, registered capital amounting to RMB 55 million, including RMB 54.9 million contributed by the Company, a 99.82% of the registered capital, while Mianyang Meiling invested RMB 0.1 million, a 0.18% of the registered capital. The increased capital have been verified by verification report of [Wan Hua Shen Zheng Da Kuai Yan Zi (2010) No. 1514] issued by Anhui Hua Shen Zhengda CPA Co., Ltd.

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, RMB for record in the Statement)

---

6) Guangxi Huidian Home Appliance Co., Ltd. (Guangxi Huidian for short) established in March 2010 with registered capital of RMB 5 million. The Company invested RMB 1 million, accounted for 20% of the registered capital; Meiling Marketing acquired 44% equity interests from the minority shareholders in 2014. In 2015, Meiling Marketing and Jiangxi Meiling Appliances entered into equity transfer agreements with minority shareholders respectively, to acquire as the transferees the 35.6% and 0.4% equity interests of Guangxi Weidian held by minority shareholders. Upon completion of equity transfer in April 2015, Meiling Marketing and Jiangxi Meiling Appliances held the entire equity interests of Guangxi Weidian as a whole.

7) Wuhu Meiling Appliance Marketing Co., Ltd. (Wuhu Meiling for short) was established dated 24 December 2010 with registered capital of RMB 6 million; the Company invested RMB 2.16 million, accounted for 36% of the registered capital. After Meiling Marketing acquired 65% equity interests from the minority shareholders in 2014, Meiling Marketing the Company totally holds 98% equity of the Wuhu Meiling.

8) Changchun Meiling Appliance Marketing Co., Ltd. (Changchun Meiling for short) was established dated 22 December 2010 with registered capital of RMB 3million; Meiling Marketing invested RMB 2.91 million, accounted for 97% of the registered capital. After Meiling Marketing acquired 3% equity interests from the minority shareholders in 2017, Meiling Marketing the Company totally holds 100% equity of the Changchun Meiling.

9) Lanzhou Meizhilai Meiling Appliance Marketing Co., Ltd., originally named Lanzhou Meiling Appliance Marketing Co., Ltd. (Meiling for short) was established dated 25 March 2011 with registered capital of RMB 3 million; Meiling Marketing invested RMB 1.215 million, accounted for 40.50% of the registered capital. After Meiling Marketing acquired 11% equity interests from the minority shareholders in 2013, Meiling Marketing acquired 48.5% equity interests from the minority shareholders in 2016, Meiling Marketing the Company totally holds 100% equity of Lanzhou Meiling.

10) Jinan Meiling Appliance Marketing Co., Ltd. (Jinan Meiling for short) was established dated 3 June 2011 with registered capital of RMB 3 million; Meiling Marketing invested RMB 1.08 million, accounted for 36% of the registered capital; after Meiling Marketing acquired 55.4% equity interests from the minority shareholders in 2015, Meiling Marketing totally holds 91.4% equity of the Jinan Meiling.

11) Nanchang Youxiang Appliance Marketing Co., Ltd. (Nanchang Xiangyou for short) was established dated 5 January 2011 with registered capital of RMB 3 million; Meiling Marketing invested RMB 1.08 million, accounted for 36% of the registered capital. After the Company acquired 49% equity interests from the minority shareholders in 2014, Meiling Marketing totally holds 85% equity of Nanchang Meiling.

12) Jingzhou Meiling Appliance Marketing Co., Ltd. (Jingzhou Meiling for short) was established dated 10 January 2011 with registered capital of RMB 4 million; Meiling Marketing invested RMB 2.4 million, accounted for 60% of the registered capital. In 2013, the Company purchased 20% equity from

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, RMB for record in the Statement)

---

minority; After Meiling Marketing acquired 1% equity interests from the minority shareholders in 2014, Meiling Marketing acquired 15% equity interests from the minority shareholders in 2016, Meiling Marketing totally holds 96% equity of Jingzhou Meiling.

13) Shengyang Meiling Appliance Marketing Co., Ltd. (Shengyang Meiling for short) was established dated 26 January 2011 with registered capital of RMB 3 million; Meiling Marketing invested RMB 2.844 million, accounted for 94.8% of the registered capital.

14) Wuhan Meizhirong Appliance Marketing Co., Ltd. (Wuhan Meizhirong for short) was established dated 10 January 2011 with registered capital of RMB 5 million; Meiling Marketing invested RMB 4.55 million, accounted for 91% of the registered capital.

15) Zhengzhou Meiling Appliance Marketing Co., Ltd. (Zhengzhou Meiling for short) was established dated 17 January 2011 with registered capital of RMB 3 million; Meiling Marketing invested RMB 1.08 million, accounted for 36% of the registered capital. In 2013, Meiling Marketing purchased 10% equity from minority; Meiling Marketing signed equity transfer agreement with the minority shareholders in April 2015, to acquire as the transferee the 39% equity interests of Zhengzhou Meiling held by minority shareholders, Meiling Marketing acquired 10% equity interests from the minority shareholders in February 2016; Upon completion of such equity transfer, Meiling Marketing held in aggregate the 95% equity interests of Zhengzhou Meiling. After Meiling Marketing acquired 5% equity interests from the minority shareholders in 2017, Meiling Marketing held in aggregate the 100% equity interests of Zhengzhou Meiling.

16) Shijiazhuang Meiling Appliance Marketing Co., Ltd. (Shijiazhuang Meiling for short) was established dated 14 January 2011 with registered capital of RMB 3 million; Meiling Marketing invested RMB 1.08 million, accounted for 36% of the registered capital; After Meiling Marketing acquired 27.33% equity held by the minority in 2014, holding 63.33% equity of the Shijiazhuang Meiling; After Meiling Marketing acquired 32% equity held by the minority in 2015, totally holding 95.33% equity of Shijiazhuang Meiling. After Meiling Marketing acquired 4.67% equity interests from the minority shareholders in 2017, Meiling Marketing held in aggregate the 100% equity interests of Shijiazhuang Meiling.

17) Mianyang Meiling Appliance Marketing Co., Ltd. (Mianyang Meiling for short) was established dated 27 January 2011 with registered capital of RMB 5 million; Meiling Marketing invested RMB 2.6 million, accounted for 52% of the registered capital. After Meiling Marketing purchased 33% equity from minority in 2013, and purchased 8.8% equity from minority in 2015, Meiling Marketing totally holds 93.8% equity of Mianyang Meiling. After Meiling Marketing acquired 6.2% equity interests from the minority shareholders in 2017, Meiling Marketing held in aggregate the 100% equity interests of Mianyang Meiling.

18) Chengdu Meiling Appliance Marketing Co., Ltd. (Chengdu Meiling for short) was established dated 26 January 2011 with registered capital of RMB 5 million; Meiling Marketing invested RMB 4.17

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, RMB for record in the Statement)

---

million, accounted for 83.4% of the registered capital; After Meiling Marketing purchased 9% equity from minority in 2015, and purchased 0.8% equity from minority in 2016, Meiling Marketing totally holds 94.8% equity of Chengdu Meiling.

19) Guiyang Meiling Appliance Marketing Co., Ltd. (Guiyang Meiling for short) was established dated 24 January 2011 with registered capital of RMB 3 million; Meiling Marketing invested RMB 0.78 million, accounted for 26% of the registered capital; after Meiling Marketing purchased 18% equity from minority in 2013, Meiling Marketing purchased 42% equity from minority in 2015, Meiling Marketing purchased 14% equity from minority in 2016, Meiling Marketing held in aggregate the 100% equity interests of Guiyang Meiling.

20) Fuzhou Meiling Appliance Marketing Co., Ltd. (Fuzhou Meiling for short) was established dated 25 January 2011 with registered capital of RMB 3 million; Meiling Marketing invested RMB 2.97 million, accounted for 99% of the registered capital. After Meiling Marketing acquired 1% equity interests from the minority shareholders in 2017, Meiling Marketing held in aggregate the 100% equity interests of Fuzhou Meiling.

21) Nanjing Meiling Appliance Marketing Co., Ltd. (Nanjing Meiling for short) was established dated 14 Feb. 2011 with registered capital of RMB 3 million; Meiling Marketing invested RMB 2.97 million, accounted for 99% of the registered capital. After Meiling Marketing acquired 1% equity interests from the minority shareholders in 2017, Meiling Marketing held in aggregate the 100% equity interests of Nanjing Meiling.

22) Hefei Meiling White Appliance Marketing Co., Ltd. (White Appliance for short) was established dated 21 January 2011 with registered capital of RMB 6 million; Meiling Marketing invested RMB 5.1 million, accounted for 85% of the registered capital; Meiling Marketing signed equity transfer agreement with the minority shareholders in 2015, to acquire as the transferee the 10% equity interests of White Appliance held by minority shareholders. Upon completion of such equity transfer in February 2015, Meiling Marketing held in aggregate the 95% equity interests of White Appliance.

23) Taiyuan Meiling Appliance Marketing Co., Ltd. (Taiyuan Meiling for short) was established dated 18 January 2011 with registered capital of RMB 4 million; Meiling Marketing invested RMB 1.59 million, accounted for 39.75% of the registered capital; after Meiling Marketing purchased 45.5% equity from minority in 2013, Meiling Marketing purchased 14.75% equity from minority in 2016, Meiling Marketing totally holds 100% equity of the Taiyuan Meiling.

24) Changsha Meiling Appliance Marketing Co., Ltd. (Changsha Meiling for short) was established dated 26 January 2011 with registered capital of RMB 5 million; Meiling Marketing invested RMB 1.8 million, accounted for 36% of the registered capital; the Company entered into equity transferred agreement with minority shareholders in 2014, transferred 50% equity of Changsha Meiling held by the minority, after Meiling Marketing purchased 11% equity from minority in 2016, Meiling Marketing totally holds 97% equity of Changsha Meiling.

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless other wise specified, RMB for record in the Statement)

---

25) Hohhot Meiling Appliance Marketing Co., Ltd., originally called Hohhot Xiangyou Appliance Marketing Co., Ltd.(Hohhot Meiling for short) was established dated 21 Feb. 2011 with registered capital of RMB 3 million; Meiling Marketing invested RMB 1.65 million, accounted for 55% of the registered capital; after Meiling Marketing purchased 28% equity from minority in 2013, Meiling Marketing purchased 12% equity from minority in 2016, Meiling Marketing totally holds 95% equity of the Hohhot Meiling.

26) Hangzhou Meiling Appliance Marketing Co., Ltd. was established dated 17 Feb. 2011 with registered capital of RMB 3 million; Meiling Marketing invested RMB 2.655 million, accounted for 88.5% of the registered capital; Meiling Marketing signed equity transfer agreement with the minority shareholders in 2015, to acquire as the transferee the 6.5% equity interests of Hangzhou Meiling held by minority shareholders. Upon completion of such equity transfer in February 2015, Meiling Marketing held in aggregate the 95% equity interests of Hangzhou Meiling. After Meiling Marketing acquired 5% equity interests from the minority shareholders in 2017, Meiling Marketing held in aggregate the 100% equity interests of Hangzhou Meiling.

27) Chongqing Meiling Appliance Marketing Co., Ltd. (Chongqing Meiling for short) was established dated 1 March 2011 with registered capital of RMB 3 million; Meiling Marketing invested RMB 2.55 million, accounted for 85% of the registered capital; After Meiling Marketing purchased 13% equity from minority in 2015, Meiling Marketing totally holds 98% equity of Chongqing Meiling. After Meiling Marketing acquired 2% equity interests from the minority shareholders in 2017, Meiling Marketing held in aggregate the 100% equity interests of Chongqing Meiling.

28) Kunming Meiling Appliance Marketing Co., Ltd. (Kunming Meiling for short) was established dated 28 Feb. 2011 with registered capital of RMB 3 million; Meiling Marketing invested RMB 1.395 million, accounted for 46.5% of the registered capital; after Meiling Marketing purchased 40% equity from minority in 2013, Meiling Marketing purchased 9% equity from minority in 2016, Meiling Marketing totally holds 95.5% equity of the Kunming Meiling. After Meiling Marketing acquired 2% equity interests from the minority shareholders in 2017, Meiling Marketing held in aggregate the 97.5% equity interests of Kunming Meiling.

29) Shanghai Meiling Appliance Marketing Co., Ltd. (Shanghai Meiling for short) was established dated 9 March 2011 with registered capital of RMB 3 million; Meiling Marketing invested RMB 2.97 million, accounted for 99% of the registered capital.

30) Nantong Meiling Appliance Marketing Co., Ltd. (Nantong Meiling for short) was established dated 8 March 2011 with registered capital of RMB 3 million; Meiling Marketing invested RMB 1.74 million, accounted for 58% of the registered capital; In 2013, after Meiling Marketing purchased 34% equity from minority, Meiling Marketing totally holds 92% equity of the Nantong Meiling. After Meiling Marketing acquired 8% equity interests from the minority shareholders in 2017, Meiling Marketing held in aggregate the 100% equity interests of Nantong Meiling.

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, RMB for record in the Statement)

---

31) Guangzhou Meiling Appliance Marketing Co., Ltd. (Guangzhou Meiling for short) was established dated 13 May 2011 with registered capital of RMB 5 million; Meiling Marketing invested RMB 4.3 million, accounted for 86% of the registered capital; after Meiling Marketing acquired 12% equity interests from the minority shareholders in 2014, Meiling Marketing totally held the 98% equity interests of Guangzhou Meiling.

32) Tianjin Meiling Appliance Marketing Co., Ltd. (Tianjin Meiling for short) was established dated 2 March 2011 with registered capital of RMB 3 million; Meiling Marketing invested RMB 2.565 million, accounted for 85.5% of the registered capital; In 2015, Meiling Marketing and Jiangxi Meiling Appliances entered into equity transfer agreements with minority shareholders respectively, to acquire as the transferees the 14.1% and 0.4% equity interests of Guangxi Weidian held by minority shareholders. Upon completion of equity transfer in December 2015, Meiling Marketing totally held the entire equity interests of Tinjian Meiling.

33) Urumchi Meiling Appliance Marketing Co., Ltd. (Urumchi Meiling for short) was established dated 4 March 2011 with registered capital of RMB 3 million; Meiling Marketing invested RMB 2.7 million, accounted for 90% of the registered capital.

34) Harbin Meiling Appliance Marketing Co., Ltd. (Harbin Meiling for short) was established dated 6 April 2011 with registered capital of RMB 3 million; Meiling Marketing invested RMB 1.08 million, accounted for 36% of the registered capital; Meiling Marketing acquired 41.5% equity interests from the minority shareholders in 2014, Meiling Marketing acquired 17.5% equity interests from the minority shareholders in 2015, Meiling Marketing totally held the 95% equity interests of Harbin Meiling. After Meiling Marketing acquired 5% equity interests from the minority shareholders in 2017, Meiling Marketing held in aggregate the 100% equity interests of Harbin Meiling.

35) Beijing Meiling Appliance Marketing Co., Ltd. (Beijing Meiling for short) was established dated 28 March 2011 with registered capital of RMB 3 million; Meiling Marketing invested RMB 2.97 million, accounted for 99% of the registered capital. After Meiling Marketing acquired 1% equity interests from the minority shareholders in 2017, Meiling Marketing held in aggregate the 100% equity interests of Beijing Meiling.

36) Hefei Meiling Nonferrous Metal Products Co., Ltd. (Nonferrous Metal) was the Sino-foreign joint venture jointly set up by original Meiling Group, Hefei Meiling Copper Co., Ltd. And Singapore Kim Shin Development Co., Ltd., which have been originally approved by the [WJMWFFZZ(1996) No.349] of Foreign Trade and Economic Committee of Anhui Province. Its registered capital was US\$ 2.92 million upon establishment, of which, original Meiling Group invested US\$ 1.46 million (monetary capital), accounting 50% of the registered capital, Hefei Meiling Copper Co., Ltd invested US\$ 0.584 million (monetary capital of RMB 0.18 million and real assets of US\$ 0.404 million), accounting 20% of registered capital while Singapore Kim Shin Development Co., Ltd invested US\$ 0.876 million (monetary capital), accounting 30% of the registered capital. The above mentioned investment verified by the verification report of [HSWZ(1995) No. 0737], [HSWZ(1996) No. 328] and

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, RMB for record in the Statement)

[HSWZ(1998) No. 088] from Anhui CPAs Co., Ltd. In July 2008, approved by [HWS(2008) No.53] from Foreign Trade Economic Cooperation Bureau of Hefei City, 30% equity and 20% equity held by Singapore Kim Shin Development Co., Ltd and Hefei Meiling Copper Co., Ltd respectively transferred to original Meiling Group Totally. The Company's register capital came into RMB 24,286,808.00 after transference, and was not the joint-venture any more.

37) Guangdong Changhong Ridian Technology Co., Ltd. (hereinafter referred to as the Company, the company) is a limited liability company invested and established by Sichuan Changhong Electric Co., Ltd. (hereinafter referred to as Sichuan Changhong) and Sichuan Changhong Motor Transport Co., Ltd. (hereinafter referred to as Changhong Motor Transport Company) on May 25, 2016. The registered capital and paid-in capital are RMB 40 million Yuan, of which Sichuan Changhong has invested 32 million Yuan by monetary capital, accounting for 80% of the registered capital; Changhong Motor Transport Company has invested 8 million Yuan, accounting for 20% of the registered capital. The official receipts of registered capital have been verified by original Sichuan Junhe Accounting Firm [No. JHYZ (2006) 3027]. The company increased registered capital of 43 million Yuan on January 4, 2007, changing from 40 million Yuan to 83 million Yuan, for the newly increased 43 million Yuan, Sichuan Changhong invested 1.8 million Yuan, Guangdong Xiongfeng Electric Co., Ltd. invested 40 million Yuan, and Kou Huameng and other 9 natural person shareholders invested 1.2 million Yuan, at the same time, the shareholders' meeting considered and agreed to transfer the investment of 8 million Yuan of Changhong Motor Transport Company to Sichuan Changhong Innovation Investment Co., Ltd., the structure of the registered capital after changes was that Sichuan Changhong invested 33.8 million Yuan, accounting for 40.72%; Guangdong Xiongfeng Electric Co., Ltd. invested 40 million Yuan, accounting for 48.19%; Sichuan Changhong Innovation Investment Co., Ltd. Invested 8 million Yuan, accounting for 9.64%; Kou Huameng and other 9 natural person shareholders invested 1.2 million Yuan, accounting for 1.45%. The change of registered capital was verified by Zhongshan Promise Accounting Firm [No. ZCHZ (2007)501010].

On February 18, 2009, 7 natural person shareholders transferred total 0.76% stock rights to Hu Zhiheng, after the transfer, the registered capital of the company was still 83 million Yuan, the structure of registered capital after changes was that Sichuan Changhong invested 33.8 million Yuan, accounting for 40.72%; Guangdong Xiongfeng Electric Co., Ltd. invested 40 million Yuan, accounting for 48.19%; Sichuan Changhong Innovation Investment Co., Ltd. invested 8 million Yuan, accounting for 9.64%; Hu Zhiheng and other two natural person shareholders invested 1.2 million Yuan, accounting for 1.45%.

On October 9, 2014, the company held the shareholders meeting which considered and agreed Kou Huameng to transfer its stock rights of total 250,000 Yuan which accounts for 0.301% of the company's registered capital to Sichuan Changhong Innovation Investment Co., Ltd. at the cost of 317,802 Yuan. The other shareholders of the Company waived the right of pre-emption. On December 11, 2014, the company held the shareholders meeting which considered and agreed Guangdong Xiongfeng Electric Co., Ltd. to transfer its stock rights of total 40 million Yuan which accounts for 48.19% of the company's registered

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, RMB for record in the Statement)

---

capital to Sichuan Changhong Electric Co., Ltd. at the cost of 43,977,300 Yuan. The other shareholders of the Company waived the right of pre-emption. The structure of registered capital after changes was that Sichuan Changhong invested 73.8 million Yuan, accounting for 88.92%; Sichuan Changhong Innovation Investment Co., Ltd. Invested 8.25 million Yuan, accounting for 9.94%; Hu Zhiheng and another natural person shareholder invested 950,000 Yuan, accounting for 1.14%.

On January 4, 2016, Sichuan Changhong and Sichuan Changhong Innovation Investment Co., Ltd. transferred total 98.855% of the Company's stock rights they held to the Company. After the transfer, the Company directly holds 98.855% stock rights of Changhong Ridian.

38) Changmei Technology Co., Ltd. (Changmei Technology for short) was invested and set up on May 12, 2016 in order to promote intelligent transformation and implement the company's intelligent life project according to the company's strategic planning and business development needs. Changmei Technology has registered capital of 50 million Yuan, of which the Company subscribed and paid 45 million Yuan in cash, accounting for 90% of the registered capital, and Changmei Management Group team subscribed and paid 5 million Yuan in cash, accounting for 10% of the registered capital.

On 19 December 2016, being deliberated on shareholders meeting, 2.64% equity held by part of the natural persons, are agreed to transferred to Hefei Meiling Co., Ltd. After transferred, the equity structures are as: Hefei Meiling Co., Ltd. contributes 46.32 million Yuan, a 92.64% in registered capital; natural person of Changmei management team totally contributed 3.68 million Yuan, a 7.36% in registered capital.

39) CHANGHONG MEILING ELECTRIC INDONESIA, PT.(Indonesia Changhong for short) is a subsidiary established in Indonesia and jointly invested by Zhongshan Changhong and Sichuan Changhong in 2016, the company's registered capital is 6 million US dollars, of which Zhongshan Changhong subscribed and paid 5.88 million US dollars in cash, accounting for 98% of the registered capital, Changhong Air Conditioning subscribed and paid 120,000 US dollars in cash, accounting for 2% of the registered capital.

40) Changhong Ruba Trading Company (Private) Limited ("Changhong Ruba") was a joint venture established by Zhongshan Changhong Appliances Company Limited and RUBA GENERAL TRADING FZE Company ("RUBA") on 5 August 2011 with the approval from Guangdong Development and Reform Commission by issuance of the Approval Relating to Joint Construction of a Manufacturing and Selling Platform Project in Pakistan by Zhongshan Changhong Appliances Company Limited (YFGWZ(2011)958). The resolution of the second extraordinary shareholders' meeting of Zhongshan Changhong in 2016 passed the "Proposal on the Company's Capital Increase to Changhong Ruba Trading Company (Private) Limited", and agreed that the company and UAE RUBA Company jointly increase capital to Changhong Ruba Trading Company(Private) Limited which was invested by both sides in Pakistan at an earlier stage, Zhongshan Changhong invested 3.84 million US dollars in this capital increase, and UAE RUBA Company invested 2.56 million US dollars, the shares held by both sides remained unchanged. After the capital increase, the company's registered capital became 12.4 million US dollars, of



## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, RMB for record in the Statement)

---

which Zhongshan Changhong Electric Co., Ltd. Invested 7.44 million US dollars in cash, shareholding ratio was 60%, UAE RUBA Company invested 4.96 million US dollars in cash, and shareholding ratio was 40%.

41) Sichuan Changhong Air-conditioners Co., Ltd.(Changhong Air-conditioner for short), a limited liability company jointly set up by Sichuan Changhong and Changhong Chuangtou, was founded on November 28, 2008. Its registered capital was RMB 200 million upon establishment, of which, Sichuan Changhong invested RMB 298 million (RMB 210,088,900 invested by monetary capital while RMB 87,911,100 invested by real material), equivalent to RMB 198 million shares, accounting for 99% of the registered capital; and Changhong Chuangtou invested RMB 3 million, accounting for 1% of the registered capital with equivalent of RMB 2 million shares. The registered capital receipt was verified by the verification report [CGYYZ (2008) No. 177] of Sichuan Guangyuan Certified Public Accountants Co., Ltd. and [HLTHYZ(2008) No. 12-006] of Sichuan Henglitai Certified Public Accountants Co., Ltd. In December 2009, the Company obtained 100% equity of Changhong Air-conditioner by consolidated under the same control.

42) Zhongshan Changhong Electric Co., Ltd.( Zhongshan Changhong), was the original Guangdong Changhong Electric Co., Ltd., and is a limited liability company jointly set up by Sichuan Changhong and China Minmetals on May 22, 2001. Its registered capital was RMB 80 million upon establishment, of which, Sichuan Changhong invested RMB 72 million, including RMB 69.3 million bidding for the estate/non-estate from original Zhongshan Sanrong Air-conditioner Co., Ltd. And its patent use-right of RMB2.7 million, accounting for 90% of the registered capital; China Minmetals invested RMB 8 million in monetary capital accounting 10% of the registered capital. The Company changed its name originally from Guangdong Changhong Electric Co., Ltd in July 2003. In December 2009, the Company obtained 90% equity of Zhongshan Changhong by consolidated under same control. 10% equity held by China Minmetals has been transferred by Changhong Air-conditioner on April 11, 2010. On 25 May 2014, the Company increased RMB 36 million to Zhongshan Changhong, and Changhong AC increased RMB 4 million. In 2016, according to the overseas development strategy of the Company and the development and operation needs of the subsidiaries, the Company and the wholly-owned subsidiary Changhong Air Conditioning have increased capital of RMB 64 million Yuan to Zhongshan Changhong according to the existing shareholding ratio, among which the capital increase of the Company was RMB 57.6 million Yuan, and the capital increase of Changhong Air Conditioning was RMB 6.4 million Yuan. After the completion of this capital increase, the registered capital Zhongshan Changhong shall increase to RMB 184 million Yuan, the shareholding ratio of the company and Changhong Air Conditioning remained unchanged and was still 90% and 10%, of which the Company invested 165.6 million Yuan, accounting for 90% of the registered capital, Changhong Air Conditioning invested 18.4 million Yuan, accounting for 10% of the registered capital.

43) Hefei Meiling Group Holding Co., Ltd (Meiling Group), was the state-owned company originally approved by People's Government of Hefei Province and established authorized by SASAC of

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, RMB for record in the Statement)

Hefei City. On July 14, 2008, 100% state-owned equity of Meiling Group has freely transferred to Xingtai Holding by Hefei SASAC. Agreement by the approval of < State-owned property agreement transfer from Meiling Group > [ HGZCQ(2010) No.34] of Hefei SASAC on April 9, 2010, 100% state-owned property of Meiling Group after partial assets and liabilities separated transferred to the Company from Xingtai Holding as amount of RMB 113.2 million. The re-registration of industrial and commercial procedure for Meiling Group after separated partial assets liability has finished on July 28, 2010. The new Meiling Group has register capital of RMB 80 million, and has been verified by the [AD(2010)YZD No. 016] from Anhui Anding CPAs Co., Ltd.

44) Meiling Equator Appliance (Hefei) Co., Ltd.( Equator Appliance for short) was the Sino-foreign joint venture jointly set up by original Meiling Group and EQUATOR INVESTMENTS (USA) INC.( EQUATOR for short), which have been approved by the [SWZWFZZ(2004) No.0103] of Approval Certificate of Foreign Enterprise from People’s Government of Anhui Province. Its registered capital was US\$ 3 million upon establishment, of which, Sino company invested US\$ 2.25 million in machinery equipment, accounting 75% of the registered capital while foreign company invested US\$ 0.5 million in monetary capital and US\$ 0.25 million in intangible assets, amounting to US\$0.75 million, accounting 25% of the registered capital. The above mentioned investment verified by the verification report of [WYAYZ (2004) No. 135] from Anhui Yongan CPAs Co., Ltd. In July 2007, approved by [HWJ(2007) No.136] from Foreign Trade Economic Cooperation Bureau of Hefei City, 25% equity held by EQUATOR transferred to Anhui Meiling Electric Co., Ltd. Totally. The Company’s register capital came into RMB 24,793,200 after transference, and was not the joint-venture any more. 25% equity owned by Anhui Meiling Electric Co., Ltd has been transferred totally to original Meiling Group in July 2009.

45) Hefei Equator Appliance Co., Ltd.( Equator Appliance) was jointly set up by original Meiling Group and Yingkaite Appliance on September 26, 2007. Its register capital was RMB 12 million, among which, original Meiling Group invested RMB 8,670,600 in monetary capital, accounting 72.255% in registered capital; Equator Appliance invested RMB 3,329,400 in the assessment value of intangible assets (land-use right), accounting 27.745% of total registered capital. The investment being verified by [WYAZ(2004) No. 135] from Anhui Yongan CPAs Co., Ltd.

46) Hongyuan Ground Energy Heating Pump Technology Company (“Hongyuan Ground Energy”) was established as a limited liability company with joint capital contribution from Sichuan Changhong Air Conditioner Company (“Changhong Air Conditioner”) and Hengyouyuan Science & Technology Development Group on 28 August 2015, with the approval from the Industrial and Commercial Administration Office of Fucheng district, Mianyang, Sichuan province. The registered capital of the company is RMB50 million, among which, RMB25.5 million is contributed by Changhong Air Conditioner in cash with shareholding proportion of 51%, and the remaining RMB24.5 million is contributed by Hengyouyuan Science & Technology Development Group in cash with shareholding proportion of 49%.

47) Meiling Candy Washing Machine Co., Ltd. (“Meiling Candy”) was established on 27 April 2017

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, RMB for record in the Statement)

with joint capital contribution from Hefei Meiling Co., Ltd. and Candy Hoover Group S.r.l.. Registered capital amounting to 150 million Yuan, including 90 million Yuan contributed by Hefei Meiling Co., Ltd., a 60% in total registered capital while 60 million Yuan or equivalent USD contributed by Candy Hoover Group S.r.l., a 40% in total registered capital. Ended as 30 June, the first phase contribution 30 million Yuan and 20 million Yuan are paid respectively by Hefei Meiling and Candy Hoover Group S.r.l.

48) Guangzhou Changhong Trade Co., Ltd. (“Guangzhou Changhong”) was established in line with the strategy plans and operation development requirement by Zhongshan Changhong Electric Co., LTD on 6 January 2017 with registered capital of one million Yuan. Zhongshan Changhong contributed in cash, a 100% in registered capital.

49) Zhongshan Hongling Trade Co., Ltd. (“Hongling Trade”) was established as a limited liability company by Guangdong Changhong Ridian Technology Co., Ltd. dated 5 December 2016. Registered capital amounting to one million Yuan, Guangdong Changhong Ridian Technology takes 100% equity.

### (2) Major non-wholly-owned subsidiary

| Subsidiary             | Shareholding of minority | Gains/losses attributable to minority in the period | Dividend distributed to minority announced in the period | Balance of minority's interest at period-end |
|------------------------|--------------------------|---|--|--|
| Zhongke Meiling        | 33.24%                   | 986,542.54  |  | 38,507,489.75                                |
| Hongyuan Ground Energy | 49.00%                   | 2,372,403.10  |  | 12,095,380.59                                |
| Changhong Ridian       | 1.14%                    | 46,439.28   |  | 1,295,378.72                                 |
| Meiling Kadi           | 40.00%                   | -37,361.22  |  | 19,962,638.78                                |

### (3) Financial information for major non-wholly-owned subsidiary

| Subsidiary             | Ending balance |                    |                |                     |                       |                   |
|------------------------|----------------|--------------------|----------------|---------------------|-----------------------|-------------------|
|                        | Current assets | Non-current assets | Total assets   | Current liabilities | Non-current liability | Total liabilities |
| Zhongke Meiling        | 125,050,695.49 | 101,526,920.98     | 226,577,616.47 | 105,715,124.36      | 5,000,000.00          | 110,715,124.36    |
| Hongyuan Ground Energy | 195,690,658.99 | 1,877,476.61       | 197,568,135.60 | 172,883,685.42      | -                     | 172,883,685.42    |
| Changhong Ridian       | 190,122,411.51 | 58,864,880.48      | 248,987,291.99 | 135,812,098.27      | -                     | 135,812,098.27    |
| Meiling Kadi           | 111,284,441.35 | 158,066.04         | 111,442,507.39 | 61,535,910.44       | -                     | 61,535,910.44     |

(Continued)

| Subsidiary             | Opening balance |                    |                |                     |                       |                   |
|------------------------|-----------------|--------------------|----------------|---------------------|-----------------------|-------------------|
|                        | Current assets  | Non-current assets | Total assets   | Current liabilities | Non-current liability | Total liabilities |
| Zhongke Meiling        | 95,736,799.26   | 79,041,552.96      | 174,778,352.22 | 56,884,199.81       | 5,000,000.00          | 61,884,199.81     |
| Hongyuan Ground Energy | 94,131,015.35   | 214,113.11         | 94,345,128.46  | 74,502,317.25       |                       | 74,502,317.25     |

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless other wise specified, RMB for record in the Statement)

| Subsidiary   | Opening balance  |                |               |                |                |   |
|--------------|------------------|----------------|---------------|----------------|----------------|---|
|              | Changhong Ridian | 201,344,325.02 | 59,154,559.91 | 260,498,884.93 | 151,381,017.63 |   |
| Meiling Kadi | -                | -              | -             | -              | -              | - |

(Continued)

| Subsidiary             | Current period   |              |                            |                                   |
|------------------------|------------------|--------------|----------------------------|-----------------------------------|
|                        | Operation income | Net profit   | Total comprehensive income | Cash flow from operation activity |
| Zhongke Meiling        | 60,567,937.18    | 2,968,339.70 | 2,968,339.70               | 36,565,279.44                     |
| Hongyuan Ground Energy | 266,905,097.64   | 4,841,638.97 | 4,841,638.97               | -9,120,688.64                     |
| Changhong Ridian       | 208,290,529.53   | 4,057,326.42 | 4,057,326.42               | -5,939,023.08                     |
| Meiling Kadi           | 24,592,916.36    | -93,403.05   | -93,403.05                 | 309,458.60                        |

(Continued)

| Subsidiary             | Amount for the same period of last year |              |                            |                                   |
|------------------------|---|--------------|----------------------------|-----------------------------------|
|                        | Operation income                        | Net profit   | Total comprehensive income | Cash flow from operation activity |
| Zhongke Meiling        | 38,908,381.02                           | 2,151,566.44 | 2,151,566.44               | 6,169,648.52                      |
| Hongyuan Ground Energy | 34,314,113.36                           | -798,632.06  | -798,632.06                | -926,619.14                       |
| Changhong Ridian       | 222,027,059.04                          | 3,034,542.05 | 3,034,542.05               | 27,949,640.51                     |
| Meiling Kadi           | -                                       | -            | -                          | -                                 |

(4) Major limitation on using enterprise group's assets and liquidate debts of enterprise group: Nil

(5) Offering financial supporting or other supports for structured entity that included in consolidation statement scope: Nil

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless other wise specified, RMB for record in the Statement)

### 2. Changes of owner' equity shares in subsidiary and its impacts

| Item  | Changchun Meiling | zhengzhou Meiling | Shijiazhuang Meiling | Mianyang Meiling | Fuzhou Meiling | Nanjing Meiling | Hangzhou Meiling | Chongqing Meiling | Kunming Huidian | Nantong Meiling | Harbin Meiling | Beijing Meiling | Total         |
|---|-------------------|-------------------|----------------------|------------------|----------------|-----------------|------------------|-------------------|-----------------|-----------------|----------------|-----------------|---------------|
| Original ratio of shares held   | 97.00%            | 95.00%            | 95.33%               | 93.80%           | 99.00%         | 99.00%          | 95.00%           | 98.00%            | 95.50%          | 92.00%          | 95.00%         | 99.00%          |               |
| Equity purchased from minority  | 3.00%             | 5.00%             | 4.67%                | 6.20%            | 1.00%          | 1.00%           | 5.00%            | 2.00%             | 2.00%           | 8.00%           | 5.00%          | 1.00%           |               |
| Ratio of shares held at period-end  | 100.00%           | 100.00%           | 100.00%              | 100.00%          | 100.00%        | 100.00%         | 100.00%          | 100.00%           | 97.50%          | 100.00%         | 100.00%        | 100.00%         |               |
| Cash  | 1                 | 3                 | 1                    | 5                | 1              | 1               | 1                | 1                 | 4               | 1               | 1              | 1               | 21.00         |
| Acquisition cost/total disposal consideration                                 | 1                 | 3                 | 1                    | 5                | 1              | 1               | 1                | 1                 | 4               | 1               | 1              | 1               | 21.00         |
| Less: net assets of subsidiary measured by equity shares obtained by disposed | -170,960.56       | -769,777.59       | -97,449.94           | 412,939.38       | -119,653.94    | -117,860.92     | -735,435.01      | -48,991.17        | -20,037.95      | -441,685.90     | -156,586.55    | -381,676.73     | -2,647,176.88 |
| Balance   | 170,961.56        | 769,780.59        | 97,450.94            | -412,934.38      | 119,654.94     | 117,861.92      | 735,436.01       | 48,992.17         | 20,041.95       | 441,686.90      | 156,587.55     | 381,677.73      | 2,647,197.88  |
| Including:<br>Capital public reserve adjusted                                 | -170,961.56       | -769,780.59       | -97,450.94           | 412,934.38       | -119,654.94    | -117,861.92     | -735,436.01      | -48,992.17        | -20,041.95      | -441,686.90     | -156,587.55    | -381,677.73     | -2,647,197.88 |

The balance between the newly achieved long-term equity investment by purchasing stock rights of minority shareholders of some marketing subsidiaries and the net asset shares held by the subsidiary continuously calculated from the purchase date and calculated by the newly increased shareholding ratio was -2,647,197.88 Yuan, and should be included in the capital reserve.

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, RMB for record in the Statement)

### 3. Equity in joint venture or affiliated enterprise

#### (1) Major joint venture or affiliated enterprise

| Joint venture or affiliated enterprise           | Main office place | Register place | Business nature           | Share holding (%) |            | Accounting treatment for investment of joint venture or affiliated enterprise |
|--|-------------------|----------------|---------------------------|-------------------|------------|---|
|  |                   |                |                           | Directly          | Indirectly |   |
| <b>Affiliated enterprise:</b>                    |                   |                |                           |                   |            |   |
| 1.ChanghongRubaElectricCompany (Private)Ltd.     | Lahore, Pakistan  | Lahore         | Manufactures, sales       |                   | 40.00      | Equity  |
| 2.Hefei Xingmei Assets Management Co., Ltd.      | Hefei             | Hefei          | Rental, agency            | 48.28             |            | Equity  |
| 3.Sichuan Zhiyijia Network Technology Co., Ltd.  | Mianyang          | Mianyang       | Sales                     | 30.00             |            | Equity  |
| 4.Hongyuan Dineng Rebao Technology Co. Ltd.      | Mianyang          | Mianyang       | R & D, sales, after-sales |                   | 49.00      | Equity  |
| 5.Sichuan Tianyou Guigu Technology Co., Ltd.     | Mianyang          | Mianyang       | Manufactures, sales       |                   | 25.00      | Equity  |
| 6.Chengdu Guigu Environment Technology Co., Ltd. | Chengdu           | Chengdu        | Manufactures, sales       |                   | 25.00      | Equity  |

(2) Financial information for major Joint venture: Nil

#### (3) Financial information for affiliated enterprise

| Item   | Ending balance /Current period            |  |  |   |  |  |
|--|---|--|--|---|--|--|
|  | ChanghongRubaElectricCompany(Private)Ltd. | Hefei Xingmei Assets Management Co.,Ltd. | SichuanZhiyijia Network Technology Co., Ltd. | Hongyuan Dineng Rebao Technology Co. Ltd. | Sichuan Tianyou Guigu Technology Co., Ltd. | Chengdu Guigu Environment Technology Co., Ltd. |
| Current assets:                                      | 106,622,727.23                            | 3,794,894.67                             | 1,767,413,320.51                             | 108,375,007.35                            | 11,803,904.00                              | 37,397,817.27                                  |
| Including: cash and cash equivalent                  | 862,247.27                                | 3,737,574.67                             | 525,244,514.18                               | 536,417.51                                | 6,302,339.05                               | 25,814,460.87                                  |
| Non-current assets                                   | 81,040,087.59                             | 22,419,345.68                            | 13,977,775.32                                | 4,042,220.08                              | 25,380,204.84                              | 14,467,194.33                                  |
| Total assets   | 187,662,814.82                            | 26,214,240.35                            | 1,781,391,095.83                             | 112,417,227.43                            | 37,184,108.84                              | 51,865,011.60                                  |
| Current liability                                    | 101,018,008.57                            | 1,603,225.17                             | 1,730,935,643.69                             | 59,301,986.01                             | 606,786.89                                 | 9,124,966.94                                   |
| Non-current liability                                | -   | -  | 1,400,000.00                                 | -   | 1,511,363.63                               | 243,750.00                                     |
| Total liabilities                                    | 101,018,008.57                            | 1,603,225.17                             | 1,732,335,643.69                             | 59,301,986.01                             | 2,118,150.52                               | 9,368,716.94                                   |
| Minority's interest                                  | -   | -  | -  | 104,684.88                                | -  | -  |
| Equity attributable to shareholder of parent company | 86,644,806.25                             | 24,611,015.18                            | 49,055,452.14                                | 53,010,556.54                             | 35,065,958.32                              | 42,496,294.66                                  |
| Share of net assets measured by shareholding         | 34,657,922.50                             | 11,882,198.13                            | 14,716,635.63                                | 25,975,172.70                             | 8,766,489.58                               | 10,624,073.66                                  |
| Adjustment time                                      | -   | -  | -  | -   | -  | -  |
| -Goodwill  | -   | -  | -  | -   | -  | -  |

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless other wise specified, RMB for record in the Statement)

|  |                |               |                  |               |              |               |
|--|----------------|---------------|------------------|---------------|--------------|---------------|
| Unrealized profit of the internal downstream transactions                      | 5,544,313.98   | -             | 7,572,751.93     | 3,245,444.30  | 12,057.40    | 178.89        |
| Unrealized profit of the internal upstream transactions                        | 517,388.80     | -             | -                | -             | -            | -             |
| Other  | -              | -             | -                | -             | -            | -             |
| Book value of the equity investment for affiliate                              | 29,113,608.52  | 11,882,198.13 | 7,143,883.70     | 22,729,728.40 | 8,754,432.18 | 10,623,894.77 |
| Fair value of equity investment for the affiliates with consideration publicly | -              | -             | -                | -             | -            | -             |
| Operation income   | 130,908,878.06 | 74,174.75     | 1,824,770,956.91 | 24,702,679.10 | 513,414.56   | 2,635,882.58  |
| Financial expenses   | 191,224.13     | -5,430.52     | -11,144,192.28   | 69,906.80     | -310,264.28  | -76,340.87    |
| Income tax expenses  | -              | -             | 7,230,229.39     | -             | -            | -             |
| Net profit   | -632,619.48    | -1,061,727.97 | 12,060,219.73    | -71,775.81    | -304,136.00  | -3,422,217.75 |
| Net profit of discontinuing operation  | -              | -             | -                | -             | -            | -             |
| Other comprehensive income   | -              | -             | -                | -             | -            | -             |
| Total comprehensive income   | -              | -             | -                | -             | -            | -             |
| Dividend received from affiliates in the Year                                  | -              | -             | -                | -             | -            | -             |

(Continued)

| Item  | Opening balance /Amount for the same period of last Year |  |   |   |   |
|---|--|--|---|---|---|
|   | ChanghongRuba Electric Company (Private)Ltd              | Hefei Xingmei Assets Management Co.,Ltd. | Sichuan Zhiyijia Network Technology Co., Ltd. | Hongyuan Dineng Rebao Technology Co. Ltd. | Sichuan Tianyou Guigu Technology Co.,Ltd. |
| Current assets:   | 53,816,804.37  | 4,306,112.28                             | 1,082,166,887.90                              | 110,218,752.45                            | 46,813,516.00                             |
| Including: cash and cash equivalent                       | 3,218,558.81   | 4,230,072.28                             | 432,181,490.05                                | 3,089,747.24                              | 36,370,617.75                             |
| Non-current assets  | 87,139,096.04  | 22,951,140.57                            | 14,581,224.90                                 | 4,316,949.46                              | 42,568,210.38                             |
| Total assets  | 140,955,900.41   | 27,257,252.85                            | 1,096,748,112.80                              | 114,535,701.91                            | 89,381,726.38                             |
| Current liability   | 51,373,683.63  | 1,584,509.70                             | 1,058,052,880.39                              | 61,339,639.80                             | 54,110,854.39                             |
| Non-current liability                                     |  |  | 1,700,000.00                                  |   | 4,078,409.09                              |
| Total liabilities   | 51,373,683.63  | 1,584,509.70                             | 1,059,752,880.39                              | 61,339,639.80                             | 58,189,263.48                             |
| Minority's interest                                       |  |  |   | 113,729.76                                |   |
| Equity attributable to shareholder of parent company      | 89,582,216.78  | 25,672,743.15                            | 36,995,232.41                                 | 53,082,332.35                             | 31,192,462.90                             |
| Share of net assets measured by shareholding              | 35,832,886.70  | 12,394,800.39                            | 11,098,569.71                                 | 26,010,342.85                             | 7,798,115.73                              |
| Adjustment time   |  |  |   |   |   |
| -Goodwill   |  |  |   |   |   |
| Unrealized profit of the internal downstream transactions | 6,783,242.24   |  | 1,718,196.04                                  | 3,239,277.40                              | 15,398.22                                 |
| Unrealized profit of the internal upstream transactions   | 265,029.89   |  |   |   |   |
| Other   |  |  |   |   |   |

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless other wise specified, RMB for record in the Statement)

|  |               |               |                  |               |               |
|--|---------------|---------------|------------------|---------------|---------------|
| Book value of the equity investment for affiliate                              | 29,314,674.36 | 12,394,800.39 | 9,380,373.67     | 22,771,065.45 | 7,782,717.50  |
| Fair value of equity investment for the affiliates with consideration publicly |               |               |                  |               |               |
| Operation income   | 70,462,882.13 | 844,579.58    | 1,558,745,387.54 | 90,683,257.48 | 4,030,586.19  |
| Financial expenses   | 100,521.40    | -3,138.37     | -4,722,600.31    | -24,436.43    | -310,111.90   |
| Income tax expenses  | -             | -             | 1,997,985.96     | -             | -             |
| Net profit   | -2,017,456.15 | -116,030.74   | 9,003,340.70     | -4,238,296.19 | -2,700,889.12 |
| Net profit of discontinuing operation  |               |               |                  |               |               |
| Other comprehensive income   |               |               |                  |               |               |
| Total comprehensive income   |               |               |                  |               |               |
| Dividend received from affiliates in the Year                                  |               |               |                  |               |               |

### (4) Financial summary for non-important Joint venture and affiliate enterprise

| Item  | Ending balance / Current period | Opening balance / Amount for the same period of last Year |
|---|---------------------------------|---|
| <b>Affiliate:</b>                           |                                 |   |
| Total book value of investment              |                                 |   |
| Total amount measured by shareholding ratio |                                 |   |
| --net profit                                | -4,967,426.56                   | -1,831,541.72   |
| --Other comprehensive income                |                                 |   |
| -- Total comprehensive income               | -4,967,426.56                   | -1,831,541.72   |

(5) Major limitation on capital transfer ability to the Company from joint venture or affiliates: Nil

(6) Excess loss occurred in joint venture or affiliates: Nil

(7) Unconfirmed commitment with joint venture investment concerned: Nil

(8) Intangible liability with joint venture or affiliates investment concerned: Nil

4. Major conduct joint operation: Nil

5. Structured body excluding in consolidate financial statement: Nil

### IX. Relevant risks related with financial instrument

The major financial instruments of the Company include borrowings, account receivables, account payables, transactional financial assets, transactional financial liabilities, the details of which are set out in Note 6. Risks related to these financial instruments include exchange risks and interest rate risks. The management of the Company controls and monitors the risk exposures to ensure the above risks are under control.

In connection with exchange risks, in order to prevent from exchange risks arising from foreign currency transaction amount, foreign currency dominated loans and interest expenditure, the Company



## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless other wise specified, RMB for record in the Statement)

entered into several forward exchange contracts with banks. Fair value of the forward exchange contract which has been recognized as derivative financial instrument as of 31 December 2016 has been included in profits and losses. As export business is increasing, if risks that are out of control of the Company occur such as appreciation of RMB, the Company will mitigate the relevant risks by adjusting its sales policy.

The Company's interest rate risk arises from bank borrowings and interest-bearing debt. Financial liabilities at floating rate expose the Company to cash flow interest rate risk, and financial liabilities at fixed rate expose the Company to fair value interest rate risk. The Company will determine the respective proportion of contracts at fixed and floating rates based on the prevailing market conditions. As of 30 June 2017, the interest-bearing debts mainly referred to borrowing contracts at floating rate denominated in RMB with total amount of 1,215,413,395.00, borrowing contracts at fixed rate denominated in USD with total amount of 273,008,320.00, borrowing contracts at fixed rate denominated in EURO with total amount of 197,660,986.07. Risks relating to change of fair value of financial instruments arising from movement of interest rate mainly related to bank borrowings at fixed rate. As for borrowings at fixed rate, the Company aims to keep its floating rate. Risks relating to change of cash flow of financial instruments arising from movement of interest rate mainly related to bank borrowings at floating rate. The Company establishes its policy to keep floating rate for these borrowings so as to eliminate fair value risk arising from movement of interest rate.

### X. Fair value

#### 1. Asset and liability measured by fair value at end of the period and fair value measurement level

| Item   | Fair value at period-end |                       |                       |               |
|--|--------------------------|-----------------------|-----------------------|---------------|
|  | 1 <sup>st</sup> level    | 2 <sup>nd</sup> level | 3 <sup>rd</sup> level | Total         |
| Financial assets measured by fair value and with variation reckoned into current gains/losses      |                          |                       |                       |               |
| 1. Transactional financial assets  |                          |                       |                       |               |
| (1) Derivative financial assets  |                          | 10,813,272.50         |                       | 10,813,272.50 |
| Financial liabilities measured by fair value and with variation reckoned into current gains/losses |                          |                       |                       |               |
| 1. Transactional financial liabilities   |                          |                       |                       |               |
| (1) Derivative financial liabilities   |                          | 9,671,394.08          |                       | 9,671,394.08  |

The derivative contract is measured by fair value on 2nd level, which is the real-time quote on foreign exchange market on balance sheet date.

### XI. Related parties and related transaction

#### (I) Relationship of related parties

##### 1. Controlling shareholder and ultimate controller

###### (1) Controlling shareholder and ultimate controller

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, RMB for record in the Statement)

| Controlling shareholder and ultimate controller | Type of entity | Place of registration | Nature of business | Legal representative | Organization code |
|---|----------------|-----------------------|--------------------|----------------------|-------------------|
| Sichuan Changhong Electric Co., LTD             | Mianyang       | Manufacture and sales | 4,616,244,222      | 25.10%               | 25.10%            |

Sichuan Changhong Electronic Holding Group is the controlling shareholder of Sichuan Changhong Appliances, and the SASAC Mianyang office holds 100.00% equity interests of Sichuan Changhong Electronic Holding Group, which means that SASAC Mianyang office is the ultimate controller of the Company.

### (2) Register capital and change thereof of controlling shareholder

| Controlling shareholder             | Opening balance | Increase during the period | Decrease during the period | Ending balance |
|-------------------------------------|-----------------|----------------------------|----------------------------|----------------|
| Sichuan Changhong Electric Co., LTD | 4,616,244,222   |                            |                            | 4,616,244,222  |

### (3) Shares held by the controlling shareholder and its changes on equity

| Controlling shareholder             | Amount of shares held |                 | Shareholding ratio (%) |                     |
|-------------------------------------|-----------------------|-----------------|------------------------|---------------------|
|                                     | Ending balance        | Opening balance | Ratio at period-end    | Ratio at year-begin |
| Sichuan Changhong Electric Co., LTD | 262,171,365           | 259,871,791     | 25.10%                 | 24.88%              |

## 2. Subsidiary

Found more in Note “VIII. 1 (1) Enterprise group composition”

## 3. Joint venture and affiliated enterprise

Major Joint venture and affiliated enterprise of the Company found more in Note “VIII. 3 (1) major joint venture and affiliated enterprise”. Other Joint venture and affiliated enterprise that have related transactions occurred with the Company in the Year or occurred in last period, and with balance results:

| Joint venture and affiliated enterprise        | Relationship  |
|--|---|
| Hefei Meiling Sole Energy Technology Co., Ltd. | Affiliated enterprise of Subsidiary Meiling Group   |
| ChanghongRubaElectricCompany(Private)Ltd.      | Affiliated enterprise of Subsidiary Zhongshan Changhong   |
| Hefei Xingmei Assets Management Co., Ltd.      | Affiliated enterprise of the Company  |
| Sichuan Zhiyijia Network Technology Co., Ltd.  | Affiliated enterprise of the Company, sharing the same controlling shareholder with the Company and actual controller |
| Hongyuan Dineng Rebao Technology Co. Ltd.      | Affiliated enterprise of Subsidiary Changhong Air-conditioning  |
| Sichuan Tianyou Guigu Technology Co., Ltd.     | Affiliated enterprise of Subsidiary Changhong Air-conditioning  |
| Chengdu Guigu Environment Technology Co., Ltd. | Affiliated enterprise of Subsidiary Changhong Air-conditioning  |

## 4. Other related parties

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless other wise specified, RMB for record in the Statement)

| Other related parties                                   | Relationship  |
|---|---|
| CHANGHONG(HK)TRADINGLIMITED                             | Control by same controlling shareholder and ultimate controller |
| CHANGHONGELECTRIC(AUSTRALIA)                            | Control by same controlling shareholder and ultimate controller |
| CHANGHONGELECTRICMIDDLEEASTFZE                          | Control by same controlling shareholder and ultimate controller |
| PT.CHANGHONGELECTRICINDONESIA                           | Control by same controlling shareholder and ultimate controller |
| Chengdu Changhong Electronic Technology Co., Ltd.       | Control by same controlling shareholder and ultimate controller |
| Guangdong Changhong Electronics Co., Ltd.               | Control by same controlling shareholder and ultimate controller |
| Guangdong Changhong Device Technology Co., Ltd.         | Control by same controlling shareholder and ultimate controller |
| Guangyuan Changhong Electronics Technology Co., Ltd.    | Control by same controlling shareholder and ultimate controller |
| Hefei Changhong Industrial Co., Ltd.                    | Control by same controlling shareholder and ultimate controller |
| Huayi Compressor Co., Ltd.                              | Control by same controlling shareholder and ultimate controller |
| Lejiayi Chain Management Co., Ltd.                      | Control by same controlling shareholder and ultimate controller |
| Mianyang Technology Town Big Data Technology Co., Ltd.  | Control by same controlling shareholder and ultimate controller |
| Sichuan Hongwei Technology Co., Ltd.                    | Control by same controlling shareholder and ultimate controller |
| Sichuan Hongxin Software Co., Ltd.                      | Control by same controlling shareholder and ultimate controller |
| Sichuan Service Exp. Appliance Service Chain Co., Ltd.  | Control by same controlling shareholder and ultimate controller |
| Sichuan Changhong Package Printing Co., Ltd.            | Control by same controlling shareholder and ultimate controller |
| Sichuan Changhong Innovation Investments Co., Ltd.      | Control by same controlling shareholder and ultimate controller |
| Sichuan Changhong Diandianbang Tech. Co., Ltd.          | Control by same controlling shareholder and ultimate controller |
| Sichuan Changhong Power Source Co., Ltd.                | Control by same controlling shareholder and ultimate controller |
| Sichuan Changhong Electronic Products Co., Ltd.         | Control by same controlling shareholder and ultimate controller |
| Sichuan Changhong Electronic System Co., Ltd.           | Control by same controlling shareholder and ultimate controller |
| Sichuan Changhong Energy Sunshine Technology Co., Ltd.  | Control by same controlling shareholder and ultimate controller |
| Sichuan Changhong Jijia Fine Co., Ltd.                  | Control by same controlling shareholder and ultimate controller |
| Sichuan Changhong Precision Electronics Tech. Co., Ltd. | Control by same controlling shareholder and ultimate controller |
| Sichuan Changhong Minsheng Logistics Co., LTD           | Control by same controlling shareholder and ultimate controller |
| Sichuan Changhong Mold Plastic Tech. Co., Ltd.          | Control by same controlling shareholder and ultimate controller |
| Sichuan Changhong Devices Technology Co., Ltd.          | Control by same controlling shareholder and ultimate controller |

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless other wise specified, RMB for record in the Statement)

| Other related parties  | Relationship  |
|--|---|
|  | controller  |
| Sichuan Changhong Network Tech. Co., Ltd.                        | Control by same controlling shareholder and ultimate controller |
| Sichuan Changhong New Energy Tech. Co., Ltd.                     | Control by same controlling shareholder and ultimate controller |
| Sichuan Changhong Wisdom Health Technology Co., Ltd.             | Control by same controlling shareholder and ultimate controller |
| Sichuan Changhong Property Co., Ltd.                             | Control by same controlling shareholder and ultimate controller |
| Changhong International Holdings (Hong Kong) Co., Ltd.           | Control by same controlling shareholder and ultimate controller |
| BVCH Optronics (Sichuan) Co., Ltd.                               | Control by same controlling shareholder and ultimate controller |
| Orion PDP Co.,Ltd  | Control by same controlling shareholder and ultimate controller |
| Anhui Xinhao PDP Co., Ltd.                                       | Control by same controlling shareholder and ultimate controller |
| Guangyuan Hongcheng Industrial Co., Ltd.                         | Control by same controlling shareholder and ultimate controller |
| 081 Electronic Group   | Control by same controlling shareholder and ultimate controller |
| Sichuan Ailian Technology Co., Ltd.                              | Control by same controlling shareholder and ultimate controller |
| Sichuan Hongcheng Real Estate Co., Ltd.                          | Control by same controlling shareholder and ultimate controller |
| Sichuan Hongcheng Construction Engineering Co., Ltd.             | Control by same controlling shareholder and ultimate controller |
| Sichuan Huafeng Enterprise Group Co., Ltd.                       | Control by same controlling shareholder and ultimate controller |
| Sichuan Huanyu Industrial Co. Ltd.                               | Control by same controlling shareholder and ultimate controller |
| Sichuan Jiahong Industry Co., Ltd.                               | Control by same controlling shareholder and ultimate controller |
| Sichuan Changhong Electronic Technology Co., Ltd.                | Control by same controlling shareholder and ultimate controller |
| Sichuan Changhong Gerun Renewable Resources Co., Ltd.            | Control by same controlling shareholder and ultimate controller |
| Sichuan Changhong International Hotel Co., Ltd.                  | Control by same controlling shareholder and ultimate controller |
| Sichuan Changhong International Travel Agency Co., Ltd.          | Control by same controlling shareholder and ultimate controller |
| Sichuan Changhong Group Finance Co., Ltd.                        | Control by same controlling shareholder and ultimate controller |
| Sichuan Changhong Educational Technology Co., Ltd.               | Control by same controlling shareholder and ultimate controller |
| Sichuan Changhong Property Service Co., Ltd.                     | Control by same controlling shareholder and ultimate controller |
| Sichuan Changhong Xinrui Technology Co., Ltd                     | Control by same controlling shareholder and ultimate controller |
| Sichuan Changhong Intelligent Manufacturing Technology Co., Ltd. | Control by same controlling shareholder and ultimate controller |
| Yibing Hongxing Electronics Co., Ltd.                            | Control by same controlling shareholder and ultimate controller |

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, RMB for record in the Statement)

| Other related parties                              | Relationship                                       |
|--|--|
| Sichuan Hongyu Metal Manufacture Co., Ltd.         | Affiliate enterprise of controlling shareholder    |
| Sichuan Changxin Refrigeration Parts Co., Ltd.     | Affiliate enterprise of controlling shareholder    |
| Mianyang Highly Electric Co., Ltd.                 | Affiliate enterprise of controlling shareholder    |
| Sichuan Changhe Technology Co., Ltd.               | Affiliate enterprise of controlling shareholder    |
| Sichuan Jiashibang Electric Service Co., Ltd.      | Affiliate enterprise of controlling shareholder    |
| Hengyouyuan Technology Development Group Co., Ltd. | The investor has major influence on the subsidiary |

### (II) Related transactions

#### 1. Purchasing commodity

| Related parties  | Content              | Current period<br>(10 thousand<br>Yuan) | Amount for the<br>same period of<br>last Year<br>(10 thousand<br>Yuan) |
|--|----------------------|---|--|
| Sichuan Changhong Electric Co., Ltd.                             | Purchasing commodity | 20,358.26                               | 7,972.57   |
| Huayi Compressor Co., Ltd.                                       | Purchasing commodity | 22,954.46                               | 23,598.51  |
| Sichuan Changhong Mold Plastic Tech. Co., Ltd.                   | Purchasing commodity | 32,589.07                               | 24,724.78  |
| Sichuan Changhong Jijia Fine Co., Ltd.                           | Purchasing commodity | 15,533.97                               | 11,425.50  |
| Sichuan Changhong Package Printing Co., Ltd.                     | Purchasing commodity | 5,360.60                                | 2,819.62   |
| Sichuan Changhong Precision Electronics Tech. Co., Ltd.          | Purchasing commodity | 748.78                                  | 471.03   |
| Sichuan Jiahong Industry Co., Ltd.                               | Purchasing commodity |   | 2.91   |
| Sichuan Changhong New Energy Tech. Co., Ltd.                     | Purchasing commodity | 0.71                                    | 16.18  |
| 081 Electronic Group   | Purchasing commodity | 235.55                                  | 165.29   |
| Sichuan Changhong Devices Technology Co., Ltd.                   | Purchasing commodity |   | 2,578.26   |
| Guangdong Changhong Electronics Co., Ltd.                        | Purchasing commodity | 663.79                                  | 561.62   |
| CHANGHONG(HK)TRADINGLIMITED                                      | Purchasing commodity |   | 179.34   |
| Sichuan Changhong Energy Sunshine Technology Co., Ltd.           | Purchasing commodity |   | 0.57   |
| Sichuan Changhong Intelligent Manufacturing Technology Co., Ltd. | Purchasing commodity | 86.44                                   | 46.93  |
| Sichuan Changhong Xinrui Technology Co., Ltd.                    | Purchasing commodity | 4,901.96                                | 2,874.03   |
| Sichuan Changhong Power Source Co., Ltd.                         | Purchasing commodity |   | 3.68   |
| Sichuan Hongwei Technology Co., Ltd.                             | Purchasing commodity |   | 4.92   |
| Sichuan Zhiyijia Network Technology Co., Ltd.                    | Purchasing commodity | 0.92                                    | 1.32   |

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless other wise specified, RMB for record in the Statement)

| Related parties                                    | Content                 | Current period<br>(10 thousand<br>Yuan) | Amount for the<br>same period of<br>last Year<br>(10 thousand<br>Yuan) |
|--|-------------------------|---|--|
| Sichuan Huafeng Enterprise Group Co., Ltd.         | Purchasing<br>commodity | 1.40                                    |  |
| Sichuan Changhong Electronic Products Co., Ltd.    | Purchasing<br>commodity | 2,403.23                                |  |
| Sichuan Ailian Technology Co., Ltd.                | Purchasing<br>commodity | 434.57                                  |  |
| Sichuan Changhong Educational Technology Co., Ltd. | Purchasing<br>commodity | 5.03                                    |  |
| Sichuan Hongyu Metal Manufacture Co., Ltd.         | Purchasing<br>commodity | 63.52                                   | 6.97   |
| Sichuan Changhe Technology Co., Ltd.               | Purchasing<br>commodity | 431.07                                  | 308.60   |
| Sichuan Changxin Refrigeration Parts Co., Ltd.     | Purchasing<br>commodity | 21,212.11                               | 11,569.40  |
| Mianyang Highly Electric Co., Ltd.                 | Purchasing<br>commodity | 18,335.82                               | 11,853.60  |
| Mianyang Hongrun Electronics Co., Ltd.             | Purchasing<br>commodity |   | 583.74   |
| Hongyuan Dineng Rebao Technology Co. Ltd.          | Purchasing<br>commodity |   | 7,981.68   |
| Sichuan Tianyou Guigu Technology Co., Ltd.         | Purchasing<br>commodity |   | 175.02   |
| Chengdu Guigu Environment Technology Co., Ltd.     | Purchasing<br>commodity | 3.28                                    |  |
| <b>Total</b>                                       |                         | <b>146,324.54</b>                       | <b>109,926.07</b>  |

### 2. Labor service receive

| Related parties   | Content                  | Current period | Amount for the<br>same period of<br>last Year |
|---|--------------------------|----------------|---|
| Sichuan Changhong Electric Co., Ltd.                    | Labor service<br>receive | 8,164,963.58   | 12,247,946.22                                 |
| Sichuan Changhong Electronics Holding Group Co., Ltd.   | Labor service<br>receive | 23,035.00      | 9,235.00                                      |
| Sichuan Changhong Minsheng Logistics Co., LTD           | Labor service<br>receive | 251,485,024.96 | 179,284,102.84                                |
| Sichuan Service Exp. Appliance Service Chain Co., Ltd.  | Labor service<br>receive | 73,918,850.99  | 54,735,610.51                                 |
| Sichuan Hongxin Software Co., Ltd.                      | Labor service<br>receive | 632,000.00     | 37,735.85                                     |
| Guangdong Changhong Electronics Co., Ltd.               | Labor service<br>receive | 308,552.78     | 298,128.51                                    |
| Sichuan Jiahong Industry Co., Ltd.                      | Labor service<br>receive | 236,642.41     | 148,240.81                                    |
| Sichuan Changhong International Hotel Co., Ltd.         | Labor service<br>receive | 83,082.01      | 81,913.94                                     |
| CHANGHONG(HK)TRADINGLIMITED                             | Labor service<br>receive | 237,531.09     | 97,468.90                                     |
| Sichuan Changhong International Travel Agency Co., Ltd. | Labor service<br>receive | 31,250.00      |   |

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless other wise specified, RMB for record in the Statement)

|  |                       |                       |                       |
|--|-----------------------|-----------------------|-----------------------|
| Sichuan Changhong Property Service Co., Ltd.                     | Labor service receive | 386,219.15            |                       |
| Sichuan Hongwei Technology Co., Ltd.                             | Labor service receive | 206,683.02            |                       |
| Sichuan Zhiyijia Network Technology Co., Ltd.                    | Labor service receive | 155,943.39            |                       |
| Lejiayi Chain Management Co., Ltd.                               | Labor service receive | 22,641.51             |                       |
| Sichuan Changhong Network Tech. Co., Ltd.                        | Labor service receive | 5,743.71              |                       |
| Sichuan Changhong Intelligent Manufacturing Technology Co., Ltd. | Labor service receive | 196,581.20            |                       |
| Sichuan Changhong Jijia Fine Co., Ltd.                           | Labor service receive | 1,794.87              |                       |
| <b>Total</b>   |                       | <b>336,096,539.67</b> | <b>246,940,382.58</b> |

### 3. Purchase of fuels and energy

| Related parties                                       | Content                  | Current period      | Amount for the same period of last Year |
|---|--------------------------|---------------------|---|
| Sichuan Changhong Electric Co., Ltd.                  | Receive fuels and energy | 6,950,453.59        | 6,045,488.65                            |
| Sichuan Changhong Electronics Holding Group Co., Ltd. | Receive fuels and energy |                     | 10,243.00                               |
| Huayi Compressor Co., Ltd.                            | Receive fuels and energy |                     | 262,087.18                              |
| Guangdong Changhong Electronics Co., Ltd.             | Receive fuels and energy | 498,792.14          | 570,996.81                              |
| Sichuan Jiahong Industry Co., Ltd.                    | Receive fuels and energy | 4,781.60            | 7,135.70                                |
| Sichuan Changhong Property Service Co., Ltd.          | Receive fuels and energy | 10,928.55           |   |
| <b>Total</b>  |                          | <b>7,464,955.88</b> | <b>6,895,951.34</b>                     |

### 4. Sales of goods/ labor service providing

| Related parties                                       | Content        | Current period (10 thousand Yuan) | Amount for the same period of last Year (10 thousand Yuan) |
|---|----------------|-----------------------------------|--|
| Sichuan Changhong Electric Co., Ltd.                  | Sales of goods | 84,180.47                         | 53,934.25  |
| Sichuan Changhong Electronics Holding Group Co., Ltd. | Sales of goods | 99.47                             | 148.47   |
| Sichuan Changhong Jijia Fine Co., Ltd.                | Sales of goods | 3,774.84                          | 2,269.56   |
| Sichuan Changhong Mold Plastic Tech. Co., Ltd.        | Sales of goods | 5,503.42                          | 8,989.13   |
| Lejiayi Chain Management Co., Ltd.                    | Sales of goods | 173.06                            | 176.06   |

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless other wise specified, RMB for record in the Statement)

| Related parties  | Content        | Current period<br>(10 thousand<br>Yuan) | Amount for the<br>same period of<br>last Year<br>(10 thousand<br>Yuan) |
|--|----------------|---|--|
| PT.CHANGHONGELECTRICINDONESIA                                    | Sales of goods | 0.49                                    |  |
| CHANGHONG(HK)TRADINGLIMITED                                      | Sales of goods | 24,741.31                               | 36,112.72  |
| CHANGHONGELECTRIC(AUSTRALIA)                                     | Sales of goods | 847.30                                  | 10.66  |
| Sichuan Hongwei Technology Co., Ltd.                             | Sales of goods | 8.95                                    | 0.61   |
| Sichuan Changhong Devices Technology Co., Ltd.                   | Sales of goods |   | 0.17   |
| Sichuan Changhong Minsheng Logistics Co., LTD                    | Sales of goods | 108.76                                  | 58.92  |
| Sichuan Service Exp. Appliance Service Chain Co., Ltd.           | Sales of goods | 559.66                                  | 285.23   |
| Sichuan Changhong Gerun Renewable Resources Co., Ltd.            | Sales of goods | 759.82                                  | 364.88   |
| Hefei Changhong Industrial Co., Ltd.                             | Sales of goods | 2.11                                    | 104.71   |
| Sichuan Huafeng Enterprise Group Co., Ltd.                       | Sales of goods | 0.26                                    | 15.58  |
| Sichuan Zhiyijia Network Technology Co., Ltd.                    | Sales of goods | 98,589.85                               | 66,360.65  |
| Sichuan Changhong Property Co., Ltd.                             | Sales of goods | 5.97                                    | 3.70   |
| Anhui Xinhao PDP Co., Ltd.                                       | Sales of goods |   | 5.13   |
| Sichuan Changhong Network Tech. Co., Ltd.                        | Sales of goods | 8.71                                    | 0.61   |
| Chengdu Changhong Electronic Technology Co., Ltd.                | Sales of goods |   | 1.55   |
| Sichuan Changhong Wisdom Health Technology Co., Ltd.             | Sales of goods | 0.36                                    | 0.30   |
| Sichuan Changhong Property Service Co., Ltd.                     | Sales of goods | 2.05                                    |  |
| Guangdong Changhong Electronics Co., Ltd.                        | Sales of goods |   | 0.14   |
| Sichuan Huanyu Industrial Co. Ltd.                               | Sales of goods | 12.10                                   | 0.42   |
| Sichuan Changhong Xinrui Technology Co., Ltd                     | Sales of goods | 1.89                                    | 75.89  |
| Orion PDP Co.,Ltd  | Sales of goods | 961.52                                  |  |
| Sichuan Changhong Intelligent Manufacturing Technology Co., Ltd. | Sales of goods | 1.12                                    | 0.23   |
| Mianyang Technology Town Big Data Technology Co., Ltd.           | Sales of goods | 0.29                                    |  |
| BVCH Optronics (Sichuan) Co., Ltd.                               | Sales of goods | 1.28                                    |  |
| Sichuan Changhong Electronic Products Co., Ltd.                  | Sales of goods | 9.04                                    |  |
| Sichuan Changhong Group Finance Co., Ltd.                        | Sales of goods | 1.59                                    |  |
| Sichuan Changhong Package Printing Co., Ltd.                     | Sales of goods | 1.76                                    |  |
| Sichuan Changhong Power Source Co., Ltd.                         | Sales of goods | 35.17                                   |  |
| Sichuan Changhong Educational Technology Co., Ltd.               | Sales of goods | 1.63                                    |  |
| 081 Electronic Group   | Sales of goods | 4.46                                    |  |
| Guangyuan Changhong Electronics Technology Co., Ltd.             | Sales of goods | 39.05                                   |  |
| Sichuan Ailian Technology Co., Ltd.                              | Sales of goods | 19.22                                   |  |
| Sichuan Changhong Innovation Investments Co., Ltd.               | Sales of goods | 0.02                                    |  |
| Guangyuan Hongcheng Industrial Co., Ltd.                         | Sales of goods | 0.10                                    |  |
| Sichuan Changhong Energy Sunshine Technology Co., Ltd.           | Sales of goods | 0.12                                    |  |



## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, RMB for record in the Statement)

| Related parties   | Content        | Current period<br>(10 thousand<br>Yuan) | Amount for the<br>same period of<br>last Year<br>(10 thousand<br>Yuan) |
|---|----------------|---|--|
| Sichuan Changhong Electronic Technology Co., Ltd.       | Sales of goods | 0.42                                    |  |
| Sichuan Hongxin Software Co., Ltd.                      | Sales of goods | 0.62                                    |  |
| Sichuan Hongcheng Real Estate Co., Ltd.                 | Sales of goods | 0.75                                    |  |
| Sichuan Changhong New Energy Tech. Co., Ltd.            | Sales of goods | 64.70                                   |  |
| Sichuan Changhong Electronic System Co., Ltd.           | Sales of goods | 3.23                                    |  |
| Sichuan Changhong Precision Electronics Tech. Co., Ltd. | Sales of goods | 8.86                                    |  |
| Changhong International Holdings (Hong Kong) Co., Ltd.  | Sales of goods | 0.05                                    |  |
| Sichuan Changxin Refrigeration Parts Co., Ltd.          | Sales of goods | 5,863.82                                | 3,962.85   |
| Hongyuan Dineng Rebao Technology Co. Ltd.               | Sales of goods | 1,040.01                                | 12,126.08  |
| Sichuan Tianyou Guigu Technology Co., Ltd.              | Sales of goods | 36.18                                   | 210.02   |
| ChanghongRubaElectricCompany(Private)Ltd.               | Sales of goods | 1,122.42                                | 3,524.40   |
| <b>Total</b>  |                | <b>228,598.28</b>                       | <b>188,742.92</b>  |

Businesses between the Company and its connected persons are generally conducted under market operation rules as if they were the same as other business counterparties. For price of sale or purchase and provision of other labor service between the Company and its related parties, the state pricing is applicable if the pricing do exists; in case of absence of such state pricing, price is determined under market price; in case of absence of such market price, price is determined by both parties at actual cost plus reasonable expenses; for some special services, the price of which cannot be determined under the rule of cost plus expense, the price shall be determined by both parties by negotiation.

### 5. Fuel and energy providing

| Related parties   | Content                   | Current period | Amount for the<br>same period of<br>last Year |
|---|---------------------------|----------------|---|
| Guangdong Changhong Electronics Co., Ltd.               | Fuel and energy providing | 51,666.51      | 292,821.41                                    |
| Sichuan Changhong Minsheng Logistics Co., LTD           | Fuel and energy providing | 10,848.03      | 20,229.17                                     |
| Sichuan Hongwei Technology Co., Ltd.                    | Fuel and energy providing | 71.89          |   |
| Sichuan Changhong Devices Technology Co., Ltd.          | Fuel and energy providing | 333,399.12     | 136,553.66                                    |
| Sichuan Changhong Jijia Fine Co., Ltd.                  | Fuel and energy providing | 13,781.32      | 65,288.54                                     |
| Sichuan Changhong Mold Plastic Tech. Co., Ltd.          | Fuel and energy providing | 2,030,399.35   | 3,010,107.37                                  |
| Hefei Changhong Industrial Co., Ltd.                    | Fuel and energy providing | 9,677.31       |   |
| Sichuan Changhong Precision Electronics Tech. Co., Ltd. | Fuel and energy providing | 1,964.92       |   |
| Sichuan Service Exp. Appliance Service Chain Co., Ltd.  | Fuel and energy providing | 2,269.46       |   |

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless other wise specified, RMB for record in the Statement)

| Related parties | Content | Current period      | Amount for the same period of last Year |
|-----------------|---------|---------------------|---|
| <b>Total</b>    |         | <b>2,454,077.91</b> | <b>3,525,000.15</b>                     |

### 6. Related rental

#### (1) Renting

| Lessor                    | Lessee  | Type of assets      | Leasing income in this period | Leasing income in the same period of last year |
|---------------------------|---|---------------------|-------------------------------|--|
| Hefei Meiling Co., Ltd.   | Sichuan Changhong Jijia Fine Co., Ltd.                  | Plant               | 253,680.00                    |  |
| Hefei Meiling Co., Ltd.   | Sichuan Changhong Jijia Fine Co., Ltd.                  | Warehouse           |                               | 14,060.38                                      |
| Hefei Meiling Co., Ltd.   | Sichuan Changhong Jijia Fine Co., Ltd.                  | Forklift truck      |                               | 442.45   |
| Hefei Meiling Co., Ltd.   | Sichuan Changhong Mold Plastic Tech. Co., Ltd.          | Plant               | 702,270.00                    |  |
| Hefei Meiling Co., Ltd.   | Sichuan Changhong Mold Plastic Tech. Co., Ltd.          | Apartment           | 152,224.76                    |  |
| Hefei Meiling Co., Ltd.   | Sichuan Changhong Mold Plastic Tech. Co., Ltd.          | Warehouse           |                               | 34,301.89                                      |
| Hefei Meiling Co., Ltd.   | Sichuan Changhong Minsheng Logistics Co., LTD           | Office              | 10,608.00                     |  |
| Hefei Meiling Co., Ltd.   | Sichuan Service Exp. Appliance Service Chain Co., Ltd.  | Apartment           | 106,491.41                    |  |
| Hefei Meiling Co., Ltd.   | Sichuan Changhong Xinrui Technology Co., Ltd            | Forklift truck      | 2,016.51                      | 390.57   |
| Hefei Meiling Co., Ltd.   | Sichuan Changhong Xinrui Technology Co., Ltd            | Warehouse           | 14,867.93                     | 12,226.42                                      |
| Hefei Meiling Co., Ltd.   | Sichuan Changhe Technology Co., Ltd.                    | Warehouse           | 5,458.49                      | 1,833.96                                       |
| Hefei Meiling Co., Ltd.   | Hefei Changhong Industrial Co., Ltd.                    | Apartment           | 87,680.00                     |  |
| Hefei Meiling Co., Ltd.   | Sichuan Changhong Precision Electronics Tech. Co., Ltd. | Apartment           | 15,657.14                     |  |
| Changhong Air-conditioner | BVCH Optronics (Sichuan) Co., Ltd.                      | Freight elevator    | 52,480.00                     | 63,720.00                                      |
| Changhong Air-conditioner | Sichuan Changhong Mold Plastic Tech. Co., Ltd.          | Machinery equipment | 25,433.40                     |  |
| Changhong Air-conditioner | Sichuan Changhong Jijia Fine Co., Ltd.                  | Driving             | 7,000.00                      |  |
| Zhongshan Changhong       | Guangdong Changhong Electronics Co., Ltd.               | 2#living area       | 59,606.04                     | 3,889.43                                       |
| Zhongshan Changhong       | Sichuan Changhong Minsheng Logistics Co., LTD           | Warehouse           |                               | 100,000.00                                     |
| Zhongshan Changhong       | Guangdong Changhong Electronics Co., Ltd.               | Trade Center        |                               | 402,298.16                                     |
| Zhongshan Changhong       | Sichuan Changhong Minsheng Logistics Co., LTD           | Trade Center        |                               | 20,006.99                                      |

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless other wise specified, RMB for record in the Statement)

| Lessor                 | Lessee   | Type of assets | Leasing income in this period | Leasing income in the same period of last year |
|------------------------|--|----------------|-------------------------------|--|
| Jiangxi Meiling        | Sichuan Changhong Mold Plastic Tech. Co., Ltd. | Plant          | 237,432.38                    | 241,197.71                                     |
| Changhong Ridian       | Sichuan Changhong Minsheng Logistics Co., LTD  | Plant          | 514,072.40                    | 515,462.10                                     |
| Changhong Ridian       | Sichuan Changhong Devices Technology Co., Ltd. | Plant          | 463,469.00                    | 418,624.00                                     |
| Changhong Ridian       | Sichuan Hongwei Technology Co., Ltd.           | Plant          | 35,218.29                     |  |
| Mianyang Refrigeration | Sichuan Changhong Mold Plastic Tech. Co., Ltd. | Warehouse      |                               | 32,943.40                                      |
| Mianyang Refrigeration | Sichuan Changhe Technology Co., Ltd.           | Warehouse      |                               | 113.21   |
| Mianyang Refrigeration | Sichuan Changxin Refrigeration Parts Co., Ltd. | Warehouse      |                               | 113.21   |
| <b>Total</b>           |  |                | <b>2,745,665.75</b>           | <b>1,861,623.88</b>                            |

### (2) Lessee of related parties

| Lessor  | Lessee                    | Type of assets   | Leasing expense in this period | Leasing expense in the same period of last year |
|---|---------------------------|------------------|--------------------------------|---|
| Sichuan Changhong Electric Co., Ltd.                  | Changhong Air-conditioner | Workshop         |                                | 2,204,901.44                                    |
| Sichuan Changhong Electric Co., Ltd.                  | Changhong Air-conditioner | Office           |                                | 46,951.52                                       |
| Sichuan Changhong Electronics Holding Group Co., Ltd. | Changhong Air-conditioner | Building         | 33,310.74                      | 51,912.42                                       |
| Sichuan Changhong Property Service Co., Ltd.          | Changhong Air-conditioner | Workshop         | 908,313.35                     |   |
| Guangdong Changhong Electronics Co., Ltd.             | Changhong Air-conditioner | Staff dormitory  | 4,763.20                       |   |
| Chengdu Changhong Electronic Technology Co., Ltd.     | Changhong Air-conditioner | Office           | 84,765.80                      |   |
| Sichuan Changhong Electric Co., Ltd.                  | Mianyang Refrigeration    | Workshop leasing | 583,939.82                     |   |
| Sichuan Changhong Electronics Holding Group Co., Ltd. | Mianyang Refrigeration    | Staff dormitory  | 3,280.00                       | 2,080.00  |
| Sichuan Changhong Electric Co., Ltd.                  | Appliance marketing       | Office           |                                | 354,901.77                                      |
| Sichuan Changhong Electric Co., Ltd.                  | Beijing Meiling           | Office           |                                | 89,128.50                                       |
| Sichuan Changhong Electric Co., Ltd.                  | Nanjing Meiling           | Office           | 10,584.72                      |   |
| Sichuan Changhong Property Service Co., Ltd.          | Changmei Technology       | Office           | 13,207.55                      |   |
| Chengdu Changhong Electronic Technology Co., Ltd.     | Changmei Technology       | Office           | 80,048.73                      |   |
| Guangdong Changhong Electronics Co., Ltd.             | Changhong Ridian          | Staff dormitory  | 30,975.80                      | 279,543.46                                      |
| <b>Total</b>  |                           |                  | <b>1,753,189.71</b>            | <b>3,029,419.11</b>                             |

### 7. Related guarantee

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, RMB for record in the Statement)

| Secured party             | Sponsored party         | Maximum guarantee amount (in 10 thousand Yuan) | Start      | End        | Completed (Y/N) |
|---------------------------|-------------------------|--|------------|------------|-----------------|
| Hefei Meiling Co., Ltd.   | Zhongshan Changhong     | 5,000.00                                       | 2016.08.05 | 2017.08.04 | N               |
| Hefei Meiling Co., Ltd.   | Zhongshan Changhong     | 5,000.00                                       | 2016.10.28 | 2017.10.28 | N               |
| Hefei Meiling Co., Ltd.   | Zhongshan Changhong     | 6,000.00                                       | 2017.01.03 | 2018.01.03 | N               |
| Hefei Meiling Co., Ltd.   | Zhongshan Changhong     | 5,500.00                                       | 2017.01.22 | 2018.01.22 | N               |
| Hefei Meiling Co., Ltd.   | Zhongshan Changhong     | 20,000.00                                      | 2017.03.01 | 2018.03.31 | N               |
| Hefei Meiling Co., Ltd.   | Zhongshan Changhong     | 10,000.00                                      | 2017.03.29 | 2018.03.29 | N               |
| Hefei Meiling Co., Ltd.   | Changhong Ridian        | 4,500.00                                       | 2016.05.05 | 2017.05.05 | N               |
| Hefei Meiling Co., Ltd.   | Changhong Ridian        | 2,000.00                                       | 2016.09.01 | 2017.09.01 | N               |
| Hefei Meiling Co., Ltd.   | Changhong Ridian        | 2,000.00                                       | 2017.06.13 | 2017.09.01 | N               |
| Hefei Meiling Co., Ltd.   | Zhongke Meiling         | 2,000.00                                       | 2017.02.16 | 2018.01.05 | N               |
| Hefei Meiling Co., Ltd.   | Zhongke Meiling         | 1,000.00                                       | 2017.06.23 | 2018.06.22 | N               |
| <b>Counter guarantee:</b> |                         |  |            |            |                 |
| Zhongshan Changhong       | Hefei Meiling Co., Ltd. | 5,000.00                                       | 2016.08.05 | 2017.08.04 | N               |
| Zhongshan Changhong       | Hefei Meiling Co., Ltd. | 5,000.00                                       | 2016.10.28 | 2017.10.28 | N               |
| Zhongshan Changhong       | Hefei Meiling Co., Ltd. | 6,000.00                                       | 2017.01.03 | 2018.01.03 | N               |
| Zhongshan Changhong       | Hefei Meiling Co., Ltd. | 5,500.00                                       | 2017.01.22 | 2018.01.22 | N               |
| Zhongshan Changhong       | Hefei Meiling Co., Ltd. | 20,000.00                                      | 2017.03.01 | 2018.03.31 | N               |
| Zhongshan Changhong       | Hefei Meiling Co., Ltd. | 10,000.00                                      | 2017.03.29 | 2018.03.29 | N               |
| Changhong Ridian          | Hefei Meiling Co., Ltd. | 4,500.00                                       | 2016.05.05 | 2017.05.05 | N               |
| Changhong Ridian          | Hefei Meiling Co., Ltd. | 2,000.00                                       | 2016.09.01 | 2017.09.01 | N               |
| Changhong Ridian          | Hefei Meiling Co., Ltd. | 2,000.00                                       | 2017.06.13 | 2017.09.01 | N               |
| Zhongke Meiling           | Hefei Meiling Co., Ltd. | 2,000.00                                       | 2017.02.16 | 2018.01.05 | N               |
| Zhongke Meiling           | Hefei Meiling Co., Ltd. | 1,000.00                                       | 2017.06.23 | 2018.06.22 | N               |

### 8. Assets transfer, debt restructuring of related parties

| Related parties  | Type                                      | Current period | Amount for the same period of last year |
|--|---|----------------|---|
| Sichuan Changhong Electric Co., Ltd.                             | Purchase and construction of fixed assets | 25,000.00      | 216,211.27                              |
| Sichuan Changhong Intelligent Manufacturing Technology Co., Ltd. | Purchase and construction of fixed assets | 13,629,166.26  |   |
| Sichuan Hongxin Software Co., Ltd.                               | Purchase and construction of fixed        | 1,895,509.44   | 188,679.25                              |

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, RMB for record in the Statement)

| Related parties                                       | Type                          | Current period | Amount for the same period of last year |
|---|-------------------------------|----------------|---|
|   | assets                        |                |   |
| Sichuan Hongcheng Construction Engineering Co., Ltd.  | Purchasing fixed assets       | 3,688,920.36   |   |
| Sichuan Hongcheng Real Estate Co., Ltd.               | Purchasing fixed assets       | 509,433.94     |   |
| Sichuan Hongwei Technology Co., Ltd.                  | Purchasing fixed assets       |                | 1,110,261.19                            |
| Sichuan Hongxin Software Co., Ltd.                    | Purchase of intangible assets |                | 149,292.45                              |
| Sichuan Changhong Gerun Renewable Resources Co., Ltd. | Fixed assets sold             |                | 31,091.89                               |

### 9. Related transaction with Changhong Finance Company

#### (1) Saving balance

| Company   | Opening balance         | Ending balance          | Income from bank saving |
|---|-------------------------|-------------------------|-------------------------|
| Hefei Meiling Co., Ltd.                         | 1,269,669,769.16        | 770,376,202.99          | 7,605,780.39            |
| Sichuan Changhong Air-conditioner Co., Ltd.     | 419,338,790.38          | 502,791,520.88          | 7,453,833.28            |
| Zhongshan Changhong Electric Co., LTD           | 67,318,559.05           | 102,644,880.25          | 296,153.11              |
| Hefei Meiling Group Holdings Limited            | 1,185,381.05            | 101,771,524.73          | 12,143.68               |
| Mianyang Meiling Refrigeration Co., Ltd.        | 60,008.27               | 3,987,404.56            | 5,807.24                |
| Zhongke Meiling Cryogenic Technology Co., Ltd.  | 25,450,411.46           | 17,294,389.52           | 83,978.06               |
| Jiangxi MeiLing Electric Appliance Co., Ltd.    |                         | 405,000,000.00          | 7,198.58                |
| Guangdong Changhong Ridian Technology Co., Ltd. | 125,819,243.83          | 1,370,298.23            | 511,270.45              |
| <b>Total</b>                                    | <b>1,908,842,163.20</b> | <b>1,905,236,221.16</b> | <b>15,976,164.79</b>    |

#### (2) Notes discounted

| Company                                      | Bank acceptance book discounted amount | Bank acceptance discounted amount | Expenses of discounted |
|--|--|-----------------------------------|------------------------|
| Hefei Meiling Co., Ltd.                      | 508,958,028.25                         | 502,739,694.94                    | 6,218,333.31           |
| Sichuan Changhong Air-conditioner Co., Ltd.  | 513,290,861.30                         | 507,593,215.01                    | 5,697,646.29           |
| Mianyang Meiling Refrigeration Co., Ltd.     | 4,000,000.00                           | 3,971,666.67                      | 28,333.33              |
| Jiangxi MeiLing Electric Appliance Co., Ltd. | 205,000,000.00                         | 205,000,000.00                    |                        |
| <b>Total</b>                                 | <b>1,231,248,889.55</b>                | <b>1,219,304,576.62</b>           | <b>11,944,312.93</b>   |

#### (3) Notes issued

| Company                                     | Issuing unit                              | Note amount    | Type            |
|---|---|----------------|-----------------|
| Hefei Meiling Co., Ltd.                     | Sichuan Changhong Finance Co., Ltd. Group | 99,403,000.00  | Bank acceptance |
| Sichuan Changhong Air-conditioner Co., Ltd. | Sichuan Changhong Finance Co., Ltd. Group | 626,539,394.79 | Bank acceptance |

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless other wise specified, RMB for record in the Statement)

|   |                                     |       |                         |                 |
|---|-------------------------------------|-------|-------------------------|-----------------|
| Zhongshan Changhong Electric Co., LTD           | Sichuan Changhong Finance Co., Ltd. | Group | 282,638,177.49          | Bank acceptance |
| Mianyang Meiling Refrigeration Co., Ltd.        | Sichuan Changhong Finance Co., Ltd. | Group | 5,233,311.20            | Bank acceptance |
| Zhongke Meiling Cryogenic Technology Co., Ltd.  | Sichuan Changhong Finance Co., Ltd. | Group | 17,277,060.00           | Bank acceptance |
| Guangdong Changhong Ridian Technology Co., Ltd. | Sichuan Changhong Finance Co., Ltd. | Group | 7,490,730.08            | Bank acceptance |
| Jiangxi MeiLing Electric Appliance Co., Ltd.    | Sichuan Changhong Finance Co., Ltd. | Group | 200,000,000.00          | Bank acceptance |
| <b>Total</b>                                    |                                     |       | <b>1,238,581,673.56</b> |                 |

(4) Borrowing: Nil

(5) Accounts receivable factoring: Nil

### (III) Come and go balance with related parties

#### 1. Receivables

| Item               | Related parties                                       | Ending balance |                    | Opening balance |                    |
|--------------------|---|----------------|--------------------|-----------------|--------------------|
|                    |   | Book balance   | Bad debt provision | Book balance    | Bad debt provision |
| Account receivable | Sichuan Changhong Electric Co., Ltd.                  | 678,572.23     |                    | 521,671.35      |                    |
| Account receivable | Sichuan Changhong Electronics Holding Group Co., Ltd. | 17,850.00      |                    | 376,186.92      |                    |
| Account receivable | Sichuan Changhong Mold Plastic Tech. Co., Ltd.        | 608,155.97     |                    | 965,201.45      |                    |
| Account receivable | CHANGHONGELECTRIC(AUSTRALIA)                          | 8,568,997.49   |                    | 144,829.93      |                    |
| Account receivable | Sichuan Changhong Property Service Co., Ltd.          |                |                    | 12,516.00       |                    |
| Account receivable | Huayi Compressor Co., Ltd.                            | 275,400.00     |                    | 334,800.00      |                    |
| Account receivable | Sichuan Changhong Jijia Fine Co., Ltd.                | 164,379.15     |                    |                 |                    |
| Account receivable | Sichuan Changhong Minsheng Logistics Co., LTD         | 196,189.88     |                    |                 |                    |
| Account receivable | PT.CHANGHONGELECTRICINDONESIA                         | 4,809.82       |                    | 26,971.06       |                    |
| Account receivable | CHANGHONG(HK)TRADINGLIMITED                           | 233,409,742.89 |                    | 60,541,639.57   |                    |
| Account receivable | Sichuan Changhong Package Printing Co., Ltd.          | 19,943.20      |                    | 4,400.00        |                    |
| Account receivable | Sichuan Changhong International Hotel Co., Ltd.       | 825,626.90     |                    | 1,334,736.90    |                    |
| Account receivable | Chengdu Changhong Electronic Technology Co., Ltd.     | 434,509.01     |                    | 434,509.01      |                    |
| Account receivable | Sichuan Changhong Gerun Renewable Resources Co., Ltd. | 0.60           |                    | 0.60            |                    |
| Account receivable | Lejiayi Chain Management Co., Ltd.                    | 394,817.20     |                    |                 |                    |

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless other wise specified, RMB for record in the Statement)

| Item                    | Related parties  | Ending balance |                    | Opening balance |                    |
|-------------------------|--|----------------|--------------------|-----------------|--------------------|
|                         |  | Book balance   | Bad debt provision | Book balance    | Bad debt provision |
| Account receivable      | Sichuan Zhiyijia Network Technology Co., Ltd.                    | 232,654,318.73 |                    | 174,033,095.60  |                    |
| Account receivable      | Sichuan Hongwei Technology Co., Ltd.                             | 70,553.20      |                    | 7,600.00        |                    |
| Account receivable      | Anhui Xinhao PDP Co., Ltd.                                       | 63,000.00      |                    | 63,000.00       |                    |
| Account receivable      | Sichuan Changhong Power Source Co., Ltd.                         | 26,289.18      |                    |                 |                    |
| Account receivable      | Yibing Hongxing Electronics Co., Ltd.                            |                |                    | 147,174.10      |                    |
| Account receivable      | Sichuan Changhong Educational Technology Co., Ltd.               | 18,765.20      |                    |                 |                    |
| Account receivable      | Sichuan Huanyu Industrial Co. Ltd.                               | 141,550.00     |                    |                 |                    |
| Account receivable      | Sichuan Changhong Property Co., Ltd.                             | 69,900.00      |                    |                 |                    |
| Account receivable      | Sichuan Changhong New Energy Tech. Co., Ltd.                     | 313,864.41     |                    |                 |                    |
| Account receivable      | Sichuan Changhong Innovation Investments Co., Ltd.               | 232.80         |                    |                 |                    |
| Account receivable      | Mianyang Technology Town Big Data Technology Co., Ltd.           | 3,313.20       |                    |                 |                    |
| Account receivable      | Sichuan Changhong Electronic System Co., Ltd.                    | 3,000.00       |                    |                 |                    |
| Account receivable      | Sichuan Changhong Electronic Products Co., Ltd.                  | 4,100.00       |                    |                 |                    |
| Account receivable      | Sichuan Changhong Network Tech. Co., Ltd.                        | 34,064.00      |                    |                 |                    |
| Account receivable      | Orion PDP Co.,ltd  | 9,469,893.05   |                    |                 |                    |
| Account receivable      | Hefei Changhong Industrial Co., Ltd.                             | 8,744.00       |                    |                 |                    |
| Account receivable      | Changhong International Holdings (Hong Kong) Co., Ltd.           | 620.80         |                    |                 |                    |
| Account receivable      | Hongyuan Dineng Rebao Technology Co. Ltd.                        | 59,547,184.81  |                    | 36,070,419.59   |                    |
| Account receivable      | ChanghongRubaElectricCompany(Private)Ltd.                        | 26,854,326.22  |                    | 16,296,282.53   |                    |
| Account paid in advance | Sichuan Changhong Electric Co., Ltd.                             | 7,816,525.64   |                    | 1,054,531.13    |                    |
| Account paid in advance | Sichuan Changhong Electronics Holding Group Co., Ltd.            | 93,901.98      |                    |                 |                    |
| Account paid in advance | Sichuan Hongwei Technology Co., Ltd.                             | 363,948.00     |                    | 263,948.00      |                    |
| Account paid in advance | Sichuan Zhiyijia Network Technology Co., Ltd.                    | 5,258.97       |                    | 14,074.00       |                    |
| Account paid in advance | Sichuan Changhong Intelligent Manufacturing Technology Co., Ltd. | 616,680.00     |                    | 254,682.00      |                    |
| Account paid in advance | Sichuan Changhong Jijia Fine Co., Ltd.                           | 21,000.00      |                    |                 |                    |

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless other wise specified, RMB for record in the Statement)

| Item              | Related parties  | Ending balance        |                    | Opening balance       |                    |
|-------------------|--|-----------------------|--------------------|-----------------------|--------------------|
|                   |  | Book balance          | Bad debt provision | Book balance          | Bad debt provision |
| Other receivables | Sichuan Changhong Electric Co., Ltd.                   |                       |                    | 39,617.46             |                    |
| Other receivables | Sichuan Service Exp. Appliance Service Chain Co., Ltd. | 200,000.00            |                    | 200,000.00            |                    |
| Other receivables | Hongyuan Dineng Rebao Technology Co. Ltd.              |                       |                    | 130,396.62            |                    |
| Other receivables | Sichuan Tianyou Guigu Technology Co., Ltd.             |                       |                    | 12,500,000.00         |                    |
|                   | <b>Total</b>   | <b>584,000,028.53</b> |                    | <b>305,772,283.82</b> |                    |

### 2. Payables

| Item             | Related parties   | Ending balance | Opening balance |
|------------------|---|----------------|-----------------|
| Accounts payable | Sichuan Changhong Electric Co., Ltd.                    | 65,507,692.60  | 18,441,774.94   |
| Accounts payable | Sichuan Changhong Mold Plastic Tech. Co., Ltd.          | 234,352,253.68 | 111,859,645.07  |
| Accounts payable | Huayi Compressor Co., Ltd.                              | 96,415,634.09  | 54,756,261.49   |
| Accounts payable | Sichuan Changhong Jijia Fine Co., Ltd.                  | 173,559,467.19 | 49,428,116.49   |
| Accounts payable | Sichuan Changhong Minsheng Logistics Co., LTD           | 18,962,093.41  | 40,128,307.43   |
| Accounts payable | Sichuan Changhong Package Printing Co., Ltd.            | 47,699,791.37  | 11,582,508.82   |
| Accounts payable | Sichuan Changhong Devices Technology Co., Ltd.          |                | 8,244,251.90    |
| Accounts payable | Sichuan Changhong Precision Electronics Tech. Co., Ltd. | 15,312,633.09  | 2,231,885.31    |
| Accounts payable | 081 Electronic Group                                    | 864,603.30     | 397,568.22      |
| Accounts payable | Sichuan Changhong New Energy Tech. Co., Ltd.            |                | 235.76          |
| Accounts payable | Guangdong Changhong Electronics Co., Ltd.               | 6,432,120.19   | 3,602,882.13    |
| Accounts payable | Sichuan Changhong Power Source Co., Ltd.                |                | 4,806.70        |
| Accounts payable | Sichuan Service Exp. Appliance Service Chain Co., Ltd.  | 14,622,269.15  | 6,593,913.18    |
| Accounts payable | Sichuan Hongwei Technology Co., Ltd.                    | 1,647,512.58   | 1,647,512.58    |
| Accounts payable | Sichuan Hongxin Software Co., Ltd.                      | 1,377,000.00   |                 |
| Accounts payable | Sichuan Changhong Gerun Renewable Resources Co., Ltd.   | 10,503.63      | 10,503.63       |
| Accounts payable | Sichuan Changhong International Hotel Co., Ltd.         |                | 24,483.00       |
| Accounts payable | Sichuan Changhong Xinrui Technology Co., Ltd            | 23,817,184.85  | 31,134,508.32   |



## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless other wise specified, RMB for record in the Statement)

| Item                     | Related parties  | Ending balance | Opening balance |
|--------------------------|--|----------------|-----------------|
| Accounts payable         | Sichuan Changhong Intelligent Manufacturing Technology Co., Ltd. | 13,381,744.45  | 1,159,293.19    |
| Accounts payable         | Sichuan Changhong International Travel Agency Co., Ltd.          | 104,170.00     | 14,981.00       |
| Accounts payable         | Sichuan Changhong Electronic System Co., Ltd.                    | 77,000.00      | 77,000.00       |
| Accounts payable         | Sichuan Jiahong Industry Co., Ltd.                               |                | 1,500.00        |
| Accounts payable         | Sichuan Changhong Property Service Co., Ltd.                     | 546.00         | 28.00           |
| Accounts payable         | Sichuan Huafeng Enterprise Group Co., Ltd.                       | 16,335.76      | 283,500.63      |
| Accounts payable         | Sichuan Changhong Electronic Products Co., Ltd.                  | 20,441,553.82  |                 |
| Accounts payable         | Sichuan Ailian Technology Co., Ltd.                              | 4,487,817.51   |                 |
| Accounts payable         | Sichuan Jiashibang Electric Service Co., Ltd.                    | 2,325.00       |                 |
| Accounts payable         | Sichuan Hongyu Metal Manufacture Co., Ltd.                       | 962,208.48     | 475,411.87      |
| Accounts payable         | Sichuan Changxin Refrigeration Parts Co., Ltd.                   | 44,248,452.99  | 16,767,170.82   |
| Accounts payable         | Mianyang Highly Electric Co., Ltd.                               | 47,125,794.58  | 33,257,152.05   |
| Accounts payable         | Sichuan Changhe Technology Co., Ltd.                             | 3,063,524.32   | 2,769,516.97    |
| Accounts payable         | Hongyuan Dineng Rebao Technology Co. Ltd.                        | 1,783.60       |                 |
| Accounts payable         | Sichuan Tianyou Guigu Technology Co., Ltd.                       |                | 397,435.50      |
| Accounts payable         | Chengdu Guigu Environment Technology Co., Ltd.                   | 441,220.12     |                 |
| Account received advance | in Sichuan Changhong Electric Co., Ltd.                          |                | 36,470,918.03   |
| Account received advance | in Lejiayi Chain Management Co., Ltd.                            | 0.02           | 559,819.59      |
| Account received advance | in 081 Electronic Group  |                | 2,906,393.55    |
| Account received advance | in CHANGHONGELECTRICMIDDLEEASTFZE                                | 1,696.65       | 37,303.37       |
| Account received advance | in Sichuan Changhong Gerun Renewable Resources Co., Ltd.         | 47,011.00      | 273,106.03      |
| Account received advance | in Sichuan Service Exp. Appliance Service Chain Co., Ltd.        | 85,406.59      | 52,999.49       |
| Account received advance | in Sichuan Changhong Power Source Co., Ltd.                      |                | 164,400.00      |
| Account received         | in Sichuan Changhong Precision Electronics Tech. Co., Ltd.       |                | 0.01            |

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless other wise specified, RMB for record in the Statement)

| Item                     | Related parties   | Ending balance | Opening balance |
|--------------------------|---|----------------|-----------------|
| advance                  |   |                |                 |
| Account received advance | in Sichuan Changhong Diandianbang Tech. Co., Ltd.       | 259.00         | 259.00          |
| Account received advance | in Hefei MeiLing Solar Energy Technology Co., Ltd.      |                | 315,389.49      |
| Account received advance | in Hongyuan Dineng Rebao Technology Co. Ltd.            | 633,687.85     |                 |
| Account received advance | in Sichuan Tianyou Guigu Technology Co., Ltd.           |                | 269,700.06      |
| Other accounts payable   | Sichuan Changhong Electric Co., Ltd.                    | 15,310,127.66  | 189,285.06      |
| Other accounts payable   | Sichuan Changhong Mold Plastic Tech. Co., Ltd.          | 7,275,110.79   | 6,021,988.84    |
| Other accounts payable   | Sichuan Changhong Jijia Fine Co., Ltd.                  | 1,900,500.00   | 1,900,500.00    |
| Other accounts payable   | Sichuan Changhong Gerun Renewable Resources Co., Ltd.   | 10,000.00      | 10,000.00       |
| Other accounts payable   | Huayi Compressor Co., Ltd.                              | 1,598,900.00   | 1,050,000.00    |
| Other accounts payable   | Sichuan Changhong Package Printing Co., Ltd.            | 50,000.00      | 50,000.00       |
| Other accounts payable   | Sichuan Changhong Precision Electronics Tech. Co., Ltd. | 322.46         | 145.16          |
| Other accounts payable   | Sichuan Changhong Minsheng Logistics Co., LTD           | 586,504.95     | 586,504.95      |
| Other accounts payable   | CHANGHONG(HK)TRADINGLIMITED                             | 45,136.48      | 1,881,972.53    |
| Other accounts payable   | Sichuan Changhong Devices Technology Co., Ltd.          |                | 260.07          |
| Other accounts payable   | Sichuan Changhong Electronic Products Co., Ltd.         | 50,013.43      | 50,000.00       |
| Other accounts payable   | Sichuan Changhong Xinrui Technology Co., Ltd            | 200,000.00     | 200,000.00      |
| Other accounts payable   | 081 Electronic Group                                    | 169.00         | 169.00          |
| Other accounts payable   | Sichuan Jiahong Industry Co., Ltd.                      | 7,193.12       | 4,643.32        |
| Other                    | Guangdong Changhong Electronics Co., Ltd.               | 4,602.00       | 4,602.00        |

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless other wise specified, RMB for record in the Statement)

| Item                   | Related parties  | Ending balance        | Opening balance       |
|------------------------|--|-----------------------|-----------------------|
| accounts payable       |  |                       |                       |
| Other accounts payable | Sichuan Changhong Intelligent Manufacturing Technology Co., Ltd. | 219,375.00            | 219,375.00            |
| Other accounts payable | Mianyang Highly Electric Co., Ltd.                               | 637,644.61            | 637,644.61            |
| Other accounts payable | Sichuan Changhe Technology Co., Ltd.                             | 100,000.00            | 100,000.00            |
| Other accounts payable | Sichuan Changxin Refrigeration Parts Co., Ltd.                   | 50,000.00             | 50,000.00             |
| Other accounts payable | Hengyouyuan Technology Development Group Co., Ltd.               |                       | 2,800.00              |
| Other accounts payable | Hongyuan Dineng Rebao Technology Co. Ltd.                        | 8,967.00              |                       |
| Dividends payable      | Sichuan Changhong Electric Co., Ltd.                             | 14,082,358.08         |                       |
|                        | <b>Total</b>   | <b>877,840,221.45</b> | <b>449,302,334.16</b> |

### (IV) Commitments from related parties: Nil

### XII. Share-based payment: Nil

### XIII. Contingency

1. Pending action or possible liabilities formed from arbitration: Nil
2. Contingency from external guarantee: Nil
3. Other contingency: Nil

### XIV. Commitments: Nil

### XV. Events occurring after the balance sheet date

1. Important non-adjustment items: Nil
2. Profit distribution: Nil
3. Major sales return: Nil
4. Other than the above mentioned events, the Company have no other events occurred after balance sheet date.

### XVI. Other significant matters

1. Correction of previous periods and influence: Nil
2. Debt restructuring: Nil

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, RMB for record in the Statement)

3. Assets replacement: Nil

4. Pension plan: Nil

5. Discontinuing operation: Nil

6. Branch information

| Item   | Icecumber    | AC         | Marketing | Small household appliances | Other     | Sales in branch | Total        |
|--|--------------|------------|-----------|----------------------------|-----------|-----------------|--------------|
| Operation income   | 406,929.55   | 407,704.24 | 80,240.23 | 20,829.05                  | 14,608.07 | 78,531.72       | 851,779.42   |
| Including: Income from trading outside                     | 338,516.23   | 407,605.54 | 80,240.23 | 20,452.80                  | 4,964.62  | -               | 851,779.42   |
| Income from trading in branch                              | 68,413.32    | 98.70      | -         | 376.26                     | 9,643.45  | 78,531.72       | -            |
| Operation expenses   | 407,400.30   | 408,202.14 | 76,076.39 | 20,583.76                  | 13,251.49 | 78,290.82       | 847,223.26   |
| Operation profit   | -470.75      | -497.90    | 4,163.84  | 245.29                     | 1,356.58  |                 | 4,797.06     |
| Total assets   | 1,251,216.60 | 508,806.84 | 27,832.11 | 24,898.73                  | 15,082.90 | 158,886.21      | 1,668,950.97 |
| Total liability  | 720,335.31   | 427,527.47 | 54,495.73 | 13,581.21                  | 8,381.39  | 77,183.35       | 1,147,137.76 |
| Supplementary information                                  | -            | -          | -         | -                          | -         | -               | -            |
| Depreciation and amortization expenses                     | 6,110.27     | 2,328.24   | 9.48      | 198.48                     | 390.51    | -118.26         | 9,155.24     |
| Capital expenditure  | 10,680.29    | 7,194.96   | 26.39     | 169.51                     | 264.47    | 62.79           | 18,272.83    |
| Non-cash expenses except for depreciation and amortization | 39,292.71    | 52,444.60  | 7,399.60  | 1,512.96                   | 1,748.39  | -310.60         | 102,708.86   |

7. Other major transactions and events shows impact on investor's decision-making: Nil

### XVII. Notes to main items of financial statement of parent company

1. Account receivable

(1) Risk structure of account receivable

| Category  | Ending amount           |                |                      |              |                         |
|---|-------------------------|----------------|----------------------|--------------|-------------------------|
|   | Book balance            |                | Bad debt provision   |              | Book value              |
|   | Amount                  | Ratio          | Amount               | Ratio        |                         |
| Account receivable with single significant amount and withdrawal single item bad debt provision |                         |                |                      |              |                         |
| Account receivable withdrawal bad debt provision by combination                                 |                         |                |                      |              |                         |
| Combination 1   | 317,354,799.99          | 17.92%         | 16,042,896.99        | 5.06%        | 301,311,903.00          |
| Combination 2   | 1,453,826,130.66        | 82.08%         | -                    | -            | 1,453,826,130.66        |
| Combination Subtotal  | 1,771,180,930.65        | 100.00%        | 16,042,896.99        | 0.91%        | 1,755,138,033.66        |
| Account receivable with single minor amount but withdrawal single item bad debt provision       |                         |                |                      |              |                         |
| <b>Total</b>  | <b>1,771,180,930.65</b> | <b>100.00%</b> | <b>16,042,896.99</b> | <b>0.91%</b> | <b>1,755,138,033.66</b> |

(Continued)

| Category | Opening amount |  |  |  |  |
|----------|----------------|--|--|--|--|
|----------|----------------|--|--|--|--|

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, RMB for record in the Statement)

|   | Book balance            |                | Bad debt provision   |              | Book value              |
|---|-------------------------|----------------|----------------------|--------------|-------------------------|
|   | Amount                  | Ratio          | Amount               | Ratio        |                         |
| Account receivable with single significant amount and withdrawal single item bad debt provision |                         |                |                      |              |                         |
| Account receivable withdrawal bad debt provision by combination                                 | —                       | —              | —                    | —            | —                       |
| Combination 1   | 234,535,499.95          | 23.02%         | 12,281,916.10        | 5.24%        | 222,253,583.85          |
| Combination 2   | 784,448,310.52          | 76.98%         |                      |              | 784,448,310.52          |
| Combination Subtotal  | 1,018,983,810.47        | 100.00%        | 12,281,916.10        | 1.21%        | 1,006,701,894.37        |
| Account receivable with single minor amount but withdrawal single item bad debt provision       |                         |                |                      |              |                         |
| <b>Total</b>  | <b>1,018,983,810.47</b> | <b>100.00%</b> | <b>12,281,916.10</b> | <b>1.21%</b> | <b>1,006,701,894.37</b> |

1) No account receivable with single significant amount and withdrawal bad debt provision single at period-end.

2) Account receivable with withdrawal of bad debt provision by aging account in combination 1

| Book Age      | Ending balance        |                      |                     |
|---------------|-----------------------|----------------------|---------------------|
|               | Account receivable    | Bad debt provision   | Provision ratio (%) |
| Within 1 year | 316,931,501.71        | 15,846,575.09        | 5%                  |
| 1-2 years     | 78,258.40             | 11,738.76            | 15%                 |
| 2-3 years     | 246,846.47            | 86,396.26            | 35%                 |
| 3-4 years     | -                     | -                    | 55%                 |
| 4-5 years     | 43.55                 | 37.02                | 85%                 |
| Over 5 years  | 98,149.86             | 98,149.86            | 100%                |
| <b>Total</b>  | <b>317,354,799.99</b> | <b>16,042,896.99</b> |                     |

3) Account receivable without bad debt provision withdrawal in combination 2

| Combination                              | Book balance            |
|--|-------------------------|
| Connected amount between related parties | 1,408,187,606.66        |
| Account receivable with L/C              | 45,638,524.00           |
| <b>Total</b>                             | <b>1,453,826,130.66</b> |

4) No account receivable with single minor amount but withdrawal single item bad debt provision at period-end

(2) Provision, reversal (or recovery) of bad debt provision

The bad debt accrual in the period was RMB 3,760,980.89; no recovery or reversal bad debt provision in the year.

(3) No account receivable actually written-off in the period.

(4) No arrears of the shareholders holding more than 5% (including 5%) shares with voting rights

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, RMB for record in the Statement)

of the Company at period-end.

(5) The top five account receivable at period-end has RMB 1,047,684,539.21 in total, a 59.15% in total account receivable.

(6) Account receivable de-recognized: Nil

2. Other account receivable

(1) Category of other account receivable

| Category  | Ending amount        |                |                    |              |                      |
|---|----------------------|----------------|--------------------|--------------|----------------------|
|   | Book balance         |                | Bad debt provision |              | Book value           |
|   | Amount               | Ratio          | Amount             | Ratio        |                      |
| Other account receivable with single significant amount and withdrawal single item bad debt provision |                      |                |                    |              |                      |
| Other account receivable withdrawal bad debt provision by combination                                 |                      |                |                    |              |                      |
| Combination 1   | 3,031,000.28         | 5.06%          | 296,487.57         | 9.78%        | 2,734,512.71         |
| Combination 2   | 56,814,966.89        | 94.94%         | -                  | -            | 56,814,966.89        |
| Combination Subtotal  | 59,845,967.17        | 100.00%        | 296,487.57         | 0.50%        | 59,549,479.60        |
| Other account receivable with single minor amount but withdrawal single item bad debt provision       |                      |                |                    |              |                      |
| <b>Total</b>  | <b>59,845,967.17</b> | <b>100.00%</b> | <b>296,487.57</b>  | <b>0.50%</b> | <b>59,549,479.60</b> |

(Continued)

| Category  | Opening amount       |                |                    |              |                      |
|---|----------------------|----------------|--------------------|--------------|----------------------|
|   | Book balance         |                | Bad debt provision |              | Book value           |
|   | Amount               | Ratio          | Amount             | Ratio        |                      |
| Other account receivable with single significant amount and withdrawal single item bad debt provision |                      |                |                    |              |                      |
| Other account receivable withdrawal bad debt provision by combination                                 |                      |                |                    |              |                      |
| Combination 1   | 2,286,196.46         | 8.50%          | 164,504.75         | 7.20%        | 2,121,691.71         |
| Combination 2   | 24,620,732.24        | 91.50%         |                    |              | 24,620,732.24        |
| Combination Subtotal  | 26,906,928.70        | 100.00%        | 164,504.75         | 0.61%        | 26,742,423.95        |
| Other account receivable with single minor amount but withdrawal single item bad debt provision       |                      |                |                    |              |                      |
| <b>Total</b>  | <b>26,906,928.70</b> | <b>100.00%</b> | <b>164,504.75</b>  | <b>0.61%</b> | <b>26,742,423.95</b> |

1) No other account receivable with single significant amount and no withdrawal bad debt provision single at period-end.

2) Other account receivable with withdrawal bad debt provision by aging account for combination

1

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless other wise specified, RMB for record in the Statement)

| Item          | Ending balance      |                    |                     |
|---------------|---------------------|--------------------|---------------------|
|               | Account receivable  | Bad debt provision | Provision ratio (%) |
| Within 1 year | 2,546,998.03        | 127,349.90         | 5%                  |
| 1-2 years     | 11,315.60           | 1,697.34           | 15%                 |
| 2-3 years     | 462,686.65          | 161,940.33         | 35%                 |
| 3-4 years     | 10,000.00           | 5,500.00           | 55%                 |
| 4-5 years     | -                   | -                  | 85%                 |
| Over 5 years  | -                   | -                  | 100%                |
| <b>Total</b>  | <b>3,031,000.28</b> | <b>296,487.57</b>  |                     |

### 3) Other receivable without bad debt provision withdrawal in combination 2

| Combination                              | Book balance         |
|--|----------------------|
| Connected amount between related parties | 20,240,856.48        |
| Loans of employee's pretty cash          | 7,380,361.69         |
| Export rebate                            | 29,193,748.72        |
| <b>Total</b>                             | <b>56,814,966.89</b> |

4) No other account receivable with single minor amount but withdrawal bad debt provision singly, refers to the minor single receivables at period-end.

#### (2) Reversal (or withdraw) of reserve for bad debts in the period

The bad debt accrual in the period was RMB 131,982.82; no recovery or reversal bad debt provision in the year.

#### (3) Other account receivable charge off in this period: Nil

(4) No areas from shareholders' unit with over 5 percent (5 percent included) voting rights held at period-end.

(5) Top 5 other account receivable has RMB 52,706,330.90 in total, an 88.07% in total account receivable at period-end.

#### (6) Other receivables classify by nature

| Nature                          | Ending book balance  | Opening book balance |
|---------------------------------|----------------------|----------------------|
| Related parties                 | 20,240,856.48        | 21,867,562.15        |
| Loans of employee's pretty cash | 7,380,361.69         | 2,753,170.09         |
| Margin                          |                      | 1,344,924.85         |
| Advance money paid temporary    |                      | 619,956.01           |
| Other                           | 3,031,000.28         | 321,315.60           |
| Export rebate                   | 29,193,748.72        |                      |
| <b>Total</b>                    | <b>59,845,967.17</b> | <b>26,906,928.70</b> |

#### (7) Other receivable de-recognized: Nil

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless other wise specified, RMB for record in the Statement)

### 3. Long-term equity investments

#### (1) Classification of long-term equity investments

| Item  | Ending balance          |                 |                         | Opening balance       |                 |                       |
|---|-------------------------|-----------------|-------------------------|-----------------------|-----------------|-----------------------|
|   | Book balance            | Impairment loss | Book value              | Book balance          | Impairment loss | Book value            |
| <b>Investment in subsidiaries:</b>              |                         |                 |                         |                       |                 |                       |
| Zhongke Meiling Cryogenic Technology Co., Ltd.  | 42,000,000.00           |                 | 42,000,000.00           | 42,000,000.00         |                 | 42,000,000.00         |
| Mianyang Meiling Refrigeration Co., Ltd.        | 95,000,000.00           |                 | 95,000,000.00           | 95,000,000.00         |                 | 95,000,000.00         |
| Hefei Meiling Appliance Marketing Co., Ltd.     | 54,900,000.00           |                 | 54,900,000.00           | 54,900,000.00         |                 | 54,900,000.00         |
| Zhongshan Changhong Electric Co., LTD           | 169,856,419.37          |                 | 169,856,419.37          | 169,856,419.37        |                 | 169,856,419.37        |
| Sichuan Changhong Air-conditioner Co., Ltd.     | 305,600,437.79          |                 | 305,600,437.79          | 305,600,437.79        |                 | 305,600,437.79        |
| Hefei Meiling Group Holdings Limited            | 113,630,000.00          |                 | 113,630,000.00          | 113,630,000.00        |                 | 113,630,000.00        |
| Jiangxi MeiLing Electric Appliance Co., Ltd.    | 79,000,000.00           |                 | 79,000,000.00           | 79,000,000.00         |                 | 79,000,000.00         |
| Guangdong Changhong Ridian Technology Co., Ltd. | 90,802,061.95           |                 | 90,802,061.95           | 90,802,061.95         |                 | 90,802,061.95         |
| Changmei Technology Co., Ltd.                   | 18,528,000.00           |                 | 18,528,000.00           | 18,000,000.00         |                 | 18,000,000.00         |
| Meiling Candy Washing Machine Co., Ltd.         | 30,000,000.00           |                 | 30,000,000.00           | -                     |                 | -                     |
| <b>Investment in associates:</b>                |                         |                 |                         |                       |                 |                       |
| Hefei Xingmei Assets Management Co., Ltd.       | 11,882,198.13           |                 | 11,882,198.13           | 12,394,800.39         |                 | 12,394,800.39         |
| Sichuan Zhiyijia Network Technology Co., Ltd.   | 14,716,635.63           |                 | 14,716,635.63           | 11,098,569.71         |                 | 11,098,569.71         |
| <b>Total</b>                                    | <b>1,025,915,752.87</b> |                 | <b>1,025,915,752.87</b> | <b>992,282,289.21</b> |                 | <b>992,282,289.21</b> |

#### (2) Investment in subsidiaries



## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless other wise specified, RMB for record in the Statement)

| Invested unit                                   | Opening balance       | Increase during the period | Decrease during the period | Ending balance        | Provision for impairment losses | Ending balance of impairment loss |
|---|-----------------------|----------------------------|----------------------------|-----------------------|---------------------------------|-----------------------------------|
| Zhongke Meiling Cryogenic Technology Co., Ltd.  | 42,000,000.00         |                            |                            | 42,000,000.00         |                                 |                                   |
| Mianyang Meiling Refrigeration Co., Ltd.        | 95,000,000.00         |                            |                            | 95,000,000.00         |                                 |                                   |
| Hefei Meiling Appliance Marketing Co., Ltd.     | 54,900,000.00         |                            |                            | 54,900,000.00         |                                 |                                   |
| Zhongshan Changhong Electric Co., LTD           | 169,856,419.37        |                            |                            | 169,856,419.37        |                                 |                                   |
| Sichuan Changhong Air-conditioner Co., Ltd.     | 305,600,437.79        |                            |                            | 305,600,437.79        |                                 |                                   |
| Hefei Meiling Group Holdings Limited            | 113,630,000.00        |                            |                            | 113,630,000.00        |                                 |                                   |
| Jiangxi MeiLing Electric Appliance Co., Ltd.    | 79,000,000.00         |                            |                            | 79,000,000.00         |                                 |                                   |
| Guangdong Changhong Ridian Technology Co., Ltd. | 90,802,061.95         |                            |                            | 90,802,061.95         |                                 |                                   |
| Changmei Technology Co., Ltd.                   | 18,000,000.00         | 528,000.00                 |                            | 18,528,000.00         |                                 |                                   |
| Meiling Candy Washing Machine Co., Ltd.         |                       | 30,000,000.00              |                            | 30,000,000.00         |                                 |                                   |
| <b>Total</b>                                    | <b>968,788,919.11</b> | <b>30,528,000.00</b>       |                            | <b>999,316,919.11</b> |                                 |                                   |

### (3) Investment in associates

| Invested unit                                 | Opening balance      | Changes in the period |                     |   |   |                     |   |                               | Ending balance | Ending balance of impairment |
|---|----------------------|-----------------------|---------------------|---|---|---------------------|---|-------------------------------|----------------|------------------------------|
|   |                      | Additional Investment | Negative Investment | Investment income recognized under equity | Adjustment for other comprehensive income | Other equity change | Cash dividend or profit announced to issued | Provision for impairment loss |                |                              |
| Hefei Xingmei Assets Management Co., Ltd.     | 12,394,800.39        |                       |                     | -512,602.26                               |   |                     |   |                               |                | 11,882,198.13                |
| Sichuan Zhiyijia Network Technology Co., Ltd. | 11,098,569.71        |                       |                     | 3,618,065.92                              |   |                     |   |                               |                | 14,716,635.63                |
| <b>Total</b>                                  | <b>23,493,370.10</b> |                       |                     | <b>3,105,463.66</b>                       |   |                     |   |                               |                | <b>26,598,833.76</b>         |

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless other wise specified, RMB for record in the Statement)

### 3. Operation income and operation cost

| Item           | Amount in the period    |                         | Amount in the same period of last year |                         |
|----------------|-------------------------|-------------------------|--|-------------------------|
|                | Income                  | Cost                    | Income                                 | Cost                    |
| Main business  | 3,544,613,227.13        | 3,199,404,365.71        | 3,359,972,441.96                       | 2,762,714,566.29        |
| Other business | 584,995,125.37          | 575,965,090.55          | 410,800,721.97                         | 397,417,660.72          |
| <b>Total</b>   | <b>4,129,608,352.50</b> | <b>3,775,369,456.26</b> | <b>3,770,773,163.93</b>                | <b>3,160,132,227.01</b> |

#### (1) Classified according to product

| Product   | Amount in the period    |                         | Amount in the same period of last year |                         |
|---|-------------------------|-------------------------|--|-------------------------|
|   | Operation income        | Operation cost          | Operation income                       | Operation cost          |
| Refrigerator and freezer                          | 3,279,271,848.62        | 2,971,360,809.10        | 3,178,958,581.60                       | 2,612,206,850.23        |
| Washing machine                                   | 176,232,144.12          | 151,753,972.11          | 179,396,785.22                         | 150,507,716.06          |
| Small household appliances and kitchen and toilet | 89,105,560.29           | 76,286,085.40           | -                                      | -                       |
| Other   | 3,674.10                | 3,499.10                | 1,617,075.14                           | -                       |
| <b>Total</b>                                      | <b>3,544,613,227.13</b> | <b>3,199,404,365.71</b> | <b>3,359,972,441.96</b>                | <b>2,762,714,566.29</b> |

#### (2) Classified according to region

| Regions         | Amount in the period    |                         | Amount in the same period of last year |                         |
|-----------------|-------------------------|-------------------------|--|-------------------------|
|                 | Operation income        | Operation cost          | Operation income                       | Operation cost          |
| Domestic income | 2,457,823,202.55        | 2,162,505,987.73        | 2,481,708,373.76                       | 2,002,163,732.22        |
| Export income   | 1,086,790,024.58        | 1,036,898,377.98        | 878,264,068.20                         | 760,550,834.07          |
| <b>Total</b>    | <b>3,544,613,227.13</b> | <b>3,199,404,365.71</b> | <b>3,359,972,441.96</b>                | <b>2,762,714,566.29</b> |

Top five clients of the Company owe income in sales of RMB 2,076,958,447.26 yuan, a 50.29% in total operation income.

### 4. Investment income

| Item   | Amount in the period | Amount in the same period of last year |
|--|----------------------|--|
| Long-term equity investment income by equity method  | 3,105,463.66         | 2,644,982.57                           |
| Investment income arising from disposal of the long-term equity investment   | 2,506.98             |  |
| Investment income arising from period of holding the long-term equity investment   | -                    | 75,261,313.40                          |
| Investment income from disposal of financial assets, which is measured by fair value and with its variation reckoned into current gains/losses | 7,232,183.50         |  |
| Investment income during holding the financial assets available for sale   | 19,389,929.81        | 4,986,301.37                           |
| <b>Total</b>   | <b>29,730,083.95</b> | <b>82,892,597.34</b>                   |

## XI. Approval of financial statement

## **Annotations of Financial Statements of Hefei Meiling Co., Ltd.**

From 1 January 2017 to 30 June 2017

(Unless other wise specified, RMB for record in the Statement)

---

The financial statement has already been approved from the board of directors of the Company for reporting dated 9 August 2017.

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless other wise specified, RMB for record in the Statement)

### Supplementary information for financial statement

#### 1. Non-operational gains and losses for this period

(1) Non-recurring gains and losses regulated by Explanation Announcement of Information Disclosure on Stock Issuance Enterprise No.1—Non-recurring gains/losses (2008) from CSRC:

| Item   | Current Period | Note |
|--|----------------|------|
| Gains and losses from disposal of non-current assets   | -11,095,591.69 |      |
| Tax refund or mitigate due to examination-and-approval beyond power or without official approval document or accident  |                |      |
| Government subsidy recorded in current gains and losses  | 22,490,062.54  |      |
| Capital occupancy expense, collected from non-financial enterprises and recorded in current gains and losses   |                |      |
| Income from the exceeding part between investment cost of the Company paid for obtaining subsidiaries, associates and joint-ventures and recognizable net assets fair value attributable to the Company when acquiring the investment  |                |      |
| Gains and losses from exchange of non-monetary assets  |                |      |
| Gains and losses from assets under trusted investment or management  |                |      |
| Various provision for impairment of assets withdrew due to act of God, such as natural disaster  |                |      |
| Gains and losses from debt restructuring   |                |      |
| Enterprise reorganization expense  |                |      |
| Gains and losses of the part arising from transaction in which price is not fair and exceeding fair value  |                |      |
| Current net gains and losses occurred from period-begin to combination day by subsidiaries resulting from business combination under common control  |                |      |
| Gains and losses arising from contingent proceedings irrelevant to normal operation of the Company   |                |      |
| Except for effective hedge business relevant to normal operation of the Company, gains and losses arising from fair value change of tradable financial assets and tradable financial liabilities, and investment income from disposal of tradable financial assets, tradable financial liabilities and financial assets available for sale | -10,359,085.30 |      |
| Switch-back of provision of impairment of account receivable which are treated with separate depreciation test   |                |      |
| Gains and losses obtained from external trusted loans  |                |      |
| Gains and losses arising from change of fair value of investment real estate whose follow-up measurement are conducted according to fair value pattern   |                |      |
| Affect on current gains and losses after an one-time adjustment according to requirements of laws and regulations regarding to taxation and accounting   |                |      |
| Trust fee obtained from trust operation  |                |      |
| Other non-operating income and expenditure except for the aforementioned ones  | 643,883.35     |      |
| Other gains and losses items complying with definition for non-current gains and losses  | 26,817,170.85  |      |
| Subtotal   | 28,496,439.75  |      |
| Affect on income tax   | 3,129,349.31   |      |
| Affect on minority equity(after taxation)  | 197,389.65     |      |

## Annotations of Financial Statements of Hefei Meiling Co., Ltd.

From 1 January 2017 to 30 June 2017

(Unless otherwise specified, RMB for record in the Statement)

| Item         | Current Period       | Note |
|--------------|----------------------|------|
| <b>Total</b> | <b>25,169,700.79</b> |      |

### 2. Return on equity and earnings per share

In accordance with requirement of the No. 9 Rule of Information Disclosure Compiling of Public Listed Companies: Calculation and Disclosure of Return on Equity and Earnings per Share (revised in 2010), the weighted average return on equity, basic earnings per share and diluted earnings per share of the Company semi-annual report in 2017 are as follow:

| Profit during the report period   | Weighted average return on equity | Earnings per share/EPS |             |
|---|-----------------------------------|------------------------|-------------|
|   |                                   | Basic EPS              | Diluted EPS |
| Net profit attributable to shareholders of parent company   | 1.79%                             | 0.0881                 | 0.0881      |
| Net profit attributable to shareholders of parent company after deduction of non-recurring gains and losses | 1.30%                             | 0.0640                 | 0.0640      |

3. Accounting difference under the accounting rules in and out of China: Nil

4. Supplementary information for accounting policy changed: Nil

Hefei Meiling Co., Ltd.

10 August 2017