



GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI

Annual Report 2013

April 2014

Section I Important Notice, Table of Contents and Paraphrase

The Board of Directors, Board of Supervisors, all directors, supervisors and officers of the Company hereby guarantee that there are not any false records, misleading representations or material omissions in the Report, and shall take all the joint and several responsibilities for the authenticity, accuracy and completeness of the contents hereof.

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

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

The profit distribution proposal passed upon deliberation at the meeting of the Board of Directors is set out as below: based on total stock capital of the Company at the end of the year 2013, all directors were distributed a cash dividend of RMB 15 (tax included) per 10 stocks without bonus shares (tax included) and without capitalization from public reserve funds.

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Paraphrase

Items	Means	Contents
Company, the Company, GREE ELECTRIC APPLIANCES or GREE	Means	GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI
GREE GROUP	Means	ZHUHAI GREE GROUP CORP.
Finance Company	Means	Zhuhai Gree Group Finance Company Limited
Jinghai Guaranteed	Means	Hebei Jinghai Guaranteed Investment Co. , Ltd.
CSRC	Means	China Securities Regulatory Commission
Guangdong Securities Regulatory Bureau	Means	Guangdong Regulatory Bureau of CSRC
Report Period	Means	the period from 1 January 2013 to 31 December 2013

Section II Company Profile

1. Company information

Stock Abbreviation	GREE ELECTRIC APPLIANCES	Stock Code	000651
Stock Exchange	Shenzhen Stock Exchange		
Name in Chinese	珠海格力电器股份有限公司	Name Abbreviation in Chinese	格力电器
Name in Foreign Language	GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI	Name Abbreviation in foreign language	GREE
Legal Representative	Dong Mingzhu		
Registered Address and Office Address	Jinji West Road, Qianshan, Zhuhai City, Guangdong Province	Post Code	519070
Website	http://www.gree.com.cn	Email	gree0651@cn.gree.com

2. Contacts and contact information

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

3. Information disclosure and place of the report

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

4. Alteration of registration

Registration description	Registration date	Registration place	Registration number of corporate business license	Tax registration number	Organization code
Initial	13 December 1989	Zhuhai Municipal Administration of Industry and Commerce of Guangdong Province	4400001008614	440401192548256	19254825-6
At the end of the Report Period	20 June 2012		440000000040686	440401192548256	19254825-6

5. Accounting firm engaged by the Company

Name of the Accounting Firm	Office Address	Name of Accountant as Signatory
China Audit Asia Pacific Certified Public Accountants Co., Ltd.	22-23/F, Tianxingjian Building, No.47 Fuxing Rd, Haidian District, Beijing	Han Zhenping, Gong Jingwei

6. Sponsor institution engaged by the Company responsible for continuous supervision during the report period

Name of sponsor institution	Office address	Name of sponsor representative	Period of continuous supervision
China Merchants Securities Co., Ltd.	38-45/F, Jiangsu Building, Yitian Road, Futian District, Shenzhen	Wang Suwang, Liu Lihua	6 February 2012 to 31 December 2013

Section III Summary of Accounting Data and Financial Indices

1. Main accounting data and financial indices:

Item	2013	2012	Increase/Decrease over the previous year (%)	2011
Operating Revenue (Yuan)	118,627,948,208.59	99,316,196,265.19	19.44%	83,155,474,504.59
Net profit attributable to shareholders of listed Company (Yuan)	10,870,672,842.47	7,379,666,345.09	47.31%	5,236,938,608.43
Net profit attributable to shareholders of listed Company less non-recurring gains and losses (Yuan)	8,907,843,107.98	6,995,208,275.30	27.34%	5,106,435,132.83
Net cash flow generated from operating activities (Yuan)	12,969,837,129.83	18,408,746,271.56	-29.55%	3,356,159,992.13
Basic earnings per share (Yuan per Share)	3.61	2.47	46.15%	1.86
Diluted earnings per share (Yuan per Share)	3.61	2.47	46.15%	1.86
Weighted average return on net assets (%)	35.77%	31.38%	4.39%	34%
Item	At the end of 2013	At the end of 2012	Increase/Decrease over the end of previous year (%)	At the end of 2011
Total asset (Yuan)	133,702,103,359.54	107,566,899,919.95	24.3%	85,211,594,207.30
Net asset attributable to shareholders of listed Company (Yuan)	34,582,810,312.23	26,743,134,404.77	29.31%	17,606,865,814.24

2. Non-recurring gains and losses and the amount thereof

Unit: RMB YUAN

Item	Amount of 2013	Amount of 2012	Amount of 2011
Gains and losses from disposal of non-current assets (including the provision for asset impairment write-off part)	-1,760,280.69	-12,332,978.15	-7,015,131.03
Governmental subsidies recorded into the current gains and losses (excluding the governmental subsidies closely relating to the business of the enterprise and enjoyed by a fixed quota or a fixed amount in accordance with the state policies)	660,482,277.34	252,844,637.88	145,384,688.32
Gains and losses of the fair value change of the trading financial asset and liability held by the Company, investment income from the disposal of the trading financial asset and liability and available-for-sale financial asset, except for the effective hedging business in relation to the normal operation of Company	1,705,045,054.92	217,676,678.03	38,495,870.93
Non-operating incomes and expenditures other than the above items	-29,808,150.26	16,485,229.47	-27,002,909.26
Minus: Influence amount of income tax	367,611,287.10	86,905,123.66	20,861,729.40
Influence amount of minority interests (After tax)	3,517,879.72	3,310,373.78	-1,502,686.04
Total	1,962,829,734.49	384,458,069.79	130,503,475.60

Section IV Report of the Board of Directors

1. Overview

In 2013, under the environment of domestic economy staying at a low level toward being stable and industry recession, influenced by real estate control, exiting of energy saving subsidy policy and climate, domestic market grew weakly; overseas market demands were comparatively fatigued under influence of factors such as political situation, economic and exchange rate. Adhering to the market-oriented, the Company made scientific decisions with composure and achieved good economic returns. The total operating income is RMB 120.043 billion, an increase of 19.91% compared with the previous year; the total profit is RMB 12.892 billion, an increase of 47.12% compared with the previous year; the net profit attributable to shareholders of listed company was RMB 10.871 billion, an increase of 47.31% compared with the previous year; the basic earnings per share was RMB 3.61 per share, an increase of 46.15% compared with the previous year.

According to the statistics of *HVAC Information*, Gree central air conditioner occupied 15.7% of domestic market in 2013, exceeding 4.5 percent than the second and ranked first two years in row. According to the statistics of *Industry On-line*, Gree residential air conditioner production and sales ranked first for years. Of which production of 2013 is 11.99 million above the second and sales is 11.865 million above to improve on market shares while consolidating the top position.

2. Key works of the Company in 2013

The Company will internally keep practicing the management policy of "Be fair; Be open; Be dedicated", require the leading cadres to have a sense of crisis, sense of urgency and awareness of unexpected development and to live up to "not to abuse their power to seek personal gains and benefits or to bully others", encourage the staff to fulfill the code of conduct of "Be truthful, work for real; Be principled, work for good; Be committed, work for success", insist on doing work in strict accordance with any laws, regulations, systems and standards, effectively eliminate effects on work from selfish departmentalism and bureaucratism, build a fair and impartial working environment, and utilize rules and systems to create a space for fair development and a sharing platform so as to build an enterprise in

which everyone is willing to work hard, everyone is given equal opportunities and everyone has a wish.

By adhering to the above management concept, the Company completed the following key works in 2013:

1. By deepening management such as integration of operational module, informatization, collectivize control and joint management mode, the Company combined flat management and delicacy management to promote the level of management.

2. Persisting in the idea of “technology and innovation come first”, the Company listed the "Crown" series which adopts the pioneering two-stage compressor inverter technology. The photovoltaic direct-driven inverter centrifugal system called “Central Air Conditioner without Electric Charge” originated by GREE was unanimously appraised as "World Leading Technology" by the expert team. High quality water purifiers and air purifier which can dislodge PM 2.5 effectively were launched.

Core technologies in 2013:

(1) Photovoltaic direct-driven inverter centrifugal system

By development of the project, we have mastered core technology and patents of photovoltaic direct-driven inverter centrifugal technology, ternary converter, dynamic capacity load tracking MPPT and high-power permanent magnet synchronous motor high-speed drive based on PAWM interleaving modulation, combined photovoltaic power generation system and urban power grid in unit, achieved perfect energy-saving effect, as well as promoted application of photovoltaic power generation in air conditioners and national emission reduction policy, and got recognition by certifying commission.

(2) Magnetic suspension inverter centrifugal cooling compressor and water chiller

In this project, we developed the magnetic inverter centrifugal cooling compressor with the largest stand-alone capacity in the world, which was applied into water chiller with good performance. By breaking international monopoly, we promoted an improvement upon air-conditioning technique, which was valuable to national energy saving cause and got recognition by certifying commission.

(3) Study in twin-stage enthalpy-adding rotor type inverter compressor and the application in air conditioner and heat-pump water heater

By resolving multiple technological difficulties of the project, we have mastered multiple core technologies and patents, such as efficient two-stage compressor technology of wide temperature, high reliability engineering, efficient shoot enhanced vapor and EER automatic optimization, realized application of product and reached high energy efficiency level.

3. The Company set up departments for production automation management, equipment manufacture and administration to promote mechanization and automation of R&D, automatic reform in whole production chain and automation skills training of staff.

4. The Company set an informatization committee directed by Dong Mingzhu, Chairman and President of the Company, optimized business management process with informatization method, quickened the informatization planning and construction, as well as combination of informatization and automation, to develop business management level efficiently on low operational risk.

5. The Company upgraded marketing channels by setting flagship stores in major cities and setting updated image stores to build high-end oriented of product group, and also supplied stereoscopic services from model selection, design, and installation to maintain in profession, specification and humanization.

3. Analysis on change of principal business

(1) Revenues

1) The physical sales revenue of the Company is more than the service revenue.

2) Sales conditions of Top 5 clients

Client ranking	Sales revenue (Yuan)	Percentage to annual sales revenue of the Company (%)
First	8,533,547,842.68	7.11%
Second	8,465,553,262.43	7.05%
Third	6,646,584,501.30	5.54%
Fourth	6,370,617,685.02	5.31%
Fifth	5,954,671,887.98	4.96%
Total	35,970,975,179.41	29.97%

(2) Costs

Unit: RMB Yuan

Category of industry	Item	2013		2012		Increase/ Decrease over previous year (%)
		Amount	Proportion to operating cost (%)	Amount	Proportion to operating cost (%)	
Household Appliances	Raw Material	64,385,950,558.57	90.40%	66,418,900,466.80	90.73%	-0.33%
	Labor Wages	2,770,523,689.98	3.89%	2,556,608,989.34	3.49%	0.40%
	Depreciation	625,074,907.67	0.88%	467,268,117.30	0.64%	0.24%
	Energy Resources	499,108,465.20	0.70%	431,066,730.78	0.59%	0.11%

Information about Top 5 suppliers of the Company

Name of supplier	Amount of purchase (Yuan)	Percentage to total amount of annual purchase (%)
First	5,449,197,039.37	7.29%
Second	3,824,023,463.10	5.12%
Third	2,187,056,446.26	2.93%
Fourth	1,998,112,775.15	2.67%
Fifth	1,001,351,570.79	1.34%
Total	14,459,741,294.67	19.35%

(3) Expenses

Unit: RMB Yuan

Item	2013	2012	Increase/ Decrease over previous year (%)	Causes of change
Sales Expense	22,508,931,701.70	14,626,228,488.10	53.89%	Due to increase in sales and efforts intensified in marketing
Income tax expense	1,956,168,768.13	1,316,781,289.57	48.56%	Taxes increase due to increase in sales

(4) Cash flows

Unit: RMB Yuan

Item	2013	2012	Increase/Decrease over previous year (%)	Causes of change
Net Cash Flow from Operating Activities	12,969,837,129.83	18,408,746,271.56	-29.55%	Mainly caused by increase in tax paid and management fees
Net Cash Flow from Investment Activities	-2,185,987,355.41	-4,212,523,966.37	-48.11%	Mainly caused by cash decrease of fixed assets and investment activities
Net Cash Flow from Financing Activities	-2,423,977,154.71	815,216,460.30	-397.34%	Mainly caused by increase in issues in stock into capital over the past year.

4. Analysis on composition of principal business

Unit: RMB Yuan

	Operating revenue	Operating cost	Gross profit ratio	Increase of operating revenue over previous year (percentage point)	Increase of operating cost over previous year (percentage point)	Increase of gross profit ratio over previous year (percentage point)
Industry						
Household appliances manufacturing	108,052,844,520.69	71,219,846,531.15	34.09%	18.42%	7.31%	6.82%
Product						
Air Conditioner	105,487,901,617.95	69,085,322,534.06	34.51%	18.68%	7.26%	6.97%
Household appliances	1,617,926,821.24	1,296,614,727.67	19.86%	11.35%	15.33%	-2.76%
Others	947,016,081.50	837,909,269.42	11.52%	4.16%	0.44%	3.28%
Territory						
Domestic	92,051,726,504.66	57,156,463,906.86	37.91%	21.99%	8.28%	7.86%
Overseas	16,001,118,016.03	14,063,382,624.29	12.11%	1.34%	3.52%	-1.85%

Note: "Others" as stated in the product category under the Item mainly mean the compressor, motor, capacitor, varnished wire and mould etc.

5. Analysis on assets and liabilities

(1) Major changes in assets project

Unit: RMB Yuan

	At the end of 2013		At the end of 2012		Change of proportion (percentage point)
	Amount	Proportion to total assets	Amount	Proportion to total assets	
Monetary Capital	38,541,684,470.83	28.83%	28,943,921,701.45	26.91%	1.92%
Accounts Receivable	1,849,275,342.79	1.38%	1,474,872,971.56	1.37%	0.01%
Inventories	13,122,730,425.78	9.81%	17,235,042,562.70	16.02%	-6.21%
Investment Property	503,056,462.68	0.38%	208,009,129.76	0.19%	0.19%
Long-term Equity Investments	97,568,533.30	0.07%	28,159,992.30	0.03%	0.04%
Fixed Assets	14,034,138,414.45	10.50%	12,700,394,289.32	11.81%	-1.31%
Construction in Progress	1,861,677,013.76	1.39%	2,304,317,913.92	2.14%	-0.75%

(2) Major changes in liabilities project

Unit: RMB Yuan

Item	2013		2012		Change of proportion (percentage point)
	Amount	Proportion to total assets	Amount	Proportion to total assets	
Short-term Borrowing	3,316,971,153.31	2.48%	3,520,642,063.91	3.27%	-0.79%
Long-term Borrowing	1,375,348,442.79	1.03%	984,463,173.32	0.92%	0.11%

(3) Assets and liabilities measured by fair value

There were no significant changes in the main asset measurement attribute of the Company during the Report Period.

Unit: RMB Yuan

Item	Amount at the beginning of the period	Gains and losses from changes in fair value	Accumulated fair value changes recognized in equity	Depreciation reserves withdrawn during the period	Amount at the end of the period
Financial assets					
1. Financial assets measured by fair value and their changes recognised in the gains and losses during the current period (excluding derivative financial assets)	263,460,017.40	990,563,610.10			1,246,106,661.88
2. Derivative financial assets	13,752,940.26		1,234,495.04		15,205,287.36
3. Available-for-sale financial assets	554,912,450.00		-30,809,846.15		805,932,600.00
Subtotal	832,125,407.66	990,563,610.10	-29,575,351.11		2,067,244,549.24
Investment property					
Productive biological asset					
Others					
Total	832,125,407.66	990,563,610.10	-29,575,351.11		2,067,244,549.24
Financial liabilities	0.00	0.00	0.00		0.00

6. Analysis on core competitiveness

Through years of sustainable and steady development, the Company has had its own unique competitive advantages in corporate culture, focus strategy, independent innovation, core technology, quality brand, marketing channel, management team, scale cost, client resource and the whole industry chain, among which the core competitive advantage is reflected in the pragmatic corporate culture of "Be fair; Be open; Be dedicated ", based on the independent innovation gene and lofty mission of "for the Clear Sky and Greener Earth", the Company enables the excellent products to serve the consumers through independently controlled marketing channel.

During the Report Period, core competence of the Company was enhanced further.

7. Investment analysis

(1) Investment in derivatives

Unit: RMB Yuan

Operation name of investment in derivatives	Related relation	Whether or not transaction was related	Type of investment in derivatives	Initial amount of investment in derivatives	Start date	Expiry date	Beginning investment amount	Withdrawing depreciation reserve amount (if any)	Ending investment amount	Proportion of the ending contract amount to net assets at the end of the report period	Profits and losses during the report period
Jinrui Futures co., LTD	No	No	Futures Hedging Contract	1,375.29	2013.1.1	2013.12.31	1,375.29	0.00	1,520.53	0.04%	-2,627.53
Financing Institution	No	No	Forward Foreign Exchange Contract (Buying in)	7,710.51	2013.1.1	2013.12.31	7,710.51	0.00	91,636.60	2.65%	23,587.08
Financing Institution	No	No	Forward Foreign Exchange Contract (Selling out)	18,635.49	2013.1.1	2013.12.31	18,635.49	0.00	32,974.06	0.95%	43,675.28
Total				27,721.29			27,721.29	0.00	126,131.19	2.24%	64,634.83
Capital Source of Investment in Derivatives				Private							
Lawsuits (if apply)				None							
Risk analysis of open interest of derivatives and control measures during the Report Period (including but not limited to market risk, liquidity risk, credit risk, operation risk and legal risk)			In order to evade any risk in the cost of purchase of raw materials by the company which might arise from wide fluctuations of the price of bulk raw materials, the Company carried on the hedging business for part of the raw materials and duly locked the cost of raw materials according to the futures market situation to reduce any uncertainty risk from fluctuations of the market price of the spot goods; meanwhile, the Company carried out foreign exchange transactions by bank's financial instruments to evade any risk in the fluctuations of exchange rate and interest rate, reduce foreign exchange liabilities and conduct the cost locking, and realize the maintenance and increase of the value of foreign exchange assets. The Company laid down the Rules for Hedging Management of Futures and "Internal Control System of Forward Foreign Exchange Transactions to execute the full appraisal and control of the investment in derivatives and risks in open interest, and the detailed description is shown as below:								
			1. Legal and regulatory risk; While the Company carried on hedging and foreign exchange transactions, it was required to follow the laws and regulations and specifically stipulate the rights and obligations with the agency.								
			Control measures: The Company assigned the responsible department to strictly execute the contract review, clarify the rights and obligations, strengthen compliance check and ensure the Company's investment in derivatives and operation of open interest in accordance with any laws and regulations and internal control system of the Company.								
			2. Operation risk: it means any risk in operation arising out of imperfect internal process, operation of employees and system.								
			Control measures: The Company established the corresponding management system, clarified the division of responsibilities and examination & approval procedures of the hedging and foreign exchange transactions, built more perfect supervision mechanism and effectively reduced any operation risk through business, decision and transaction processes.								
			3. Market risk								
			The price change of bulk goods and uncertainty of fluctuations of exchange rate of foreign exchange market bring a greater market risk to the futures business and foreign exchange transactions.								
			Control measures: The principle of prudent and moderate operation is upheld in the futures hedging and foreign exchange transactions of the Company, in which any speculative transaction is not permitted. As to the hedging business, the Company strictly restricted the number of hedging not to exceed the number of actual spot transaction and the open interest of the futures not to exceed the number of hedged spot goods and implemented the mechanism to stop loss. In respect of the foreign								

	exchange transactions, the Company effectively prevented the market risk by judging the trend of foreign exchange rate and utilizing a contract to lock the settlement of exchange rate.
The detailed usage and related hypothesis and parameter setting should be disclosed in terms of the market price of the invested derivatives or changes in fair value of the products during the Report Period and analysis on the fair value of the derivatives.	The loss under the futures hedging contract during the Report Period was RMB -2,627.53; The profit under the forward foreign exchange contract during the Report Period was RMB 166,318.72.
Descriptions about whether there were major changes in the accounting policies and detailed accounting principle of the Company's derivatives during the Report Period as compared to the last report period.	No change.
Special opinions of independent directors regarding the investment in derivatives and risk control of the Company	In the opinion of the Company's independent directors, the Company improved its management level by strengthening internal control and carrying out the risk prevention measures as well as stabilizing price fluctuations through futures hedging. It also enhanced its foreign exchange risk control level through foreign exchange transactions. The above investment in derivatives helps to give play to competitive advantages of the Company, so it is feasible for the Company to carry on the investment in derivatives under controllable risk.

(2) Usage of raised funds

1). Overall usage of raised funds

The total amount of the funds raised by the Company in 2012 was RMB 3,195.2870 million. As of Dec. 31, 2013, the accumulated total amount of the raised funds used for investment was RMB 2,784.9871 million, of which RMB 2,505.6714 million was invested in 2012 while 0.2793157 million in 2013. There were no changes in any projects financed by the raised funds.

2). Promised projects of raised funds

Unit: RMB ten thousand yuan

Promised investment project and investment place for over-raised funds	Whether or not the project has been changed (including those changed in part)	Total amount of promised investment of raised funds	Total amount of adjusted investment (1)	Amount of investment during the report period	Accumulated amount of investment by the end of the period (2)	Investment progress by the end of the period (%)=(3)=(2)/(1)	Date of reaching the intended usage	Benefits realized during the report period	Whether or not the project has achieved expected benefits	Whether or not there were any major changes in the feasibility of the project
Promised investment project										
Technical reformation project of commercial air conditioners of GREE HQ.	No	60,000	53,528.7	1,239.52	53,528.7	100%	31 October 2012	29,388.12	Yes	No
Wuhan commercial air conditioner project	No	50,000	50,000		50,000	100%	31 May 2012	33,237.60	No	No
Zhengzhou household air conditioner project	No	70,000	70,000		70,000	100%	30 April 2012	31,423.92	No	No
New energy-saving household air conditioner compressor project with an annual output of 6 million	No	90,000	90,000	15,163.92	84,110.53	93.46%	31 May 2011	29,073.44	Yes	No
Technical reformation project of Engineering Research Center of Refrigeration Equipment for Energy-Saving	No	56,000	56,000	11,528.13	20,859.48	37.25%	31 December 2014	Not applicable	Not applicable	No
Subtotal of the promised investment project	--	326,000	319,528.7	27,931.57	278,498.71	--	--		--	--
Total	--	326,000	319,528.7	250,567.14	250,567.14	--	--		--	--
Description and causes for the failure to achieve the planned progress or anticipated revenue (for different specific projects)	1. The technical reformation project of Engineering Research Center of Refrigeration Equipment for Energy-Saving failed to achieve the planned progress because the Company postponed the project investment progress due to the changes in the market circumstances, and it is expected that this project will be completed at the end of December 2014.									
Initial investment and replacement of the project financed by raised funds	Applicable According to the Special Audit Report (Zhong Shen Ya Tai Shen Zi (2012) No. 010075 regarding the advanced investment of self-raised funds in the project by GREE ELECTRIC APPLIANCES which was issued by China Audit Asia Pacific Certified Public Accountants Co., Ltd, as of 31 January 2012, the actual investment amount of the advanced investment of self-raised funds in the project by the Company was RMB 2,255.2865, and the Company deliberated and passed the Proposal on Replacing Self-raised Funds Invested in Advance in the Project Financed by Raised Funds with Raised Funds at the 21 th meeting of the 8th session of Board of Directors which was convened on 18 February 2012, in which the Company was allowed to replace the self-raised funds of RMB 2,243.4069 million invested in advance in the project financed by raised funds with the additional raised funds. The details of such replacement are shown as follows: ① Replacing the raised funds of RMB 353.1989 million invested in the technical reformation project of GREE HQ commercial air conditioners; ② Replacing the raised funds of RMB 0.5									

	billion invested in Wuhan commercial air conditioner project; ③ Replacing the raised funds of RMB 0.7 billion invested in Zhengzhou household air conditioner project; ④ Replacing the raised funds of RMB 637.7616 million invested in the new energy-saving household air conditioner compressor project with an annual output of 6 million; ⑤ Replacing the raised funds of RMB 52.4464 million invested in the technical reformation project of Engineering Research Center of Refrigeration Equipment for Energy-Saving;
Purpose and investment place of unused raised funds	As of 31 December 2013, the total amount of the unused raised funds was RMB 442.8234 million, including the net interest income of RMB 32.5234 million. The balance of the special account for the raised funds invested in the new energy-saving household air conditioner compressor project with an annual output of 6 million was RMB 703.275 million, including the net interest income of RMB 11.4327 million. The raised funds invested in the project operation by intended increase of funds and replacement was RMB 0.9 billion, of which the amount of the actually used funds was RMB 841.1053 million, accounting for 93.46% of total amount of the raised funds to be invested in the project; The balance of the special account for the raised funds invested in the technical reformation project of Engineering Research Center of Refrigeration Equipment for Energy-Saving was RMB 372.4928 million, including the net interest income of RMB 21.0876 million. The raised funds invested in the project operation by intended increase of funds and replacement was RMB 0.56 billion, of which the amount of the actually used funds was RMB 208.5948 million, accounting for 37.25% of total amount of the raised funds to be invested in the project; the total amount of the unused balance was RMB 3300 in Wuhan commercial air conditioner project and Zhengzhou household air conditioner project (both are unused interest income balance). The unused raised funds will be invested based on the follow-up investment progress and plan.
Problems or other conditions existing in the usage and disclosure of raised funds.	Not applicable

(3) Major subsidiaries

Except that Zhuhai Gree Group Finance Company Limited carries on financial service, all the other subsidiaries carry on manufacturing business.

Company name	Main product or service	Registered capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit
Zhuhai Gree Group Finance Company Limited	Financial Services	150,000	2,189,984.01	235,349.58	150,863.70	35,756.07	26,774.63
Gree Electric Appliances (Chongqing) Co., Ltd.	Air Conditioner	23,000	536,876.73	317,321.60	713,191.56	56,286.48	48,494.10
Gree Electric Appliances (Hefei) Co., Ltd.	Air Conditioner	15,000	1,107,849.40	552,263.46	1,910,376.82	118,839.22	135,715.13
Gree Electric Appliances (Zhengzhou) Co., Ltd.	Air Conditioner	2,000	484,769.73	98,534.87	815,192.15	38,896.48	31,423.92
Gree Electric Appliances (Wuhan) Co., Ltd.	Air Conditioner	1,000	505,834.09	80,708.95	749,108.01	35,282.77	33,237.60
Gree Electric Appliances (Wuhu) Co., Ltd.	Air Conditioner	2,000	375,850.66	18,305.82	568,220.03	25,156.38	20,070.52
Gree Electric Appliances (Shijiazhuang) Co., Ltd.	Air Conditioner	10,000	326,805.09	33,377.10	525,916.21	26,129.65	24,745.06
Zhuhai Gree Electrical Co., Ltd.	Varnished Wire	16,932	67,529.98	35,053.21	149,302.78	2,614.49	2,439.16
Zhuhai Kaibang Motor Manufacture Co., Ltd.	Motor	8,200	190,352.62	41,875.56	285,162.18	9,553.19	8,639.01
Gree (Zhongshan) Household Electric Appliances Co., Ltd.	Small Home Appliances	3,000	50,598.62	18,215.29	89,006.74	5,560.09	4,480.11

Zhuhai Landa Compressor Co., Ltd.	Compressor	9,303	795,699.94	315,431.23	934,475.76	120,416.52	100,702.79
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8. Prospects of the Company's future development

(1) Development strategy

The Company will continually persist in the development ideas of "self-expansion, independent innovation and self-owned brand", adhere to professional development, strengthen the integration of industries, seek the diversification (HVAC equipment) concerned with horizontal development and gradually realize the diversified operations in the professional development, depending on technical strength, brand tension and channel control, go forward at full speed to realize the sales income of RMB 140 billion in 2014; the Company will do its best to achieve a growth of RMB 20 billion in average annual sales income of the future five years to realize the creation of another "GREE" in five years.

(2) Development strategy implementation scheme

Mechanism innovation implementation scheme

(1) System innovation implementation scheme

Adhere to innovation strategy thoughts, Driven by "Four Innovations" (technical innovation, management innovation, channel innovation, talent training innovation), establish an innovation system and forge an innovation platform; through building a motivation system, construct good innovation atmosphere to maximize stimulate initiatives.

(2) Establish an innovation system and forge an innovation platform

Establish an innovation system and forge an innovation platform. In aspect of technological innovation, we need to intensify the professional development team further, exploit resource platforms of 2 state-level technology research centers, 4 institutes of technology and more than 400 international first-class laboratories and forge a new technology platform to support hardware for innovation.

Increase investment in technology innovation without upper limit, "distribute according to needs", further update the Gree marketing channel mode and firmly grasp the market power; implement scientific management, quicken the perfection of the talent training system of "selection, development, placement and retention" and innovate the talent training system.

(3) Build motivation system and construct good innovation atmosphere

Further perfect the incentive system. Select Technological Progress Award, Management Innovation Award, Rationalization Suggestion Award, Company Benefit Bonus, Year-end Bonus, Science Specialist, HOPE, Advanced Individual, Innovation Model and Gold-metal Staff to construct good innovation atmosphere and encourage innovations.

Adhere to the people-oriented, set up an institute of technology and build a learning organization to make more employees to have opportunities to upgrade their skills and accumulate more positive energy.

2. Core business development implementation scheme

(1) Residential air conditioner

Keep sustainable competition advantages through technology innovation with market-oriented policy and create competitive product lines to maintain its top status: put emphasis on product line layout and R&D of special market and special occasion air conditioner, further study inverter energy-saving technology, application of advanced sensors and combination to Internet of Things to improve people's living environment; research on performance index of air conditioners to enhance heating capacity of low-temperature, reduce noise and cost through promotion and innovation of technology.

High-end products applied strategies of production, developing and reserve; mass consumption occupied larger mid-market and the Company will develop market segment product year by year.

(2) Commercial air conditioner

Aimed at "Create Best Air Conditioner", strive to develop environmental products based on energy conservation and emission reduction, expand to professional field and express Gree' R&D and production capacity in high-end technology.

a. Deepen the concept of energy saving and environment protection: to join the civilian market with the latest two-stage compressor technology of Gree, so as to develop the energy saving market with sophisticated technology of Heat Recovery, Ground Source and Water Source Heat Pump.

b. Put emphasis on the large-scale water chiller: quicken R&D on proprietary intellectual property rights and sophisticated technology of refrigeration and further enhance COP of the water chiller to save energy.

c. Develop air conditioners of special type and copious cooling industry: intensify promotion of special type air conditioning units and launch them to the market.

(3) Household electric appliance

By taking “Self-dependent Innovation” as the main technology innovation strategy and being supplemented by strategies such as “Innovation on Following Mode” and “Cooperation Innovation”, focus on new product development and technology innovation to form a household electric appliance group based on key products and sunrise products.

3. Implementation scheme of human resource

Improve the strategic status of human resource to support core business development with sufficient talents.

(1) Promotion plan of talents’ timeliness rate

Enhance the annual recruitment, reserve and training plan to develop supplement of talents. Enhance recruitment skills, tool development and the scientificity of interview process and results; further widen recruitment channels, enrich employment forms to develop recruitment capacity of senior and scarce talents, as well as emergency recruitment capacity.

(2) Enhance training of skilled workers

Enhance training strength of skilled workers based on requirement of automatic development, and achieve systematization of training work, practice of training method and standardization of training content; set up Gree Academy to form a systematized and characteristic training mode.

(3) Perfect the incentive system of employee

Explore and establish a more scientific and practical wage defining and adjusting mechanism. Establish special incentive systems for employees in different levels and groups; establish a wage incentive system that matches with the development channel and skills of employees. Optimize secondary distribution of Contracted salary with supervision on wage exceptions; enhance daily supervision of overtime management and force transformation of employers’ management ideas.

(4) Perfect employee performance management system

Performance management is an important tool for improving employees' capability and ensuring realization of Company strategy. Currently, the Company has established an employee performance management system. In the future, the Company will enhance management by strengthening performance publication and substantial breakthrough, strengthen the application of compensation, training, promotion, and elimination module in performance management.

(5) Construct a qualification management system of employee

Construct a comprehensive qualification management system of employee by pilot exploration with steady steps, focus on the strait development channel and break through bottleneck of professional development, as well as take qualification management system of employee as standard guidelines to the training and growth of talents to promote the sustainable development of both staff and Company.

4. Technological management implementation scheme

(1) Adhere to the principles of "Technical R&D, Investment as Required and No Upper Limit" to carry on science and technology innovation activities.

(2) Enhance research on core technology, mainly study the exploitation of new type of energy-efficient household air conditioners and central air-conditioning products and research new technologies, materials and processes in these two areas; be engaged in the development of compressors; enhance study, application and promotion of environmentally-friendly refrigerant; simultaneously, enhance the research on common technologies, such as capacity emulation technique, CFD simulation technique and Internet of Things technology to drive development of upstream and downstream industry chain.

(3) Enhance construction and management of all enterprise platforms and connect industry, enterprise and market from innovation communication, technology cooperation and experiment testing platform. Mainly configure laboratory resources with Company advantages, form national key lab platforms actively; deepen university-industry cooperation through establishing the mode of industry-university-research cooperation combined with strategic alliances to strength core competence.

(4) Build six mechanisms including innovation input, innovative talents, innovation incentive, project innovation management, IPR and standard management innovation to guarantee efficiency in technical innovation.

5. Automation strategic planning implementation scheme

As being implemented in stages steadily, the automation planning and sample implementation have been completed. Currently, it is in process of validation and promotion and will go to comprehensive application. Being guided by the promotion of automation, R&D of automatic equipment, wider application of research results and overall optimization on efficiency, promote implementation of the automation strategy and standardization and generalization of product design; make the production models and logistics patterns leaner; make components more detailed; product high precision molds; normalize facility maintaining; introduce and train automation talents.

6. Implementation scheme of standardization, universalization and informatization

(1) Further prefer standardization system which takes technical standards as the main body and is supported by management and working standards is the body and supported by work standard, shoulder TC/SC secretariat work actively, strive for the formulation and speaking rights of government standard in order to apply corresponding standards into region and international, to improve popularity, brand effect and market competitiveness, and reduce the risk of technical barriers.

(2) Under guidance of national standardization strategies, organize industry integrated standardization and advanced standardization activities and establish favorable standardization principles to promote the management of industry standardization strategy, so as to improve the construction of technology standardization of all enterprises.

(3) Promote new standardization form of modularization on product design under the form of traditional standardization (simplify, unify and universalize) and develop the top form of standardization, namely, seriation of product.

(4) Establish an effect evaluation system of Company standardization. Based on actual conditions of the Company, formulate a method to evaluate standardization results to reflect benefits of standardization and further to supply power for sustaining standardization work and strategy.

(5) Strengthen the idea of “Reduce cost of design, purchase and product through design universalization”, as well as implement the project of modular design, assembly unit universalization and platform project engineering.

(6) Strengthen informationized controls of Company’s main informatization application platform, database, the whole principles and integration of all the material implement, items and parameters based.

(3) Security scheme of development strategy

1. Intellectual protection

(1) Perfect a diversified talent incentive system to improve treatment for managerial and technical backbone talents.

(2) Prepare to construct GREE Institute of Engineering and Technology and strengthen the training of backbone staff, especially the automation and technology R&D talents. Build and perfect the staff training system and qualification system to improve staff quality as well as managerial and technical capabilities, concentrate on training leaders in automatic, standard management and technical fields and form an effective and backbone-oriented management project team so as to provide reliable intellectual protection for company development.

2. Innovative system protection

(1) Constantly perfect establishment of scientific research platforms, communicative and cooperative platforms as well as innovative mechanisms and construct a scientific research innovation system.

(2) Ensure that funds for scientific research are invested annually at a certain percentage to product sale revenues.

3. Automation protection

Build specialized teams for automation promotion, automation device manufacturing and advanced automation technology research which are guided by Chairman & President Ms. Dong Mingzhu and are entitled to cross-institute and cross-system scheduling rights.

4. Information protection

Integrate and perfect existing information management platforms, innovate and introduce advanced information management platforms, promote information construction to realize

visualization of whole process and all-round manufacturing as well as all work behaviors. Provide sufficient information resources for the improvement of management efficiency and effectiveness.

(4) Main key work plan in 2014

1. Constantly maintain technology leadership and strengthen greatly R&D of original technologies and products.

(1) Persist in the principle of independent and original technology to carry out product explorations and develop more original products.

(2) Make the best, most fashionable, most stylistic products in the field and take advantage of an epoch-making mindset to make products.

(3) Succeed in creating products and markets which are capable of leading a new consumption wave.

2. Build a quality system of independent management and whole participation.

(1) Take “free of any product maintenance for 8 years” as its quality control goal and strengthen quality control from design.

(2) Strength product safety research and initially build the automation device quality assurance system.

3. Quicken transformation of automation and mechanization and enhance capabilities of researching and developing automation devices.

(1) Quicken transformation of automation and realize automation of posts, production lines and logistics distribution.

(2) Make mechanization the future development stress by studying deeply mechanization and further enhance capabilities of designing and producing automation devices so as to catapult GREE to the best device supplier in the world.

4. Reinforce information construction and heighten the company’s management level.

(1) Quicken establishment of databases for different modules such as design module and business management module.

(2) Quicken the training of an excellent information intellectual team, concentrate on turning company information team into an excellent consultancy agency in IT field and provide guarantee for the implementation of the company's information strategies.

(3) Strengthen the research of internal and external environment in an era of big data and make long-term plans of information construction.

5. Strengthen system construction and reinforce audit supervision.

(1) Establish codes of conducts for cadres, administration staff and general staff, determine the criteria, compile the criterion into a book and supervise its implementation.

(2) Foster the thought of bringing fish to prosperity by keeping water ever clean, intensify supervision and discipline inspection, strengthen innovation of supervision approaches.

(3) Innovate the incentive mode, intensify incentives, heap rewards on reporting problems and offering reasonable suggestions about enhancing efficiency and quality assurance and exert severe punishments against rule-breakers.

6. Strengthen management innovation and implement modular group management modes.

(1) Implement modular management modes of centralized purchasing, centralized sales, unified production management, unified quality management and unified personnel management.

(2) Strengthen network connections between the headquarters and bases as to enhance efficiency and decrease costs.

(3) Make comprehensive promotion and implementation of fixed picking and ground clearing work.

7. Strengthen cost management and improve business benefits.

(1) Intensify constantly cost consciousness of "a drop of water, a piece of paper" and enhance cost control.

(2) Strengthen material management and implement landing recoil to ensure consistency between accounts and actual ones.

(3) Build a database of product design costs and implement design cost optimization management as well as review control.

8. Deepen the work of fixing work posts and defining personal quota to ensure reasonable staffing.

(1) Push ahead the work of fixing work posts and defining personnel quota as regards the middle-level cadres of the headquarters and the subsidiaries.

(2) Perfect constantly the criterion of fixing work posts and defining personnel quota as regards the headquarters and promote its implementation as regards the subsidiaries.

9. Perfect cadre performance appraisal and strengthen cadre team construction.

(1) Determine and target at the quantification appraisal target of each institute with efficiency and effectiveness as the core; concentrate on appraising innovative capabilities of cadres; carry out the appraisal according to classifications of manufacturing, technology, administration and other categories.

(2) Strengthen cadre echelon construction, make good planning of cadre reservation, selection and elimination and incorporate talent training as a part of cadre appraisal.

(3) Implement cadre rotation system and enhance effectively cadres' comprehensive professional competence.

10. Strengthen expertise training of the staff and implement employee care projects.

(1) All staff accepts at least one full-time training annually with the duration of over one week.

(2) Provide unmarried staff with one-bedroom housing and married staff with two-bedroom transitional housing.

(5) Risk in future development

The major risks in future development derive from any adverse effects from slowdown in demands of global consumers.

9. Description of changes in the accounting policy, accounting estimates and accounting method compared with the financial report of previous year.

Not applicable.

10. Description of changes in consolidated financial statements compared with the financial report of previous year.

(1) There were new subsidiaries included in the consolidated financial statements during the report period

On 6 March 2013, the Company invested RMB 100 million to establish the subsidiary Zhuhai HVAC Equipment Co., Ltd and held its 100% equity. In 2013, it was incorporated in the consolidated financial statements.

On 13 March 2013, the Company invested RMB 5 million to establish the subsidiary Tianjin Green Resources Recycling Co., Ltd and held its 100% equity. In 2013 it was incorporated in the consolidated financial statements.

On 12 April 2013, the Company invested RMB 30 million to establish the subsidiary Zhuhai TOSOT Life Electric Appliances Co., Ltd and held its 100% equity. In 2013 it was incorporated in the consolidated financial statements.

On 14 October 2013, the Company invested RMB 30 million to establish the subsidiary Zhuhai Ligao Precision Manufacturing Co., Ltd and held its 100% equity. In 2013 it was incorporated in the consolidated financial statements.

(2) Subsidiaries not included in the consolidated financial statements during the report period

In June 2013, GREE Electric Appliances (Chongqing) Electronic Technology Co., Ltd was cancelled, so as of June 2013 it will not be included in the consolidated financial statements

11. Profit and dividend distribution

(1) Plan (Scheme) of profit distribution and capitalization from capital public reserve for the last three years

1. Plan of profit distribution for the year 2013

Upon audit of China Audit Asia Pacific Certified Public Accountants Co., Ltd, based on the net profit of RMB 5,986,905,538.79 realized by the parent company in 2013 plus the undistributed profit at the beginning of the year equivalent to RMB 8,814,610,174.42 less the

distributed profit of RMB 3,007,865,439.00, the actual distributable profit is RMB 11,793,650,274.21.

Calculated by total stock capital of the Company equivalent to 3,007,865,439 stocks, all directors will be distributed a cash of RMB 15.00 (tax included) per 10 stocks, with the total amount of cashes to be distributed in such a way up to RMB 4,511,798,158.50 and the balance to be carried forward to the next year.

The plan of profit distribution will not be executed until it is submitted to the general meeting of shareholders of the Company for the year 2013 for approval.

2. Scheme of profit distribution for the year 2012

Calculated by total stock capital of the Company equivalent to 3,007,865,439 stocks, all directors will be distributed a cash of RMB 10.00 (tax included) per 10 stocks, with the total amount of cashes distributed in such a way up to RMB 3,007,865,439.00 and the balance carried forward to the next year.

3. Scheme of profit distribution for the year 2011

Calculated by total stock capital of the Company equivalent to 3,007,865,439 stocks, all directors will be distributed a cash of RMB 5.00 (tax included) per 10 stocks, with the total amount of cashes distributed in such a way up to RMB 1,503,932,719.50 and the balance carried forward to the next year.

(2) Cash dividends for the last three year:

Unit: RMB Yuan

Year	Amount of cash dividend (tax included)	Net profit attributable to shareholders of listed company in annual consolidated financial statements	Proportion to net profit attributable to shareholders of listed company in consolidated financial statements	Annual distributable profit
2013	4,511,798,158.50	10,870,672,842.47	41.50%	11,793,650,274.21
2012	3,007,865,439.00	7,379,666,345.09	40.76%	8,814,610,174.42
2011	1,503,932,719.50	5,236,938,608.43	28.72%	6,205,484,705.91

12. Social responsibilities

The Company actively and voluntarily performed its social responsibilities, effectively protected the lawful rights and interests of all stakeholders, won with its strength recognition of the enterprise, brand and products from capital market and consumer market and promoted

the low-carbon green growth in the industry through various activities. (Please refer to the Social Responsibilities Report for the Year 2013 on www.cninfo.com.cn)

13. Registration form of reception of activities including research, communication and interviews during the report period

Time of reception	Place of reception	Method of reception	Type of reception object	Reception object
8, January, 2013	Conference Room of the Company	Field Research	Institution	Guangdong Fuchengwan Investment Management Co., Ltd., Mirae Asset Securities Co., Ltd.
14, January, 2013	Conference Room of the Company	Field Research	Institution	Zhongshan University Refco Wealth Management Center, CIC Securities Co., Ltd.
15, January, 2013	Conference Room of the Company	Field Research	Institution	P Investment
17, January, 2013	Conference Room of the Company	Field Research	Institution	China Universal Asset Management Co., Ltd.
18, January, 2013	Conference Room of the Company	Field Research	Institution	Guodu Securities Co., Ltd.
23, January, 2013	Conference Room of the Company	Field Research	Institution	Japan Nikko Asset Management Co., Ltd.
24, January, 2013	Conference Room of the Company	Field Research	Institution	Harvest Fund Management Co., Ltd.
29, January, 2013	Conference Room of the Company	Telephone Communication	Institution	Soros Asset Management Co., Ltd.
29, January, 2013	Zhuhai	Field Research	Institution	AP Asset Management Co., Ltd., Invesco Asset Management Co., Ltd., Heqi Investment, Yuanta Securities Investment Trust Co., Ltd., Harvest Global Investments Limited, Fidelity Worldwide Investment Co., Ltd., Baring Asset Management Co., Ltd., Manulife Asset Management Co., Ltd., Hongcheng Capital, SAC, BNP PARIBAS
30, January, 2013	Conference Room of the Company	Telephone Communication	Institution	BS AG
31, January, 2013	Conference Room of the Company	Telephone Communication	Institution	Falcon Edge Asset Management Co., Ltd.
1, February, 2013	Conference Room of the Company	Telephone Communication	Institution	GSI Bermuda
2, February, 2013	Conference Room of the Company	Telephone Communication	Institution	Moore Capital Management
27, February, 2013	Conference Room of the Company	Field Research	Institution	E Fund Management Co., Ltd., Hengxing Asset Management Co., Ltd., CITIC Securities Co., Ltd., Haitong Securities Co., Ltd., StarRock Investment Management Co., Ltd., Runhui Investment Management Co., Ltd., SWS MU Fund Management Co., Ltd., Sunshine Asset Management Co., Ltd., Yinghua Fund Management Co., Ltd., China Southern Fund Management Co., Ltd.
28, February, 2013	Conference Room of the Company	Field Research	Institution	Harvest Fund Management Co., Ltd.
5, March, 2013	Conference Room of the Company	Field Research	Institution	Barclays Bank
12, March, 2013	Conference Room of the Company	Field Research	Institution	Morgan Stanley
13, March, 2013	Conference Room of the Company	Telephone Communication	Institution	Shin Kong Investment Trust
15, March, 2013	Conference Room of the Company	Field Research	Institution	China Merchants Securities Co., Ltd.

19, March, 2013	Conference Room of the Company	Field Research	Institution	ZIFF, Tong Shing Securities Co., Ltd., ICBC Credit Suisse Asset Management Co., Ltd.
21, March, 2013	Conference Room of the Company	Field Research	Institution	UBS Securities Co., Ltd
22, March, 2013	Conference Room of the Company	Field Research	Institution	China Merchants Securities Co., Ltd., China Southern Fund Management Co., Ltd., GF Fund Management Co., Ltd.
3, May, 2013	Conference Room of the Company	Telephone Communication	Institution	brookside
6, May, 2013	Conference Room of the Company	Telephone Communication	Institution	EARNEST Partners, LLC
7, May, 2013	Conference Room of the Company	Field Research	Institution	Azentus Capital, Imperia Investment Management Co., Ltd, Indus Capital, UG Investment, Myriad Asset Management Co., Ltd, Farallon Asset Management Co., Ltd, RCM Asia, Morgan Stanley, Azentus Capital
8, May, 2013	Conference Room of the Company	Telephone Communication	Institution	Credit Suisse Group AG
16, May, 2013	Conference Room of the Company	Field Research	Institution	Fuhua Securities Investment Trust, Guotai Junan Co., Ltd.
21, May, 2013	Conference Room of the Company	Field Research	Institution	Zeal Asset Management
31, May, 2013	Conference Room of the Company	Telephone Communication	Institution	Tiger Fund
4, June, 2013	Conference Room of the Company	Field Research	Institution	Citi Bank
6, June, 2013	Conference Room of the Company	Field Research	Institution	T Rowe Price Rick De Los Reyes, Nordea, Allianz Global, Union Investment, Highline Capital, China Everbright Assets, Aberdeen Asset Management, GIC Maria Colangelo, Keywise Sachin Dhir, Amiya Capital Charles Morris, Morgan Stanley
19, June, 2013	Conference Room of the Company	Telephone Communication	Institution	ChinaRock
20, June, 2013	Shenzhen	Field Research	Institution	China Southern Fund Management Co., Ltd., PengHua Fund Management Co., Ltd., Invesco Great Wall Funds, Bosera Fund Management Co., Ltd., DaCheng Fund Management Co., Ltd., GF Fund Management Co., Ltd., First State Cinda Fund Management Co., Ltd., Harvest Fund Management Co., Ltd, Ashmore Investment Co., Ltd., Baring Asset Management Co., Ltd., SMC Fund, Power Corporation of Canada, Korea Investment Trust
21, June, 2013	Conference Room of the Company	Field Research	Institution	Xinsilu Investment Management Co., Ltd.
27, June, 2013	Conference Room of the Company	Telephone Communication	Institution	UBS
28, June, 2013	Conference Room of the Company	Field Research	Institution	China Asset Management Company Limited
2, July, 2013	Conference Room of the Company	Field Research	Institution	Fidelity Funds
10, July, 2013	Conference Room of the Company	Field Research	Institution	Research Works
12, July, 2013	Conference Room of the Company	Field Research	Institution	Fortune CLSA Securities Limited
15, July, 2013	Conference Room of the Company	Telephone Communication	Institution	BlackRock Funds
22, August, 2013	Conference Room of the Company	Field Research	Institution	Value Partners, Tybourn capital, Marco Polo Pure Asset Management, China International Capital Corporation
4, September, 2013	Conference Room of the Company	Field Research	Institution	Changjiang Securities Company Limited, Batach-Sophia Investment Management Co., Ltd., Great Wall Fund Management Co., Ltd., Runhui Investment Management Co., Ltd., Orient

				Securities Company Limited, Chinese Insurance Asset Management Co., Ltd., First State Cinda Fund Management Co., Ltd., Yimu Asset Management Co., Ltd., EVA Eastern Version, TaiKang Asset Management Co., Ltd., GuoSen Securities Management Co., Ltd., First State Cinda Fund Management Co., Ltd., HuaRong Asset Management Co., Ltd., Broad Capital, ShengTai Investment Management Co., Ltd., E&B Investment Management Co., Ltd., AXA SPDB Investment Managers, Minsheng Securities, Man Sum Investments, China Investment Securities Management Co., Ltd., Dongguan Investment Management Co., Ltd.
22, August, 2013	Conference Room of the Company	Field Research	Institution	Value Partners, Tybourn capital, Marco Polo Pure Asset Management, China International Capital Corporation
4, September, 2013	Conference Room of the Company	Field Research	Institution	Batach-Sophia Investment Management Co., Ltd., Great Wall Fund Management Co., Ltd., Changjiang Securities Company Limited, Runhui Investment Management Co., Ltd., Orient Securities Company Limited, Chinese Insurance Asset Management Co., Ltd., First State Cinda Fund Management Co., Ltd., Yimu Asset Management Co., Ltd., EVA Eastern Version, TaiKang Asset Management Co., Ltd., EVA Eastern Version, GuoSen Securities Management Co., Ltd., First State Cinda Fund Management Co., Ltd., HuaRong Asset Management Co., Ltd., Broad Capital, ShengTai Investment Management Co., Ltd., E&B Investment Management Co., Ltd., AXA SPDB Investment Managers, Minsheng Securities, Man Sum Investments, China Investment Securities Management Co., Ltd., Dongguan Investment Management Co., Ltd.
20, December, 2013	Conference Room of the Company	Field Research	Others	PengHua Fund Management Co., Ltd., Client of PengHua Fund Management Co., Ltd.
All the above receptions mainly refer to production and operation and development strategies of the Company, no reference materials provided.				

Section V Important Events

1. The Company was involved in no major legal action or arbitration during the report period.

2. During the report period, the Company was involved in no non-operating fund occupation by any controlling shareholders and other related parties.

In respect of the occupation of the Company's funds by any controlling shareholders and other related parties of the Company, China Audit Asia Pacific Certified Public Accountants Co., Ltd. issued the Special Description for Occupation of Non-Operation Fund and Transaction of Other Related Fund for the Year 2013 (Zhong Shen Ya Tai Shen Zi (2014) No.010178-1).

3. There were no sale and purchase of assets and merger and acquisition of the Company during the report period.

4. Major related party transactions of the Company during the report period

Related parties	Related relationship	Type of related transactions	Contents of related transactions	Related transaction pricing principles	Amount of related transactions (10 thousand yuan)	Proportion to amount of similar transaction	Settlement of related transactions
Zhejiang Sheng Shi Xin Xing GREE Trading Co., Ltd.	The company in which the Company's director serves as general manager	Sales of commodities	Sales revenue	Market price	637,061.77	5.31%	Payment before delivery
Henan Sheng Shi Xin Xing GREE Trading Co., Ltd.	The company in which the Company's supervisor serves as general manager	Sales of commodities	Sales revenue	Market price	853,354.78	7.11%	Payment before delivery
Total				--	1,490,416.55	--	--

5. The Company was involved in no trusteeship, contracting and lease of assets of other companies during the report period.

6. The Company was involved in no major external securities during the report period.

7. During the report period, the Company did not entrust others to execute any cash asset management.

8. The Company or shareholders holding more than 5% of total stocks of the Company did not disclose any commitments in public during the report period.

9. Engagement and disengagement of accounting firm and payment of remuneration

On 20 May 2013, the Re-engaging China Audit Asia Pacific Certified Public Accountants Co., Ltd. as the Company's Audit Institution in 2013 was deliberated and passed at the general meeting of shareholders in 2012 which was convened by the Company, in which China Audit Asia Pacific Certified Public Accountants Co., Ltd. was re-engaged as the Company's Audit Institution in 2013. The amount of remuneration paid for the audit in 2013 by the Company to the accounting firm was RMB 3.1 million (excluding travel expenses).

China Audit Asia Pacific Certified Public Accountants Co., Ltd. will render the Company the audit services for 11 consecutive years.

10. The Company and its directors, supervisors, senior management personnel, controlling shareholders and actual controllers were not subject to any inspection, administrative penalty, or public criticism from CSRC or any public censure from the Stock Exchanges during the report period.

Name of shareholder holding more than 5% of total stocks	Amount of recovered incomes from suspected illegal purchase and sale of the Company's stocks	Time of recovery
Hebei Jinghai Guaranteed Investment Co., Ltd.	RMB 138,968.00	10 December 2012

Section VI Changes in Stock Capital & Information of Shareholders

1. Changes in stock capital

Unit: Stocks

	Before the change		Increase/Decrease (+, -)					After the change	
	Number	Percentage (%)	New Issue	Bonus Issue	Stock Converted from Reserve	Others	Subtotal	Number	Percentage (%)
1. Stocks with trading restriction conditions	21,653,875	0.72%						21,653,875	0.72%
Stocks held by senior management personnel	21,653,875	0.72%						21,653,875	0.72%
2. Tradable Stocks without trading restriction conditions	2,986,211,564	99.28%						2,986,211,564	99.28%
RMB ordinary stocks	2,986,211,564	99.28%						2,986,211,564	99.28%
3. Total of stocks	3,007,865,439	100%						3,007,865,439	100%

2. Issuance and listing of stocks

(1) Issuance of stocks in the last three years

According to the Approval Regarding Issuance of Additional Stocks by GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI (Zheng Jian Xu Ke [2011] No. 1500) from CSRC, the Company issued in public 189,976,689 stocks at the price of RMB 17.16 per stock in 2012, and total amount of raised funds was RMB 3,259,999,983.24, from which the issuance cost of RMB 64,712,976.37 was deducted, the net amount of raised funds was RMB 3,195,287,006.87. Upon approval of Shenzhen Stock Exchange, these additional stocks issued by the Company had a total of 189,976,689 stocks, and they were listed on 3 February 2012.

(2) Existence of no internal employee stock in the Company.

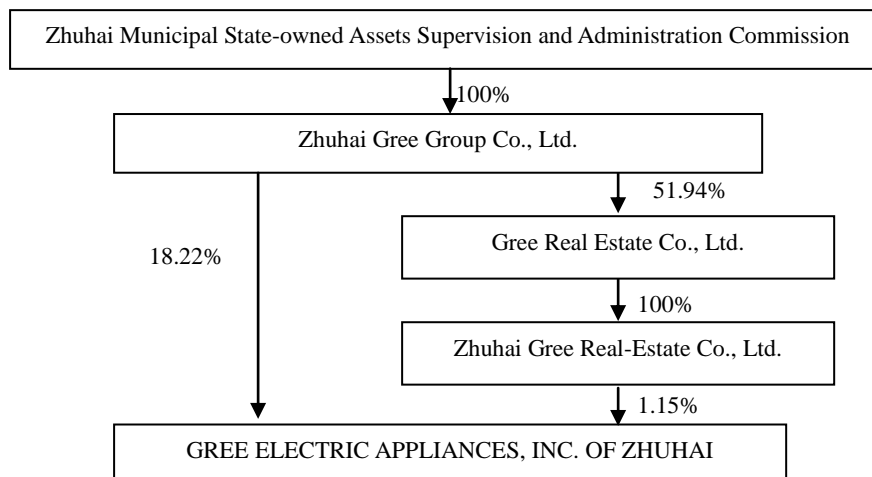
(3) Information of shareholders

Total number of shareholders at the end of the Report Period		58,820		Total number of shareholders at the end of the 5th trading day before disclosure date of the annual report		81,556	
Shareholding of the shareholders holding more than 5% of total stocks or the top 10 shareholders							
Name of shareholders	Nature of shareholders	Shareholding Proportion (%)	Total number of the stocks held at the end of the Report Period	Increase/Decrease in the Report Period	Number of the trading unrestricted stocks held	Pledge or Freezing	
						Stock status	Number
Zhuhai Gree Group Co., Ltd.	State-owned legal person	18.22%	548,127,812	0	548,127,812	Pledged	464,073,750
Hebei Jinghai Guaranteed Investment Co., Ltd.	Domestic non-state-owned legal person	8.46%	254,429,476	0	254,429,476		
Shareholding of the top 10 shareholders							
Name of shareholders					Number of the trading unrestricted stocks held at the end of the Report Period	Type of stocks	
						Type of stocks	Number
Zhuhai Gree Group Co., Ltd.					548,127,812	RMB ordinary stocks	548,127,812
Hebei Jinghai Guaranteed Investment Co. , Ltd.					254,429,476	RMB ordinary stocks	254,429,476
MERRILL LYNCH INTERNATIONAL					83,021,345	RMB ordinary stocks	83,021,345
MORGAN STANLEY & CO. INTERNATIONAL PLC					68,006,010	RMB ordinary stocks	68,006,010
CITIGROUP GLOBAL MARKETS LIMITED					64,481,719	RMB ordinary stocks	64,481,719
YALE UNIVERSITY					63,822,993	RMB ordinary stocks	63,822,993
UBS AG					42,770,854	RMB ordinary stocks	42,770,854
Industrial & Commercial Bank of China -E Fund Value Growth Mixed Securities Investment Fund					42,588,601	RMB ordinary stocks	42,588,601
Zhuhai Gree Real-Estate Co., Ltd.					34,452,437	RMB ordinary stocks	34,452,437
Industrial & Commercial Bank of China - GF Jufeng Stock-Securities Investment Fund					33,900,000	RMB ordinary stocks	33,900,000
Description for affiliated relationship or concerted action among the top 10 shareholders holding tradable stocks without trading restriction conditions and between the top 10 shareholders holding tradable stocks without trading restriction conditions and the top 10 shareholders					Zhuhai Gree Real-Estate Co., Ltd. is a grandson company of Zhuhai Gree Group Co., Ltd.		
Description for the participation in margin trading business of the top 10 shareholders (If any)					None		

(4) Information of the controlling shareholders of the Company

Name	Legal representative/ Person in charge	Date of establishment	Organization code	Registered capital (ten thousand yuan)	Principal business
Zhuhai Gree Group Co., Ltd.	Dong Mingzhu	15 December, 1990	19253718-6	80,000	Investment and asset management; enterprise management service, enterprise planning; other business services (excluding any licensed business items)
Operating results, financial position, cash flows and future development strategy	GREE Group is acclaimed as one of the present largest and most powerful enterprise groups in the state-owned enterprises of Zhuhai city. Resorting to a global vision and an insightful mind, GREE Group has implemented the development pattern of "Group Diversification and Subsidiaries Specialization" and has formed a comprehensive development pattern with modern manufacturing, real estate development and island tourism development businesses. GREE Group has exerted efforts on asset securitization, brand internationalization as well as industrial scale magnification and promoted itself as an internationally leading enterprise of strong core competitiveness, independent intellectual property and advanced management so as to take a place in the world's top 500 list. As estimated, the Company won an operating revenue of 123 billion increasing 20.04% over previous year and a gross profit of 10.9 billion increasing 43.81% over previous year in the year 2013. Besides, GREE Group has undertaken artificial islands reclamation project for the Hong Kong-Zhuhai-Macao Bridge and upper Zhuhai port project and invested in China Aviation Industry General Aircraft Co., Ltd. and other government projects.				
Information regarding holding equity interests of other domestic and overseas listed companies by controlling shareholders during the Report Period	Gree Group directly holds 51.94% of total stocks of Gree Real Estate Co., Ltd. except for that of the Company.				

(5) Diagram of relationship of shareholding and control between the Company and its actual controller:



Section VII Directors, Supervisors, Senior Management Personnel and Employees

1. Shareholding changes of directors, supervisors, senior management personnel

Name	Title	Tenure status	Gender	Age	Commencement of term of office	Termination of term of office	Stocks held at the beginning of the Period (Stocks)	Stocks reduced during the Period (Stocks)	Stocks held at the end of the Period (Stocks)
Huang Hui	Director, Vice President and Chief Engineer	Incumbent	M	50	25, May, 2012	25, May, 2015	3,847,500	160,000	3,687,500
Zhuang Pei	Vice President	Incumbent	M	49	25, May, 2012	25, May, 2015	3,227,601	250,000	2,977,601
Total	--	--	--	--	--	--	7,075,101	410,000	6,665,101

During the Report Period, there were no changes in the number of stocks held by the incumbent directors and senior management personnel, and the specific shareholding is as follows:

Name	Title	Gender	Age	Commencement of term of office	Termination of term of office	Stocks held at the beginning of the Period or held at the end of the Period (Stocks)
Dong Mingzhu	Chairman & President	F	59	25, May, 2012	25, May, 2015	21,148,846
Lu Jinsi	Director	M	48	25, May, 2012	25, May, 2015	0
Zhang Jundu	Director	M	53	25, May, 2012	25, May, 2015	0
Feng Jiyong	Director	M	42	25, May, 2012	25, May, 2015	0
Qian Aimin	Independent Director	M	43	25, May, 2012	25, May, 2015	0
Zhu Hengpeng	Independent Director	M	44	25, May, 2012	25, May, 2015	0
He Xiaoyong	Independent Director	M	41	25, May, 2012	25, May, 2015	0
Xu Chuzhen	Chairman of Board of Supervisor	M	55	24, September, 2013	25, May, 2015	0
Guo Shuzhan	Supervisor	M	57	25, May, 2012	25, May, 2015	0
Xu Peng	Staff Supervisor	M	34	25, May, 2012	25, May, 2015	0
Wang Jingdong	Vice President, Finance Chief, Board Secretary	M	43	25, May, 2012	25, May, 2015	647,888
Chen Weicai	Vice President	M	41	3, September, 2013	25, May, 2015	0
Chen Hui	Chairman of Board of Supervisor	M	42	25, May, 2012	24, September, 2013	0
Total	--	--	--	--	--	21,796,734

2. Positions of directors, supervisors and senior management personnel

(1) Main work experience of incumbent directors, supervisors and senior management personnel

○ **Ms. Dong Mingzhu, Chairman & President**

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

Since she joined the Company in 1990, she has served as business manager, vice director and director of Sales Department, manager, vice general manager, general manager and vice chairman of sales company; At present, she concurrently serves as chairman of Gree Group, Gree Hefei, Gree Wuhan, and Gree Zhengzhou; Since August 2012, she has served as non-executive director of Kingdee International Software Group Company Limited; She consecutively served as deputy to the tenth, eleventh and twelfth National People's Congresses and concurrently serves as a member of the Central Committee of China Democratic National Construction Association and the tenth Executive Committee of the All-China Women's Federation, vice chairman of China Home Appliances Association, director of Board of Directors China Social Economic Investigation Research Center, member of Executive Committee of Guangdong Provincial Women's Federation, vice chairman of Guangdong Province Association of Women Entrepreneurs, chairman of Zhuhai Municipal Association of Women Entrepreneurs and honorary president of Zhuhai Red Cross Society. She was successively engaged by Northwest University, College of Management National Sun Yat-sen University and Shandong University as part-time professor, engaged by School of Management, Nanjing University of Technology as "MBA off-campus tutor", and engaged by School of Management, University of Science and Technology of China as MBA "Course Professor". She was engaged by Beijing Normal University Zhuhai Campus and University of International Business and Economics as visiting professor, part-time professor of Zhongnan University of Economics and Law and member of MBA Education Advisory Committee, engaged by School of Entrepreneurship & Innovation, SJTU as member of Advisory Committee of Strategic Experts, engaged by Guangdong Provincial Government as entrepreneurs consultant, member of government decision-making advisory committee and

engaged by Hefei municipal government as (household electric appliances) industrial development consultant, etc.

○ **Mr. Lu Junsu, Director**

He has served as director of the Company since May 2006. He has served as chairman and vice president of Zhuhai Gree Group Co., Ltd from January 2004. He has served as vice chairman from May 2012. He has served as chairman (concurrently as general manager since November 2009) of Gree Real Estate Co., Ltd. since June 2008. He has served as director of China Civil Engineering Society, executive vice president of Guangdong Provincial Real Estate Association and standing committee member (concurrently as vice director of Economic Affairs Committee) of the 8th CPPCC National Committee of Zhuhai city.

○ **Mr. Huang Hui, Director, Vice President, Chief Engineer**

Since August 2000, he has served as vice president of the Company; since May 2007, he has served as chief engineer of the Company; since May 2012, he has served as director of the Company, and concurrently as chairman of Zhuhai Gree Dakin Device Co., Ltd., director of Chinese National Engineering Research Center of Green Refrigeration Equipment, vice president of Guangdong Provincial Institute of refrigeration, vice chairman of Guangdong Light Industry Association, deputy director of editorial board of Electrical Appliances, expert of Guangdong Province Science and technology Consultant Experts, member of Zhuhai municipal Mayor Quality Award Evaluation Committee, director of China Light Industry Federation, vice president of Chinese Association of Refrigeration, member of Commission B2 of the International Institute of Refrigeration, editorial board member of Journal of refrigeration, vice chairman of the National Standardization Technical Committee and part-time instructor of School of Energy and Power Engineering of Huazhong University of Science and Technology.

○ **Mr. Zhang Jundu, Director**

Since September 1999, he has served as chairman of Zhejiang Tongcheng Gree Electric Appliances Co., Ltd. From November 2004, he has served as chairman of Zhejiang Gree Home Appliances Sales Co., Ltd. Since August 2012, he has concurrently served as general manager of Zhejiang Shengshi Xinxing Gree Trading Co., Ltd. Since May 2012, he has served as director of the Company.

○ **Mr. Feng Jiyong, Director**

Since 2007, he has been a partner of Beijing Zhong Lun Law Firm. Since May 2012, he has served as director of the Company. He now serves as member of the All-China Lawyers Association, member of Beijing Lawyers Association and concurrently as deputy director of Private Equity and Venture Investment Committee of Beijing Lawyers Association, secretary general of Renmin University of China Gaoli Institute and visiting professor of Renmin University of China Law School.

○ **Mr. Zhu Hengpeng, Independent Director**

Since July 2006, he has served as researcher (professor) of Institute of Economics of the Chinese Academy of Social Sciences and doctoral supervisor. Since January 2009, he has served as head of microeconomic research room of Institute of Economics of the Chinese Academy of Social Sciences and director of the center for public policy research. Since June 2008, he has served as independent director of the Company.

○ **Ms. Qian Aimin, Independent Director**

Since July 2000, she has been teaching in the University of International Business and Economics. She now serves as professor of accountancy and doctoral supervisor in the University of International Business and Economics International Business School. Since June 2008, she has served as independent director of the Company. Since May 2010, she has successively served as independent director of Zhejiang IDC Fluid Control Co., Ltd., Land Ocean Energy Services Co., Ltd., Minsheng Investment Management Co., Ltd. and Xinjiang Tebian Electric Apparatus Stock Co., Ltd.

○ **Mr. He Xiaoyong, Independent Director**

Since March 2006, he has been a professor and doctoral supervisor of International Economic Law in East China University of Political Science and Law. Since 2012, he has served as library director in East China University of Political Science and Law. Since May 2008, he has served as independent director of Jiangsu Tongda Power Technology Co., Ltd. Since April 2009, he has served as independent director of Bluedon Information Security Technology Co., Ltd. Since May 2009, he has served as independent director of the Company.

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

From 1999 to May 2011, he served as managing director of League Stock Co., Ltd. From 2002 to June 2011, he served as managing director and vice chairman of Zhuhai League Environmental Protection Co., Ltd. From August 2009 to June 2011, he served as chairman of Zhuhai League Investment Co., Ltd. From May 2011 to August 2011, he served as vice chief engineer of Zhuhai Water Group Co., Ltd. Since September 2011, he has served as full-time director and supervisor of Zhuhai SASAC. Since May 2012, he has served as chief supervisor of Zhuhai Port Holdings Co., Ltd and chairman of board of supervisors of Zhuhai Port Co., Ltd.. Since May 2011, he has served as director of Zhuhai League Stock Co., Ltd. Since September 2013, he has served as chairman of board of supervisors of the Company.

○ **Mr. Guo Shuzhan, Supervisor:**

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

○ **Mr. Xu Peng, Staff Supervisor:**

From March 2007 to June 2009, he served as assistant factory manager and person in charge of No.4 AC Manufacturing Factory of the Company. From June 2009 to October 2012, he served as deputy head of HR Department of the Company. From October 2012 up to now, he served as deputy director of No.1 AC Manufacturing Factory of the Company. Since April 2013, he has served as vice chairman of Gree Trade Union Committee (concurrent). Since July 2010, he has served as staff representative supervisor.

○ **Mr. Zhuang Pei, Vice President**

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

○ **Mr. Wang Jingdong, Vice President, Finance Chief, Board Secretary**

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

Company. From October 2009 up to now, he has served as vice president, finance chief and board secretary of the Company.

○ **Mr. Chen Weicai, Vice-President**

From July 1993 to April 2008, he served as clerk, staff member, senior staff member, deputy director and director of Huale Police Station in Dongshan District (Yuexiu District) of Bureau of Public Security in Guangzhou. From July 2005 to April 2008, he served as deputy secretary (concurrent) of Huale Street Party Committee in Dongshan District (Yuexiu District) in Guangzhou. From April 2008 to July 2013, he served as deputy director and director of personnel department of Bureau of Public Security in Guangzhou. From October 2008 to February 2012, he served as direction of office of Guangzhou Police's Foundation (concurrent). Since September 2013, he has served as vice-president of the Company.

(2) Information of positions of incumbent directors and supervisors in shareholders:

Name	Name of Shareholder	Position	Term of Office
Dong Mingzhu	Zhuhai Gree Group Co., Ltd.	Chairman & legal representative	From May 2012 up to now
Lu Junsi	Zhuhai Gree Group Co., Ltd.	Vice chairman	From May 2012 up to now
	Zhuhai Gree Real-Estate Co., Ltd.	Chairman & legal representative	From September 2006 up to now
Guo Shuzhan	Hebei Jinghai Guaranteed Investment Co., Ltd.	Chairman & legal representative	From August 2006 up to now

3. Remuneration of directors, supervisors and senior management personnel

(1) Decision making procedures regarding the remuneration of directors, supervisors and senior management personnel and basis to determine their remunerations.

The Board of Directors of the Company laid down the Trial Measures for Annual Salary System of Managers, and the annual salary includes basic post salary and incentive salary. The Board of Directors will, based on the operating performance of the Company, determine the remuneration payable to the managers in accordance with the Trial Measures for Annual Salary System of Managers. The incumbent directors and supervisors shall be treated as the managers to receive their remunerations, and the directors and supervisors who assume no other positions in the Company shall receive no remunerations from the Company.

(2) Remunerations received by directors, supervisors and senior management personnel from the Company during the Report Period:

Name	Title	Total remuneration received from the Company
Dong Mingzhu	Chairman & President	4.99 million
Huang Hui	Director, Vice President & Chief Engineer	4.19 million
Zhu Hengpeng	Independent Director	0.12 million
Qian Aimin	Independent Director	0.12 million
He Xiaoyong	Independent Director	0.12 million
Xu Peng	Staff Supervisor	0.52 million
Zhuang Pei	Vice President	2.36 million
Wang Jingdong	Vice President, Finance Chief, Board Secretary	2.1 million
Chen Weicai	Vice President	0.182 million
Total		14.702million

4. Elected and retired directors and supervisors, and appointment or removal of senior management personnel during the Report Period

During the Report Period, chairman of board of supervisors Chen Hui resigned due to job removal. Xu Chuzhen was elected as supervisor of the ninth session of board of supervisors.

5. Change of the core technical team or key technical personnel (other than directors, supervisors and senior management personnel) during the Report Period

During the Report Period, the Company's core technical team or key technical personnel (other than directors, supervisors and senior management personnel) that have substantial influence on the core-competitiveness of the Company remained stable.

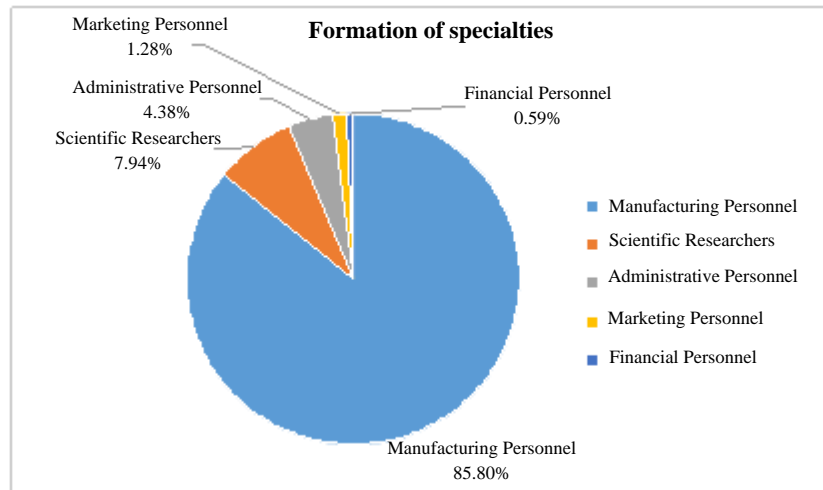
6. Employees of the Company

As of 31 December 2013, the Company had 72,150 on-the-job employees.

(1) Formation of employees' specialties:

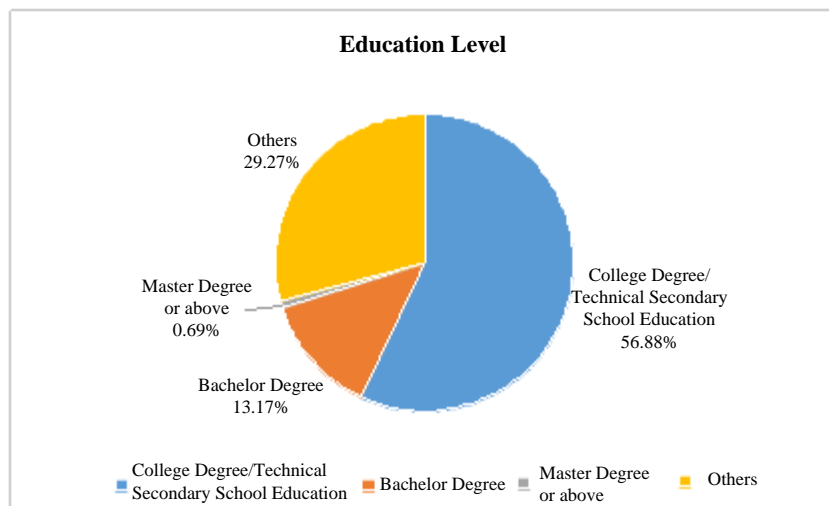
Formation of specialties	Number of Employees	Proportion
Manufacturing Personnel	61,904	85.80%
Scientific Researchers	5,729	7.94%
Administrative Personnel	3,162	4.38%

Marketing Personnel	926	1.28%
Financial Personnel	429	0.59%
Total	72,150	100.00%



(2) Education level:

Education level	Number of employees	Proportion
College Degree/Technical Secondary School Education	41,036	56.88%
Bachelor Degree	9,503	13.17%
Master Degree or above	496	0.69%
Others	21,115	29.27%
Total	72,150	100.00%



(3) The retirees requiring the Company to bear costs has a total of 237 persons.

(4) Employee remuneration policy

The Company provides employees with competitive salary level in the industry and region according to the macroeconomic environment and its business benefits. Besides, the Company established standardized and systematized salary management system in accordance

with the national laws and regulations and actual conditions of the enterprise to provide a guarantee for obtaining legal and due labor remuneration by employees. Moreover, the Company set up double track occupational development mechanism to offer the personnel who are competent and have good performance multi-ways occupational development path and comprehensively built the employing mechanism attracting, retaining and inspiring talents.

(5) Employee training plan

Through the three-level training organization with company level, department branch level and administrative office team level to build up a professional team with about one hundred members committing to training management. By supervising, guiding and following up level-by-level to ensure the normal operation of the company's training system and gradually form a unique training system. The following training works will be executed in 2013:

1. The training target will achieve 100% coverage in 2013 with all employees taking part in the training and more than 10,500 trainings of various types will be implemented.

2. Enhance development and management of internal lecturer team. Throughout the year, internal lecturers of the Company will conduct 14 trainings per person, with the teaching hour exceeding 23 hours per person, accounting for more than 60% of the annual training volume. The average satisfaction rate of participants reaches 91.8%. Meanwhile, develop and complete 12 categories of courses including technology research and development, financial costs, human administration, operations, marketing service, professionalism and team management.

3. Build a practical training base for the new front-line staff. The base covers an area of 2,700 square meters and completes practical operation training of nearly 4,500 employees in the year it is put into use.

4. Develop "Dreaming Gree College Training Camp Plan" with "6-1-3" training model as the core, providing a systematic training mechanism for different growth requirements and characteristics of students during their probationary period, novitiate period and early career development period.

5. Carry out team leader training and cultivation project, organize and implement two periods' intensive training class and two periods' enhanced training class to comprehensively enhance team leader's management ability and to create cadres of team leaders adapting to strategic needs of Gree Electric Appliances' development.

6. Open professional development channels and implement grading for skilled talents. Complete grading for 11 job categories and nearly 3000 skilled talents at the first batch.

7. Organize and implement trainings for middle management cadres, hold over 65 trainings on various specialties and management with more than 2500 trainees throughout the year.

Section VIII Corporate Governance

1. Basic conditions of corporate governance

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

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

During the Report Period, the Company amended the Articles of Association, Rules of Procedure of the Board of Directors and Working System of Independent Director.

During the Report Period, the Company can disclose the true, accurate, complete and timely information in strict accordance with the laws, regulations, Articles of Association and Administrative Measures on External Information Disclosure. Besides, the Company does well in information management and in particular the standard management of inside information in strict compliance with the Information Management Method, Measures for the Confidentiality Management of the Company, Internal Reporting System of Significant Information and Reporting and Filing System of Insiders of Inside Information so as to practically avoid disclosure of inside information and occurrence of insider trading behavior.

2. Convening of the general meeting of shareholders during the Report Period

(1) Annual general meeting of shareholders

Session of meeting	Date of meeting	Name of proposals	Resolution	Date of disclosure	Disclosure index
Annual general meeting of shareholders for the year 2012	20 May 2013	Work Report of the Board of Directors for the Year 2012, Work Report of the Board of Supervisors for the Year 2012, Financial Report for the Year 2012, Annual Report for the Year 2012 and its Summary, Profit Distribution Plan for the Year 2012, Re-engaging China Audit Asia Pacific Certified Public Accountants Co., Ltd. as the Company's Audit Institution in 2013, Special Report for Foreign Exchange Transactions of the Company in 2013, Proposal on Daily Related Transactions in 2013, Amendment of Articles of Association, Rules of Procedures of the Board of Directors (Amendment), Special Report for conduct Bill Pool Business	All passed	21 May 2013	Announcement on Resolutions of the General Meeting of Shareholders for the Year 2012 published on www.cninfo.com.cn (2013-12)

(2) Interim general meeting of shareholders

Session of Meeting	Date of Meeting	Name of Proposals	Resolution	Date of Disclosure	Disclosure Index
The first temporary general meeting of shareholders for the year 2013	24 September 2013	Proposal on By-election of the Ninth Supervisor	All passed	25 September 2013	Announcement on Resolutions of The first temporary general meeting of shareholders for the year 2013 published on www.cninfo.com.cn (2013-22)

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

(1) Attendance of independent directors at meetings of the Board of Directors

Name	Number of Meetings Requiring Attendance	Attendance in Person (Times)	Attendance on site (Times)	Attendance via Communications (Times)	Attendance by Proxy (Times)
Zhu Hengpeng	6	6	1	5	0
Qian Aimin	6	6	1	5	0
He Xiaoyong	6	6	1	5	0
Number of Attendance of Independent Directors at the General Meetings of Shareholders				1	0

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

Within the Report Period, no objection has been raised by any independent directors of the Company to the proposals of board meetings and other issues this year.

(3) Other descriptions for performance of duties by independent directors

Within the Report Period, the independent directors of the Company were able to act in the best interest of the Company and its shareholders, faithfully perform their own duties in accordance with the relevant provisions, attend the meetings of the Board of Directors, review and discuss various proposals carefully, fully express their suggestions and opinions for the

operation and management of the Company, play an active role in making correct decisions, improving management level and standardizing business operations by the Board of Directors of the Company, and practically safeguarding the interests of minority stock holders.

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

(1) Performance of duties by audit committee under the Board of Directors

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

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

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

3). After the annual audit certified public accountants issued preliminary opinions, the audit committee reviewed financial statements of the Company, communicated with the accounting firm in respect of material particulars and significant accounting estimates, audit adjustments and significant accounting policies which might have potential influence on the financial statements and held that the financial statements of the Company gave a true, accurate and complete view of the whole position of the Company and agreed to prepare the annual report for the year 2013 on the basis of these financial statements.

4). The audit committee reviewed the financial statements for the year 2013 which had been audited by the auditors and held that these financial statements gave a fair view of the financial position of the Company ended 31 December 2013 and operating results and cash flows for the year 2013 in all major aspects and agreed to submit them to the Board of Directors for deliberation.

5). The audit committee summarized and evaluated the audit work for this year as done by China Audit Asia Pacific Certified Public Accountants Co., Ltd. and held that the annual audit certified public accountants performed their audit work in strict accordance with the

Independent Auditing Standards for Chinese Certified Public Accountants and suggested the Company re-engage China Audit Asia Pacific Certified Public Accountants Co., Ltd. as the audit institution for the year 2014.

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

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

(3) Nomination committee

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

5. Work of the Board of Supervisors

During the Report Period, the Board of Supervisors of the Company carefully performed the duties as stated in the Articles of Association, fully played the functions of supervision, carried out the check of the Company's operation and implementation of internal rules and regulations and supervised the performance of duties by the directors, supervisors and senior management personnel of the Company; The Board of Supervisors of the Company did not find any risks existing in the Company in the supervisory activity and had no objection to the supervision.

During the Report Period, the Board of Supervisors convened six meetings, for the details of the relevant work, please refer to the Work Report of the Board of Supervisors for the Year 2013 as released by the Company on www.cninfo.com.cn.

6. Separation of business operation, personnel, assets, organization and finance between the Company and controlling shareholder

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

7. There was no horizontal competition between the Company and Gree Group as the controlling shareholder

8. Establishment and implementation of performance review and incentive mechanism and incentive system for senior management personnel

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

Section IX Internal Control

1. Construction of internal control

According to the Basic Rules for Internal Control of Enterprises and its ancillary guidance issued by five ministries including the Ministry of Finance and Audit Commission, on the basis of successful integration and effective operation of the quality management system, occupational health and safety management system, environmental management system, restricted substance management system and consumer management system, effectively combining the excellent performance management model implemented by the Company for many years and integrating the implementation of the internal control standards and promotion of the internal management level, the Company established sound internal control management system and elaborated the monitoring of key control activities for the business processes. The relevant control policies and procedures established by the Company mainly include the controlling over separation of incompatible duties, trading authorization and approval, accounting system, asset protection, budget, operation analysis and performance review.

According to the risk-oriented principle, the Company determines main institutes, business, items as well as high-risk fields incorporated in evaluation scope. Main institutes incorporated in evaluation scope include parent company and its subsidiaries. Total assets of institutes incorporated in evaluation scope account for 99% that of the Company's consolidated financial statements and operating revenue account for 99% that of company's consolidated financial statements.

2. Statement of the Board of Directors concerning internal control responsibility

The Company's Board of Directors has considered and approved the Self-evaluation Report on Internal Control for the Year 2013, and the Company's Board of Directors and all directors guarantee that there are not any false records, misleading representations or material omissions in this self-evaluation report, and shall take all the joint and several responsibilities for the authenticity, accuracy and completeness of the contents hereof.

Establishing and perfecting the internal control systems and effectively implementing them are the responsibilities of the Board of Directors of the Company; the Board of

Supervisors carries out the supervision for the establishment and implementation of the internal control systems by the Board of Directors; the manager is responsible for daily operation of the internal control systems.

The Company's internal control systems aim at reasonably ensuring the legality and compliance of the operation and management of the Company, assets safety, authenticity and completeness of financial report and relevant information, improving the efficiency and effectiveness of operation and realizing the development strategy of the Company. Owing to the inherent limitations of the internal control systems, the Company can only provide reasonable guarantee for achieving the above objectives. The effectiveness of the internal control systems might change with the internal and external environment and business operations of the Company, once any defects in the internal control systems are discovered during the operation of the inspection and supervision mechanism of the internal control of the Company, the Company will immediately take rectification measures to ensure the internal control systems free from significant omissions.

3. Basis to establish the internal control systems as to financial report

The Company has set up internal control systems with respect to financial report based on the Company Law, Accounting Law, Code of Corporate Governance for Listed Companies in China, Basic Rules for Internal Control of Enterprises and its ancillary guidance, Internal Accounting Control Standard issued by the Ministry of Finance, Instructions on Standardized Operation of Companies Listed on the Main Board of Shenzhen Stock Exchange and the Circular concerning Properly Handling the Internal Control Regulations of Listed Companies from Guangdong Securities Regulatory Bureau.

4. Evaluation Report on Internal Control

On 25 April 2014, the Company released the Evaluation Report on Internal Control for the Year 2013 on www.cninfo.com.cn. During the Report Period, the Company established the internal control systems for the businesses and items included within the scope of evaluation and enabled it to be effectively implemented and achieve the objective of the internal control of the Company without major defects.

There were no major changes in the internal control systems that might have substantial influence on the evaluation conclusion from the base date of the self-evaluation report on internal control to the date of sending out such report.

5. Audit Report on Internal Control

China Audit Asia Pacific Certified Public Accountants Co., Ltd. reviewed the recognition of effectiveness of the internal control systems of the Company ended 31 December 2013 and issued the Audit Report on Internal Control Zhong Shen Ya Tai Shen Zi (2014) No. 010178-2. Gree Electric Appliances has maintained effective internal control of the financial report ended 31 December 2013 in all major aspects in accordance with the Basic Rules for Internal Control of Enterprises and other relevant provisions. This report was published on www.cninfo.com.cn dated 25 April 2014.

6. Establishment and implementation of the system of accountability for significant errors in the disclosure of annual report

The Company formulated the System of Accountability for Significant Errors in the Disclosure of Annual Report which detailedly standardized the recognition of significant errors in the disclosure of annual report of the Company and procedures, forms and types of accountability.

During the Report Period, there were no corrections of significant accounting errors, supplement of major missing information and corrections of performance announcement.

Section X Financial Report

1. Audit report

Zhong Shen Ya Tai Shen Zi (2014) No. 010178

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

We have audited the accompanying financial statements of GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI (hereinafter referred to as "GREE ELECTRIC APPLIANCES"), including the consolidated and parent company's balance sheets ended 31 December 2013 and consolidated and parent company's income statements, consolidated and parent company's cash flow statements and consolidated and parent company's statements of changes in owners' equity and notes to financial statements for the year 2013.

2. Responsibility of management for financial statements

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

3. Responsibility of certified public accountants

Our responsibility is to express an opinion on audit of these financial statements on the basis of implementation of audit work. We have conducted our audit work according to the provisions of Audit Standards for Certified Public Accountants of China. The Audit Standards for Certified Public Accountants of China require us to observe the code of professional ethics for Chinese certified public accountants and plan and implement audit work so as to reasonably assure the financial statements free of material misstatement.

Our audit work involves implementation of audit procedures to obtain the audit evidences relating to amount and disclosure of financial statements. The selection of audit procedures depends on judgment of certified public accountants, including the appraisal of material misstatement risk of the financial statements resulting from cheating or errors. During the execution of risk appraisal, the certified public accountants have considered the

internal control relating to preparation and fair presentation of financial statements to design proper audit procedures. The audit work also includes appraising whether the management applied proper accounting policy and made reasonable accounting estimate and appraising the overall presentation of these financial statements.

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

4. Audit opinion

In our opinion, these financial statements of GREE ELECTRIC APPLIANCES have been prepared in all material aspects in accordance with the Accounting Standards for Business Enterprises and fairly reflected the consolidated and parent company's financial position of GREE ELECTRIC APPLIANCES ended 31 December 2013 and consolidated and parent company's operating results and cash flows for the year 2013.

China Audit Asia Pacific Certified Public Accountants LLP
(Seal)

Beijing, China

Chinese CPA: Han Zhenping
(Seal and Sign)

Chinese CPA: Gong Jingwei
(Seal and Sign)

23 April 2014

Consolidated Balance Sheet

31 December 2013

Prepared by: GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI

Unit: RMB Yuan

Assets	Note	Ending Balance	Beginning Balance	Liabilities and Owners' (or Shareholders') Equity	Note	Ending Balance	Beginning Balance
Current assets:				Current liabilities:			
Monetary Capital	5 (1)	38,541,684,470.83	28,943,921,701.45	Short-term Borrowing	5 (21)	3,316,971,153.31	3,520,642,063.91
Settlement Reserves				Borrowings from the Central Bank	5 (22)	37,413,972.46	
Lending funds				Deposits from customers and interbank	5 (23)	542,265,495.74	81,078,010.98
Trading financial assets	5 (2)	1,246,106,661.88	263,460,017.40	Loans from other banks	5 (24)	300,000,000.00	
Notes receivable	5 (3)	46,297,242,328.98	34,292,168,999.99	Trading financial liabilities			
Accounts Receivable	5 (4)	1,849,275,342.79	1,474,872,971.56	Notes payable	5 (25)	8,230,208,196.99	7,983,581,180.17
Prepayments	5 (5)	1,498,649,670.64	1,739,713,886.10	Accounts payable	5 (26)	27,434,494,665.72	22,665,011,613.66
Premiums receivable				Advance received from customers	5 (27)	11,986,433,741.28	16,630,113,200.83
Reinsurance accounts receivable				Financial assets sold for repurchase	5 (28)	186,000,000.00	350,000,000.00
Reinsurance contract reserve				Handling charges and commissions payable			
Interests receivable	5 (6)	729,559,642.90	710,865,583.57	Payroll payable	5 (29)	1,640,155,578.39	1,357,672,403.95
Dividends receivable				Taxes payable	5 (3)	6,157,486,617.37	2,522,100,351.45
Other receivables	5 (7)	346,419,748.75	290,356,401.60	Interests payable	5 (31)	25,480,292.28	20,199,098.55
Buying back the sale of financial assets				Dividends payable	5 (32)	707,913.60	707,913.60
Inventories	5 (8)	13,122,730,425.78	17,235,042,562.70	Other payables	5 (33)	4,793,778,485.35	5,441,614,890.93
Non-current assets due within one year				Reinsurance accounts payable			
Other current assets	5 (9)	100,853,889.36	137,242,997.76	Insurance contract reserves			
Total current assets		103,732,522,181.91	85,087,645,122.13	Customer brokerage deposits			
				Securities underwriting brokerage deposits			
Non-current assets				Non-current liabilities due within one year	5 (34)	923,447,998.14	2,513,763,694.23
Total disbursement of loans and advances	5 ()	4,565,455,698.91	2,088,903,434.99	Other current liabilities	5 (35)	30,916,369,463.68	15,743,875,054.32
Available-for-sale financial assets	5 (1)	805,932,600.00	554,912,450.00	Total current liabilities		96,491,213,574.31	78,830,359,476.58
Held-to-maturity investment				Non-current liabilities:			
Long-term receivables				Long-term borrowing	5 (36)	1,375,348,442.79	984,463,173.32
Long-term equity investment	5 (3)	97,568,533.30	28,159,992.30	Bonds payable			
Investment real estate	5 (4)	503,056,462.68	208,009,129.76	Long-term payables			
Fixed assets	5 (5)	14,034,138,414.45	12,700,394,289.32	Special payables			
Construction in Progress	5 (6)	1,861,677,013.76	2,304,317,913.92	Accrued liabilities			
Project goods and materials				Deferred income tax liabilities	5 (9)	328,943,054.49	160,405,437.91
Fixed assets in		6,294,341.99	110,093.59	Other non-current	5 (37)	39,920.6	11,469,703.49

liquidation				liabilities		03.17	
Productive biological assets				Total non-current liabilities		1,744,212,100.45	1,156,338,314.72
Oil and gas assets				Total liabilities		98,235,425,674.76	79,986,697,791.30
Intangible assets	5 (7)	2,370,179,675.29	1,635,272,965.12	Owners' equity (or Shareholders' equity):			
Development expenditures				Paid-up capital (or stock capital)	5 (38)	3,007,865,439.00	3,007,865,439.00
Business reputation				Capital reserves	5 (39)	3,176,114,310.09	3,187,175,872.28
Long-term deferred expenses	5 (8)	42,665,255.34	48,089,330.59	Less: Treasury stock			
Deferred income tax assets	5 (9)	5,682,613,181.91	2,911,085,198.23	Special reserves			
Other non-current assets				Surplus reserve	5 (4)	2,958,088,564.43	2,958,088,564.43
Total non-current assets		29,969,581,177.63	22,479,254,797.82	General risk provisions	5 (41)	47,114,066.72	7,593,539.68
				Undistributed profit	5 (42)	25,395,563,880.38	17,572,277,003.95
				Foreign currency translation differences		-1,935,948.39	10,133,985.43
				Total owners' equity attributable to parent company		34,582,810,312.23	26,743,134,404.77
				Minority equity		883,867,372.55	837,067,723.88
				Total owners' equity		35,466,677,684.78	27,580,202,128.65
Total assets		133,702,103,359.54	107,566,899,919.95	Total liabilities and owners' equity		133,702,103,359.54	107,566,899,919.95

Legal Representative: Dong Mingzhu

Chief Accountant: Wang Jingdong

Head of accounting department: Liao Jianxiong

Balance Sheet of Parent Company

31 December 2013

Prepared by: GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI

Unit: RMB Yuan

Assets	Note	Ending Balance	Beginning Balance	Liabilities and Owners' (or Shareholders') Equity	Note	Ending Balance	Beginning Balance
Current assets:				Current liabilities:			
Monetary Capital		39,503,710,543.78	28,976,465,567.30	Short-term Borrowing		1,371,499,779.14	1,054,582,450.48
Trading financial assets		916,366,023.72	77,105,135.13	Trading financial liabilities			
Notes receivable		45,309,194,550.85	32,448,619,946.58	Notes payable		7,564,036,735.17	8,932,104,943.20
Accounts Receivable	11 (1)	772,755,153.09	757,987,897.69	Accounts payable		31,379,703,785.95	23,585,567,656.95
Prepayments		597,286,598.10	2,454,609,223.59	Advance received from customers		13,777,662,550.34	18,864,469,264.72
Interests receivable		794,608,647.89	690,977,494.55	Payroll payable		766,672,180.18	868,111,530.22
Dividends receivable				Taxes payable		5,072,733,232.61	2,237,887,644.27
Other receivables	11 (2)	804,546,552.00	738,057,453.90	Interests payable		14,751,236.87	3,703,376.35
Inventories		9,301,853,183.85	12,774,675,268.70	Dividends payable		602,881.87	602,881.87
Non-current assets due within one year				Other payables		540,716,495.94	857,366,654.74

Other current assets		100,853,889.36	137,242,997.76	Non-current liabilities due within one year		205,007,550.84	725,265,675.00
Total current assets		98,101,175,142.64	79,055,740,985.20	Other current liabilities		30,634,828,689.00	15,726,537,705.74
Non-current assets				Total current liabilities		91,328,215,117.91	72,856,199,783.54
Available-for-sale financial assets				Non-current liabilities:			
Held-to-maturity investment				Long-term borrowing		887,608,831.59	418,749,345.32
Long-term receivables				Bonds payable			
Long-term equity investment	11 (3)	5,978,184,120.05	5,486,555,135.75	Long-term payables			
Investment real estate		34,059,734.65	35,304,673.09	Special payables			
Fixed assets		3,621,368,109.21	3,458,656,601.56	Accrued liabilities			
Construction in Progress		216,275,796.27	399,439,861.45	Deferred income tax liabilities		258,933,140.83	117,275,335.49
Project goods and materials				Other non-current liabilities		23,932,402.89	3,620,000.00
Fixed assets in liquidation		5,685,130.31		Total non-current liabilities		1,170,474,375.31	539,644,680.81
Productive biological assets				Total liabilities		92,498,689,493.22	73,395,844,464.35
Oil and gas assets				Owners' equity (or Shareholders' equity)			
Intangible assets		217,012,134.42	223,104,712.38	Paid-up capital (or stock capital)		3,007,865,439.00	3,007,865,439.00
Development expenditures				Capital reserves		3,206,997,791.73	3,190,561,566.23
Business reputation				Less: Treasury stock			
Long-term deferred expenses				Special reserves			
Deferred income tax assets		5,288,973,862.76	2,705,610,706.72	Surplus reserve		2,955,531,032.15	2,955,531,032.15
Other non-current assets				Undistributed profit		11,793,650,274.21	8,814,610,174.42
				Foreign currency translation differences			
Total non-current assets		15,361,558,887.67	12,308,671,690.95	Total owners' equity (or shareholders' equity)		20,964,044,537.09	17,968,568,211.80
Total assets		113,462,734,030.31	91,364,412,676.15	Total liabilities and owners' equity (or shareholders' equity)		113,462,734,030.31	91,364,412,676.15

Legal Representative: Dong Mingzhu

Chief Accountant: Wang Jingdong

Head of accounting department: Liao Jianxiong

Consolidated Income Statement

For the Year 2013

Prepared by: GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI

Unit: RMB Yuan

Item	Note	Amount for the current period	Amount for the previous period
1. Total operating revenues	5 (43)	120,043,070,005.50	100,110,108,848.26
Including: Operating Revenue	5 (43)	118,627,948,208.59	99,316,196,265.19
Interest revenue	5 (43)	1,414,765,072.50	793,747,561.64
Earned premium			
Fee and commission income	5 (41)	356,724.41	165,021.43
2. Total operating costs		109,487,926,142.16	92,310,191,516.72
Including: Operating Cost	5 (43)	80,385,939,822.61	73,203,077,425.32
Interest expense	5 (43)	491,963,953.22	230,659,033.39
Handling charges and commission expenses	5 (43)	263,933.63	273,817.71
Refunded premiums			
Net payments for insurance claims			
Net provision for insurance contracts			
Expenditures dividend policy			
Amortized reinsurance expenditures			
Business taxes and surcharges	5 (44)	956,169,816.52	589,953,598.68
Sales expense	5 (45)	22,508,931,701.70	14,626,228,488.10
Overhead Expense	5 (46)	5,089,572,552.73	4,055,809,619.26
Financial expense	5 (47)	-137,308,621.87	-461,347,589.66
Asset impairment loss	5 (48)	192,392,983.62	65,537,123.92
Add: Profits or losses on the changes in fair value (losses expressed with "-")	5 (49)	990,563,610.10	246,884,832.05
Income from investments (losses expressed with "-")	5 (50)	717,337,242.63	-20,494,376.82
Including: Investment incomes from joint venture and partnership		2,855,797.81	8,732,172.23
Exchange gains (losses expressed with "-")		-34,617.14	96.30
3. Operating profit (losses expressed with "-")		12,263,010,098.93	8,026,307,883.07
Add: Non-operating revenues	5 (51)	684,199,623.10	760,383,226.00
Less: Non-operating expenses	5 (52)	55,285,776.71	23,981,836.80
Including: Losses from disposal of non-current assets		3,782,455.16	14,294,914.48
4. Total profit (total losses expressed with "-")		12,891,923,945.32	8,762,709,272.27
Less: Income tax expenses	5 (53)	1,956,168,768.13	1,316,781,289.57
5. Net profit (net loss expressed with "-")		10,935,755,177.19	7,445,927,982.70
Net profit attributable to owners of parent company		10,870,672,842.47	7,379,666,345.09
Minority interest income		65,082,334.72	66,261,637.61
6. Earnings per share:			
(1) Basic earnings per share	5 (54)	3.61	2.47
(2) Diluted earning per share	5 (54)	3.61	2.47
7. Other comprehensive income	5 (55)	-41,350,030.41	52,177,046.43
8. Total comprehensive income		10,894,405,146.78	7,498,105,029.13
Total comprehensive income attributable to owners of parent company		10,832,339,616.00	7,431,326,033.62
Total comprehensive income attributable to minority shareholders		62,065,530.78	66,778,995.51

Legal Representative: Dong Mingzhu

Chief Accountant: Wang Jingdong

Head of accounting department: Liao Jianxiong

Income Statement of Parent Company

For the Year 2013

Prepared by: GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI

Unit: RMB Yuan

Item	Note	Amount for the current period	Amount for the previous period
1. Operating revenues	11 (4)	113,451,559,029.47	96,826,436,400.15
Less: Operating Cost	11 (4)	83,523,033,950.67	76,484,384,303.03
Business taxes and surcharges		720,276,631.67	408,426,398.67
Sales expense		22,119,107,243.50	14,131,075,887.18
Overhead Expense		2,537,145,816.13	2,051,591,692.63
Financial expense		-825,590,616.83	-899,960,141.16
Asset impairment loss		139,947.16	-116,091,297.33
Add: Profits or losses on the changes in fair value (losses expressed with "-")		839,260,888.59	30,995,945.02
Income from investments (losses expressed with "-")	11 (5)	578,699,101.15	40,356,554.71
Including: Investment incomes from joint venture and partnership		2,855,797.81	8,732,172.23
2. Operating profit (losses expressed with "-")		6,795,406,046.91	4,838,362,056.86
Add: Non-operating revenues		60,791,489.21	525,831,283.66
Less: Non-operating expenses		10,455,345.32	12,612,329.57
Including: Losses from disposal of non-current assets		663,466.07	7,312,428.97
3. Total profit (total losses expressed with "-")		6,845,742,190.80	5,351,581,010.95
Less: Income tax expenses		858,836,652.01	781,516,357.60
4. Net profit (net loss expressed with "-")		5,986,905,538.79	4,570,064,653.35

Legal Representative: Dong Mingzhu

Chief Accountant: Wang Jingdong

Head of accounting department: Liao Jianxiong

Consolidated Cash Flow Statement

For the Year 2013

Prepared by: GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI

Unit: RMB Yuan

Item	Note	Amount for the current period	Amount for the previous period
1. Cash flows from operating activities:			
Cash received from sale of goods or rendering of services		70,211,403,596.83	70,077,120,666.33
Net increase in deposits and due from banks		461,187,484.76	29,735,229.48
Net increase in borrowings from central bank		37,413,972.46	
Net increase in placements from other financial institutions		136,000,000.00	150,000,000.00
Cash received from original insurance contracts			
Net increase received from reinsurance business			
Net increase in deposits from the insured and investment			
Net increase from disposal of tradable financial assets			
Cash received from interests, fees and commissions		1,284,480,138.27	765,588,687.61
Net increase in placements from other financial institutions			
Net increase in repurchase business capital			
Refund of tax and levies		468,525,066.80	1,322,558,249.72
Other cash received relating to operating activities	5 (56).	3,032,456,938.53	3,206,677,262.60
Sub-total of cash inflows from operating activities		75,631,467,197.65	75,551,680,095.74
Cash payments for goods acquired and services received		38,588,727,356.34	40,446,157,770.68
Net increase in loans and advances to customers		2,562,076,948.65	2,153,587,920.51
Net increase in deposits with central bank and other financial institutions		1,491,888,457.98	24,866,758.68
Cash paid for indemnity of original insurance contract			
Cash paid for interests, fees and commissions		490,024,872.84	198,508,959.70
Cash paid for policy dividends			
Cash paid to and on behalf of employees		4,963,951,119.32	4,486,362,315.68
Payments of all types of taxes		8,171,292,438.69	5,162,515,472.32
Other cash paid relating to operating activities	5 (56).	6,393,668,874.00	4,670,934,626.61
Sub-total of cash outflows from operating activities		62,661,630,067.82	57,142,933,824.18
Net Cash Flow from Operating Activities		12,969,837,129.83	18,408,746,271.56
2. Cash flows from investing activities:			
Cash received from recovery of investments		327,515,300.00	1,005,567,326.03
Cash received from return of investments		241,352,080.54	47,292,902.09
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		1,209,811.00	469,211.04
Net cash received from disposal of subsidiaries and other business units			
Other cash received relating to investing activities	5 (56).	434,397,421.35	6,902,514.16
Sub-total of cash inflows from investing activities		1,004,474,612.89	1,060,231,953.32
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets		2,461,467,222.38	3,602,409,280.98
Cash paid for investments		704,068,043.20	1,558,356,464.32
Net increase in pledge loans			
Net cash paid for acquisition of subsidiaries and other business units			
Other cash paid relating to investing activities	5 (56)	24,926,702.72	111,990,174.39
Sub-total of cash outflows from investing activities		3,190,461,968.30	5,272,755,919.69
Net Cash Flow from Investment Activities		-2,185,987,355.41	-4,212,523,966.37
3. Cash flows from financing activities:			
Cash received from absorbing investment			3,197,870,006.87
Including: Cash received from minority shareholder investment by subsidiary			
Cash received from borrowings		4,987,907,166.99	3,763,017,594.54
Cash received from bond issue			
Other cash received relating to financing activities	5 (56)	1,996,700,658.64	1,127,918,464.58
Sub-total of cash inflows from financing activities		6,984,607,825.63	8,088,806,065.99

Cash repayments of amounts borrowed		6,233,844,919.51	5,597,189,502.64
Cash paid for dividend and profit distribution or interest payment		3,174,740,060.83	1,673,817,103.05
Including: Dividends and profits paid to minority shareholders by subsidiaries			
Other cash paid relating to financing activities	5 (56)		2,583,000.00
Sub-total of cash outflows from financing activities		9,408,584,980.34	7,273,589,605.69
Net Cash Flow from Financing Activities		-2,423,977,154.71	815,216,460.30
4. Effect of foreign exchange rate changes on cash and cash equivalents		-471,176,247.13	20,220,164.22
5. Net increase in cash and cash equivalents		7,888,696,372.58	15,031,658,929.71
Add: Beginning balance of cash and cash equivalents		21,370,486,691.03	6,338,827,761.32
6. Ending balance of cash and cash equivalents		29,259,183,063.61	21,370,486,691.03

Legal Representative: Dong Mingzhu

Chief Accountant: Wang Jingdong

Head of accounting department: Liao Jianxiong

Cash Flow Statements of Parent Company

For the Year 2013

Prepared by: GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI

Unit: RMB Yuan

Item	Note	Amount for the current period	Amount for the previous period
1. Cash flows from operating activities:			
Cash received from sale of goods or rendering of services		61,581,129,826.06	57,337,401,055.26
Refund of tax and levies		409,412,848.92	1,306,673,853.16
Other cash received relating to operating activities		2,176,543,361.33	1,646,395,492.81
Sub-total of cash inflows from operating activities		64,167,086,036.31	60,290,470,401.23
Cash payments for goods acquired and services received		39,819,995,898.06	34,473,030,420.82
Cash paid to and on behalf of employees		2,021,725,506.49	2,002,706,623.54
Payments of all types of taxes		5,447,946,168.06	3,023,334,831.80
Other cash paid relating to operating activities		5,024,411,625.09	4,501,917,658.94
Sub-total of cash outflows from operating activities		52,314,079,197.70	44,000,989,535.10
Net Cash Flow from Operating Activities		11,853,006,838.61	16,289,480,866.13
2. Cash flows from investing activities:			
Cash received from recovery of investments			
Cash received from return of investments		220,474,066.99	25,502,912.32
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		26,230.00	325,518.97
Net cash received from disposal of subsidiaries and other business units			107,000,000.00
Other cash received relating to investing activities			6,902,514.16
Sub-total of cash inflows from investing activities		220,500,296.99	139,730,945.45
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets		269,303,482.81	529,967,271.15
Cash paid for investments		251,552,743.20	182,551,175.65
Net cash paid for acquisition of subsidiaries and other business units			
Other cash paid relating to investing activities		24,926,702.72	1,121,000.00
Sub-total of cash outflows from investing activities		545,782,928.73	713,639,446.80
Net Cash Flow from Investment Activities		-325,282,631.74	-573,908,501.35
3. Cash flows from financing activities:			
Cash received from absorbing investment			3,197,870,006.87
Cash received from borrowings		2,393,992,106.76	1,230,538,844.24
Other cash received relating to financing activities		475,964,970.99	1,270,107,152.23
Sub-total of cash inflows from financing activities		2,869,957,077.75	5,698,516,003.34
Cash repayments of amounts borrowed		2,063,965,287.70	3,045,137,360.67
Cash paid for dividend and profit distribution or interest payment		3,063,394,203.02	1,581,236,479.47
Other cash paid relating to financing activities			2,583,000.00
Sub-total of cash outflows from financing activities		5,127,359,490.72	4,628,956,840.14
Net Cash Flow from Financing Activities		-2,257,402,412.97	1,069,559,163.20
4. Effect of foreign exchange rate changes on cash and cash equivalents		-447,758,783.98	14,278,589.58
5. Net increase in cash and cash equivalents		8,822,563,009.92	16,799,410,117.56
Add: Beginning balance of cash and cash equivalents		24,582,887,186.53	7,783,477,068.97
6. Ending balance of cash and cash equivalents		33,405,450,196.45	24,582,887,186.53

Legal Representative: Dong Mingzhu

Chief Accountant: Wang Jingdong

Head of accounting department: Liao Jianxiong

Consolidated Statement of Changes In Owners' Equity

For the Year 2013

Prepared by: GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI

Unit: RMB Yuan

Item	Amount for the current period									
	Paid-up capital (or stock capital)	Capital reserves	Less: Treasury stock	Appropriative reserves	Surplus reserve	General risk provisions	Undistributed profit	Others	Minority equity	Total owners' equity
1. Ending balance for the previous year	3,007,865,439.00	3,187,175,872.28			2,958,088,564.43	7,593,539.68	17,572,277,003.95	10,133,985.43	837,067,723.88	27,580,202,128.65
Add: Changes in accounting policies										
Early error correction										
Others										
2. Beginning balance for the current year	3,007,865,439.00	3,187,175,872.28			2,958,088,564.43	7,593,539.68	17,572,277,003.95	10,133,985.43	837,067,723.88	27,580,202,128.65
3. Increase or decrease in the current year (decrease expressed with "-")		-11,061,562.19				39,520,527.04	7,823,286,876.43	-12,069,933.82	46,799,648.67	7,886,475,556.13
(1) Net profit							10,870,672,842.47		65,082,334.72	10,935,755,177.19
(2) Other comprehensive income		-26,263,292.65						-12,069,933.82	-3,016,803.94	-41,350,030.41
Sub-total of the above Item (1) and Item (2)		-26,263,292.65					10,870,672,842.47	-12,069,933.82	62,065,530.78	10,894,405,146.78
(3) Capital invested by shareholders and capital decrease										
1). Capital invested by shareholders										
2). Amounts of share-based payments recognized into shareholders' equity										
3). Others										
(4) Profit distribution						39,520,527.04	-3,047,385,966.04		-15265882.11	-3,023,131,321.11
1). Appropriation to surplus reserves										
2). Appropriation to general risk provisions						39,520,527.04	-39,520,527.04			
3). Allocation to owners (or shareholders)							-3,007,865,439.00		-15265882.11	-3,023,131,321.11
4). Others										
(5) Internal carry-over of shareholders' equity										
1). Transfer of capital reserves into capital (or stock capital)										
2). Transfer of surplus reserves into capital (or stock capital)										
3). Surplus reserves for making up losses										
4). General risk provisions for making up losses										
5). Others										
(6) Appropriative reserve										
1). Amount withdrawn for the period										
2). Amount used for the period										
(7) Others		15,201,730.46								15,201,730.46
4. Ending balance for the current period	3,007,865,439.00	3,176,114,310.09			2,958,088,564.43	47,114,066.72	25,395,563,880.38	-1,935,948.39	883,867,372.55	35,466,677,684.78

Legal Representative: Dong Mingzhu

Chief Accountant: Wang Jingdong

Head of accounting department: Liao Jianxiong

Consolidated Statement of Changes In Owners' Equity

For the Year 2012

Prepared by: GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI

Unit: RMB Yuan

Item	Amount for the previous period									
	Paid-up capital (or stock capital)	Capital reserves	Less: Treasury stock	Appropriative reserves	Surplus reserve	General risk provisions	Undistributed profit	Others	Minority equity	Total owners' equity
1. Ending balance for the previous year	2,817,888,750.00	110,167,026.08			2,501,082,099.09	5,645,388.34	12,155,497,995.04	16,584,555.69	770,288,728.37	18,377,154,542.61
Add: Changes in accounting policies										
Early error correction										
Others										
2. Beginning balance for the current year	2,817,888,750.00	110,167,026.08			2,501,082,099.09	5,645,388.34	12,155,497,995.04	16,584,555.69	770,288,728.37	18,377,154,542.61
3. Increase or decrease in the current year (decrease expressed with "-")	189,976,689.00	3,077,008,846.20			457,006,465.34	1,948,151.34	5,416,779,008.91	-6,450,570.26	66,778,995.51	9,203,047,586.04
(1) Net profit							7,379,666,345.09		66,261,637.61	7,445,927,982.70
(2) Other comprehensive income		58,110,258.79						-6,450,570.26	517,357.90	52,177,046.43
Sub-total of the above Item (1) and Item (2)		58,110,258.79					7,379,666,345.09	-6,450,570.26	66,778,995.51	7,498,105,029.13
(3) Capital invested by shareholders and capital decrease	189,976,689.00	3,005,310,317.87								3,195,287,006.87
1). Capital invested by shareholders	189,976,689.00	3,005,310,317.87								3,195,287,006.87
2). Amounts of share-based payments recognized into shareholders' equity										
3). Others										
(4) Profit distribution					457,006,465.34	1,948,151.34	-1,962,887,336.18			-1,503,932,719.50
1). Appropriation to surplus reserves					457,006,465.34		-457,006,465.34			
2). Appropriation to general risk provisions						1,948,151.34	-1,948,151.34			
3). Allocation to owners (or shareholders)							-1,503,932,719.50			-1,503,932,719.50
4). Others										
(5) Internal carry-over of shareholders' equity										
1). Transfer of capital reserves into capital (or stock capital)										
2). Transfer of surplus reserves into capital (or stock capital)										
3). Surplus reserves for making up losses										
4). General risk provisions for making up losses										
5). Others										
(6) Appropriative reserve										
1). Amount withdrawn for the period										
2). Amount used for the period										
(7) Others		13,588,269.54								13,588,269.54
4. Ending balance for the current period	3,007,865,439.00	3,187,175,872.28			2,958,088,564.43	7,593,539.68	17,572,277,003.95	10,133,985.43	837,067,723.88	27,580,202,128.65

Legal Representative: Dong Mingzhu

Chief Accountant: Wang Jingdong

Head of accounting department: Liao Jianxiong

Statement of Changes In Owners' Equity of Parent Company

For the Year 2013

Prepared by: GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI

Unit: RMB Yuan

Item	Amount for the current period								Total owners' equity
	Paid-up capital (or stock capital)	Capital reserves	Less: Treasury stock	Appropriative reserves	Surplus reserve	General risk provisions	Undistributed profit	Others	
1. Ending balance for the previous year	3,007,865,439.00	3,190,561,566.23			2,955,531,032.15		8,814,610,174.42		17,968,568,211.80
Add: Changes in accounting policies									
Early error correction									
Others									
2. Beginning balance for the current year	3,007,865,439.00	3,190,561,566.23			2,955,531,032.15		8,814,610,174.42		17,968,568,211.80
3. Increase or decrease in the current year (decrease expressed with "-")		16,436,225.50					2,979,040,099.79		2,995,476,325.29
(1) Net profit							5,986,905,538.79		5,986,905,538.79
(2) Other comprehensive income		1,234,495.04							1,234,495.04
Sub-total of the above Item (1) and Item (2)		1,234,495.04					5,986,905,538.79		5,988,140,033.83
(3) Capital invested by shareholders and capital decrease									
1). Capital invested by shareholders									
2). Amounts of share-based payments recognized into shareholders' equity									
3). Others									
(4) Profit distribution							-3,007,865,439.00		-3,007,865,439.00
1). Appropriation to surplus reserves									
2). Appropriation to general risk provisions									
3). Allocation to owners (or shareholders)							-3,007,865,439.00		-3,007,865,439.00
4). Others									
(5) Internal carry-over of shareholders' equity									
1). Transfer of capital reserves into capital (or stock capital)									
2). Transfer of surplus reserves into capital (or stock capital)									
3). Surplus reserves for making up losses									
4). General risk provisions for making up losses									
5). Others									
(6) Appropriative reserve									
1). Amount withdrawn for the period									
2). Amount used for the period									
(7) Others		15,201,730.46							15,201,730.46
4. Ending balance for the current period	3,007,865,439.00	3,206,997,791.73			2,955,531,032.15		11,793,650,274.21		20,964,044,537.09

Legal Representative: Dong Mingzhu

Chief Accountant: Wang Jingdong

Head of accounting department: Liao Jianxiong

Statement of Changes In Owners' Equity of Parent Company

For the Year 2013

Prepared by: GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI

Unit: RMB Yuan

Item	Amount for the previous period							
	Paid-up capital (or stock capital)	Capital reserves	Less: Treasury stock	Appropriative reserves	Surplus reserve	General risk provisions	Undistributed profit	Others
1. Ending balance for the previous year	2,817,888,750.00	117,739,894.64			2,498,524,566.81		6,205,484,705.91	
Add: Changes in accounting policies								
Early error correction								
Others								
2. Beginning balance for the current year	2,817,888,750.00	117,739,894.64			2,498,524,566.81		6,205,484,705.91	
3. Increase or decrease in the current year (decrease expressed with "-")	189,976,689.00	3,072,821,671.59			457,006,465.34		2,609,125,468.51	
(1) Net profit							4,570,064,653.35	
(2) Other comprehensive income		53,923,084.18						
Sub-total of the above Item (1) and Item (2)		53,923,084.18					4,570,064,653.35	
(3) Capital invested by shareholders and capital decrease	189,976,689.00	3,005,310,317.87						
1). Capital invested by shareholders	189,976,689.00	3,005,310,317.87						
2). Amounts of share-based payments recognized into shareholders' equity								
3). Others								
(4) Profit distribution					457,006,465.34		-1,960,939,184.84	
1). Appropriation to surplus reserves					457,006,465.34		-457,006,465.34	
2). Appropriation to general risk provisions								
3). Allocation to owners (or shareholders)							-1,503,932,719.50	
4). Others								
(5) Internal carry-over of shareholders' equity								
1). Transfer of capital reserves into capital (or stock capital)								
2). Transfer of surplus reserves into capital (or stock capital)								
3). Surplus reserves for making up losses								
4). General risk provisions for making up losses								
5). Others								
(6) Appropriative reserve								
1). Amount withdrawn for the period								
2). Amount used for the period								
(7) Others		13,588,269.54						
4. Ending balance for the current period	3,007,865,439.00	3,190,561,566.23			2,955,531,032.15		8,814,610,174.42	

Legal Representative: Dong Mingzhu

Chief Accountant: Wang Jingdong

Head of accounting department: Liao Jianxiong

GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI

Notes to Financial Statements for the Year 2013

1. Basic information of the Company

The Company was formerly known as Haili Air-conditioning Engineering Co., Ltd. of Zhuhai which was established in 1989 upon approval of Zhuhai Municipal Industrial Committee and the people's Bank of China Zhuhai Branch and was renamed GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI (hereinafter referred to as "the Company" or "Company") in 1994 upon approval of Zhuhai City Commission for Economic Restructuring, and the Company was listed on Shenzhen Stock Exchange dated 18 November 1996 upon receipt of the approval document Zheng Jian Fa Zi (1996) No. 321 from China Securities Regulatory Commission, and it has obtained the business license of enterprise legal person No. 440000000040686 and has the registered capital of RMB 3,007,865,439.00.

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

II. Significant accounting policies and estimates and previous errors

(1) Preparation basis of the financial statements

The Company conducts accounting recognition and measurement on a going concern basis according to its transactions and events that have actually occurred in accordance with the Accounting Standards for Business Enterprises and on this basis has prepared the financial statements.

(2) Statements regarding observance of the Accounting Standards for Business Enterprises

The financial statements prepared by the Company conform to the requirements of the Accounting Standards for Business Enterprises and give a true and complete view of the financial position, operating results and cash flows of the enterprise.

(3) Accounting period

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

(4) Functional currency

RMB is the functional currency used by the Company.

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

1). Business combination involving enterprises under common control

A business combination involving enterprises under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory.

Generally, the business combination involving enterprises under common control refers to the combination among the enterprises occurring in the same enterprise group, other than that, any combination shall not be deemed as the business combination involving enterprises under common control.

Assets and liabilities that are obtained by the Company as a combining party in a business combination shall be measured at their carrying amounts at the combination date as recorded by the combined party. For a long-term equity investment acquired through a control merger involving enterprises under common control, the initial investment cost of the long-term equity investment is the combined party's share of the carrying amount of the owners' equity of the party being absorbed at the combination date. See the long-term equity investment for the accounting treatment involved; Assets and liabilities that are obtained in a merger by absorption involving enterprises under common control are entered in an account

by their original carrying amounts of the combined party. The difference between the carrying amount of net assets obtained by the Company and the carrying amount of the consideration paid for the combination (or total par value of the issued stocks) is adjusted to capital reserve; If the capital reserve is not sufficient to absorb the difference, any excess is adjusted against retained earnings.

Costs incurred that are directly attributable to the business combination made by the Company as a combining party, including audit fee, appraisal cost and legal service charge paid are charged to profit or loss in the period in which they are incurred.

The bonds issued for a business combination or the handling fees, commissions and other expenses for assuming other liabilities shall be recorded into the amount of initial measurement of the bonds or other debts. The handling fees, commissions and other expenses for the issuance of equity securities for the business combination shall be credited against the surplus of equity securities; if the surplus is not sufficient, the retained earnings shall be offset.

Where a relationship between a parent company and a subsidiary company is formed due to a control merger involving enterprises under common control, the parent company shall, on the combining date, prepare a consolidated balance sheet, a consolidated profit statement and a consolidated cash flow statement.

In the consolidated balance sheet, the carrying amounts of the assets and liabilities of the combined party shall be incorporated into the consolidated financial statements, and the transactions occurring between the combining party and the combined party on and before the combination date shall be treated as internal transactions and shall be offset according to the related principle of the consolidated financial statements; The consolidated profit statement and cash flow statement shall include the realized net profit and generated cash flow of the parties to the combination from the beginning of the current period to the combining date. The net profit and cash flow generated from transactions and internal transactions of the current period between the parties shall be offset according to the related principle of the consolidated financial statements.

2) Business combination not involving enterprises under common control

A business combination not involving enterprises under common control is a business combination in which all of the combining enterprises are not ultimately controlled by the same party or parties both before and after the combination.

Recognition of the cost of business combination: The cost of business combination includes the cashes or non-cash assets paid by the acquiring party for the business combination and the fair value of issued or assumed liabilities and issued equity securities on the date of acquisition. Costs incurred that are directly attributable to the business combination shall be charged to profit or loss in the period in which they are incurred. For a business combination realized by two or more transactions of exchange, the accounting treatment for the combination costs shall be made by distinguishing individual financial statements and consolidated financial statements;

In the individual financial statements, the cost of combination of the investment is the aggregate of the carrying amount of the equity investment of the acquired party held before the date of acquisition and investment cost newly increased on the date of acquisition;

In the consolidated financial statements, the stocks of the acquired party held before the date of acquisition shall be remeasured based on the fair value of such stocks on the date of acquisition, and the difference between their fair value and carrying amount shall be charged to the investment income of the current period; Where the stocks of the acquired party held before the date of acquisition involve other composite income, other composite income concerned with them shall be transferred to the investment income in the period in which the date of acquisition is included. The summation of the fair value of the stocks of the acquired party held before the date of acquisition on the date of acquisition and newly increased investment costs on the date of acquisition shall be the combination costs of the investment.

For the long-term equity investment obtained in the control merger not involving enterprises under common control, the initial investment cost of the long-term equity investment of the acquired party is the cost of business combination (excluding the cash dividend and profit received from the invested entity) recognized on the date of acquisition; The identifiable assets and liabilities that satisfy the recognition conditions, which are acquired in a merger by absorption not involving enterprises under common control, are

recognized by the Company as the assets and liabilities of the enterprise at their fair value on the date of acquisition. Where the control power or identifiable assets and liabilities of the acquired party that are obtained by the Company by using non-monetary assets as consideration, the difference between the fair value of the non-monetary assets on the date of acquisition and their carrying amounts shall be treated as the profit or loss of disposal of the assets and shall be charged to the profit statement in the period of business combination.

In the business combination not involving enterprises under common control, the positive balance between the business combination costs and the fair value of the identifiable net assets obtained by the acquired party from the combination shall be recognized as business reputation. In the case of merger by absorption, the positive balance is recognized as business reputation in the individual financial statement of the parent company; In the case of control merger, the positive balance is presented as business reputation in the consolidated financial statements. The negative balance between the combination costs and the fair value of the identifiable net assets obtained by the acquired party from the combination shall be charged by the Company to the profit or loss of the current period of combination (non-operating revenue). In the case of merger by absorption, the negative balance is charged to individual profit statement of the parent company in the current period of combination; In the case of control merger, the negative balance is charged to the consolidated profit statement in the current period of combination.

(6) Preparation of consolidated financial statements

The consolidated financial statements shall be prepared in accordance with the Accounting Standards for Business Enterprises No. 33 – Consolidated Financial Statements, that is, they are prepared by the parent company on the basis of individual financial statements of the Company and holding subsidiaries incorporated in the scope of consolidated financial statements during the consolidation according to other relevant data after the long-term equity investment to the subsidiaries are adjusted by equity method. The investments, major transactions and dealings and unrealized profits between the parent company and subsidiaries shall be offset with each other and consolidated on an individual basis during the consolidation of the financial statements, and the minority owners' equity (profit or loss) shall be calculated.

During the consolidation of financial statements, if the accounting policies of the subsidiaries incorporated in the scope of consolidated financial statements are inconsistent with those of the Company, the financial statements shall be consolidated after the accounting policies of the subsidiaries are adjusted according to the accounting policies of the Company.

The portion of shareholders' equity of the subsidiaries that isn't attributable to the parent company shall be separately presented as the minority shareholders' equity under the shareholders' equity in the consolidated financial statements.

A subsidiary added by the Company through a business combination involving enterprises under common control shall be consolidated in the consolidated financial statements of the Company at the beginning of the current consolidation period, and the amounts both at the beginning of the year or in the previous year in the consolidated financial statements shall be adjusted. A subsidiary added by the Company through a business combination not involving enterprises under common control shall be consolidated in the consolidated financial statements of the Company from the date of acquisition. A subsidiary towards which the Company transfers the power of control shall not be included in the scope of consolidated financial statements from the date when the Company loses its actual power to control such subsidiary.

(7) Accounting measurement attribute

1). Measurement attribute

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

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

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

(8) Criteria for cash and cash equivalents

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

(9) Foreign currency transactions

1). Method of translation for foreign currency transactions

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

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

For the monetary items of foreign currencies, the translation is done according to spot rate of the balance sheet date. The exchange difference generated from the difference of spot rate of the current balance sheet date and the time of initial recognition of a foreign currency or the previous balance sheet date is charged to the profit or loss of the current period except that the exchange difference generated from foreign currency borrowings relating to assets of which the acquisition or production satisfies the capitalization conditions is capitalized in accordance with the Accounting Standards for Business Enterprises No. 17 – Borrowing Costs. For the non-monetary items of foreign currencies measured by historical cost, translation is done according to spot rate of the transaction date without change in their amount in functional currency. Non-monetary items of foreign currencies such as stocks and funds measured at their fair value are translated as per the spot rate on the date when their fair

value is confirmed. The differences between the translated amounts in functional currency and the original amounts in functional currency are recorded into current profits and losses as fluctuation in fair value (including fluctuation in exchange rates).

3). Translation of foreign currency financial statements

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

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

(10) Financial instruments

1). Basis for recognition of financial instruments

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

Where a financial asset satisfies any of the following requirements, the recognition of it shall be terminated: Where the contractual rights for collecting the cash flow of the said financial asset are terminated; or where the said financial asset has been transferred and meets the conditions for recognizing the termination of financial assets as provided for in Accounting Standards for Enterprises No. 23 - Transfer of Financial Assets.

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

2). Classification of financial assets and financial liabilities

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

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

3). Measurement of financial assets and financial liabilities

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

Subsequent measurement of financial assets and financial liabilities:

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

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

(3) The profits and losses arising from the subsequent measurement of the financial assets available for sale at their fair value and the profits and losses arising from the change in

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

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

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

① The derivative financial liabilities for which there is no quoted price in the active market, which are connected with the equity instruments whose fair value cannot be reliably measured and are settled by delivering the said equity instruments shall be measured at their costs.

② For the financial guarantee contracts which are not designated as a financial liability measured at its fair value and the variation thereof is recorded into the profits and losses of the current period, and for the commitments to grant loans which are not designated to be measured at the fair value and of which the variation is recorded into the profits and losses of the current period and which will enjoy an interest rate lower than that of the market, a subsequent measurement shall be made after they are initially recognized according to the higher one of the following:

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

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

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

(1) The fair values of the financial assets and financial liabilities which have the active market shall be recognized at their quoted prices in the active market. The quoted prices for the financial assets and financial liabilities shall be recognized according to any of the following principles:

① In the active market, the quoted prices of the Company for the financial assets it holds or the financial liabilities it plans to assume shall be the present actual offer, while the quoted prices of the Company for the financial assets it plans to acquire or the financial liabilities it has assumed shall be the available charge.

② Where there is no available offer or charge for a financial asset or financial liability, the enterprise shall adopt the market quoted price of the latest transaction or adjusted market quoted price of the latest transaction to determine the fair value of the said financial asset or financial liability, unless the enterprise has definite evidences to prove that the market quoted price of the latest transaction is not a fair value.

(2) Where there is no active market for a financial asset or financial liability, the Company shall adopt value appraisal techniques to determine its fair value.

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

(1) Investments held until their maturity

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

investment held until their maturity with similar risk features so as to conduct another impairment test. The investment held until their maturity which has suffered from an impairment loss in any single amount shall not be included in any combination of financial assets with similar risk features for any impairment test.

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

(2) Accounts receivable

See the Notes 2 (11) for the impairment test and accrual method of the provision for impairment of the accounts receivable.

(3) Financial assets available for sale

When a decline in the financial assets available for sale has occurred, the cumulative loss generated from decline of fair value that had been recorded directly into the owners' equity shall be removed from the owners' equity and shall be recorded into the impairment loss. For debt instrument investment available for sale for which the impairment loss has been recognized, the recognized impairment loss shall be returned and recorded into current loss when there is an increase of fair value in a subsequent period and the increase objectively relates to events after impairment loss being recognized. For equity instrument investment available for sale for which the impairment loss has been recognized, increase of fair value in a subsequent period shall be directly recorded into owner's equity.

① Objective evidences indicating a decline in debt instrument investment available for sale include: debtor's significant financial difficulties; debtor's breach of contract, such as payment of interest or principle default or delinquency; taking economic and legal elements into consideration, the Company will make a concession to debtors in financial difficulties;

the debtor is likely to bankrupt or make other financial reorganization; the debt instrument is unable to continue trading in an active market due to the debtor's significant financial difficulties; other evidences indicating a decline in debt instrument has occurred.

② Objective evidences indicating a decline in equity instrument investment available for sale include a significant or non-transient decline in fair value of equity instrument investment.

(4) Others

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

6). Transfer of financial assets

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

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

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

(11) Receivables

The Company's receivables (including accounts receivable and other receivables) shall take the contract or agreement price as their initially recorded amount. Due to bankruptcy of the debtor, collection is still not possible after settlement according to legal settlement procedures; or due to the death of the debtor leaving no legacies to pay off and nobody to assume the obligations, collection is really not possible; or due to the failure of the debtor to perform its repayment obligations within the specified time limit, the receivables shall be presented as a loss on bad debt upon examination and approval according to legal procedures. As for the Company's transfer, pledge and discount to financial institutions like banks with receivable creditor's right, according to the provisions of the relevant contract, when the debtor fails to pay back the due debts, if the Company bears the payment liability to the financial institutions, the receivable creditor's right shall be treated as pledged loan; If the Company bears no payment liability to the financial institutions, the receivable creditor's right shall be treated as the transferred one and the profit and loss of transfer shall be recognized.

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

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

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

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

amounts shall be made based on similar credit risk features, and then the loss of the impairment of the said receivables shall be calculated and recognized at a certain proportion of the combinations of these receivables in the balance on the balance sheet date, and a provision for bad debts shall be made accordingly.

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

Basis for recognition of combinations	
Aging combination	Divided into groups based on aging of the receivables as credit risk features
Combination of other credit risks	Divided into groups based on the receivables related to consolidated financial statements and the receivables which can fully obtain customer's credit information
Accrual method of a provision for bad debts based on combinations	
Aging combination	Make a provision for bad debts by aging analysis
Combination of other credit risks	An impairment test of the receivables is carried out according to the debtor's credit, and a provision for bad debts shall be made as per the negative balance between the present value of their future cash flow and their carrying amount.

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

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

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

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

(12) Inventories

1). Classification of inventories

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

2). Valuation for delivered inventories

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

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

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

4). Stock count system for inventories

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

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

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

(13) Long-term equity investments

Long-term equity investments mainly include the equity investment held by the Company that is able to control, is under common control with or has significant influences on the invested entity and the equity investment which has no quoted price in the active market and of which the fair value cannot be reliably measured.

1). Measurement of investment cost of long-term equity investments

(1) The investment cost of the long-term equity investment formed in the business combination of the Company shall be recognized in accordance with the following provisions:

For the business combination involving enterprises under common control with the Company, if the consideration of the combining enterprise is that it makes payment in cash,

transfers non-cash assets or bear its debts, it shall, on the date of combination, regard the share of the carrying amount of the owners' equity of the combined enterprise as the investment cost of the long-term equity investment. The difference between the investment cost of the long-term equity investment and the payment in cash, non-cash assets transferred as well as the carrying amount of the debts borne by the combining party shall offset against the capital reserve; If the capital reserve is not sufficient to absorb the difference, any excess is adjusted against retained earnings. If the consideration of the combining enterprise is that it issues equity securities, it shall, on the date of combination, regard the share of the carrying amount of the owners' equity of the combined enterprise as the investment cost of the long-term equity investment. The total face value of the stocks issued shall be regarded as the capital stock, while the difference between the investment cost of the long-term equity investment and total par value of the shares issued shall offset against the capital reserve. If the capital reserve is not sufficient to absorb the difference, any excess is adjusted against retained earnings.

For the business combination not involving enterprises under common control with the Company, investment cost of the long-term equity investment shall be recognized on the combination date in accordance with the following provisions:

① For a business combination realized by a transaction of exchange, the combination costs shall be the fair values, on the acquisition date, of the assets paid, the liabilities incurred or assumed and the equity securities issued by the acquirer in exchange for the control on the acquiree.

② For a business combination realized by two or more transactions of exchange, the accounting treatment for the combination costs shall be made individually in light of individual financial statements and consolidated financial statements: In the individual financial statements, the cost of combination of the investment is the aggregate of the carrying amount of the equity investment of the acquired party held before the date of acquisition and investment cost newly increased on the date of acquisition; In the consolidated financial statements, the stocks of the acquired party held before the date of acquisition shall be remeasured based on the fair value of such stocks on the date of acquisition, and the difference between their fair value and carrying amount shall be charged to the investment

income of the current period; Where the stocks of the acquired party held before the date of acquisition involve other composite income, other composite income concerned with them shall be transferred to the investment income in the period in which the date of acquisition is included. The summation of the fair value of the stocks of the acquired party held before the date of acquisition on the date of acquisition and newly increased investment costs on the date of acquisition shall be the combination costs of the investment.

③ All relevant direct costs incurred to the Company for the business combination shall be recorded into the profits and losses of the current period.

④ Where any future event that is likely to affect the combination costs is stipulated in the combination contract or agreement, if it is likely to occur and its effects on the combination costs can be measured reliably, the Company shall record the said amount into the combination costs.

(2) Except for the long-term equity investments formed in the combination of the Company, the investment costs of long-term equity investments obtained in other ways shall be recognized in accordance with the following provisions:

① The investment cost of a long-term equity investment obtained by making payment in cash shall be the purchase cost which is actually paid. The investment cost consists of the expenses directly relevant to the obtainment of the long-term equity investment, taxes and other necessary expenses.

② The investment cost of a long-term equity investment obtained on the basis of issuing equity securities shall be the fair value of the equity securities issued.

③ The investment cost of a long-term equity investment of an investor shall be the value stipulated in the investment contract or agreement except the unfair value stipulated in the contract or agreement.

④ The investment cost of a long-term investment obtained by the exchange of non-monetary assets shall be ascertained in accordance with the Accounting Standards for Enterprises No. 7 - Exchange of Non-monetary Assets.

⑤ The investment cost of a long-term equity investment obtained by recombination of liabilities shall be ascertained in accordance with Accounting Standards for Enterprises No. 12 - Debt Restructuring.

2). Subsequent measurement of long-term equity investments and recognition of investment income

(1) Long-term equity investments measured by the Company by the cost method include: A long-term equity investment of an investing enterprise that is able to control the invested enterprise; A long-term equity investment of investment of the investing enterprise that is not under common control with or does not have significant influences on the invested entity, and entity, and has no offer in the active market and its fair value cannot be reliably measured.

The price of a long-term equity investment measured by employing the cost method shall be included at its investment cost. If there are additional investments or disinvestments, the cost of the long-term equity investment shall be adjusted. The dividends or profits declared to distribute by the invested entity shall be recognized as the current investment income except those dividends declared to distribute at the time of acquisition are resumed as investment costs.

(2) Long-term equity investments measured by the Company by the cost method include the long-term equity investments of the investing entity which is under common control with or has significant influence over the invested entity. If the investment cost of a long-term equity investment is more than the investing enterprise' attributable share of the fair value of the invested entity's identifiable net assets for the investment, the investment cost of the long-term equity investment may not be adjusted; If the investment cost of a long-term equity investment is less than the investing enterprise' attributable share of the fair value of the invested entity's identifiable net assets for the investment, the difference shall be included in the current profits and losses and the cost of the long-term equity investment shall be adjusted simultaneously.

After the Company obtains a long-term equity investment, it shall, in accordance with the attributable share of the net profits or losses of the invested entity, recognize the investment profits or losses and adjust the carrying amount of the long-term equity investment. The Company shall, in the light of the profits or cash dividends declared to distribute by the invested entity, calculate the proportion it shall obtain, and shall reduce the carrying amount of the long-term equity investment correspondingly.

The Company shall recognize the net losses of the invested enterprise until the carrying amount of the long-term equity investment and other long-term rights and interests which substantially form the net investment made to the invested entity are reduced to zero, unless the Company has the obligation to undertake extra losses. If the invested entity realizes any net profits later, the Company shall, after the amount of its attributable share of profits offsets against its attributable share of the un-recognized losses, resume recognizing its attributable share of profits.

The Company shall, on the ground of the fair value of all identifiable assets of the invested entity when it obtains the investment, recognize the attributable share of the net profits and losses of the invested entity after it adjusts the net profits of the invested entity. In the case of meeting the following conditions, the Company shall, on the basis of the carrying amount of net profits of the invested entity, calculate and recognize the investment income:

- ① The company can not reasonably recognize the fair values of various identifiable assets of the invested entity when the investment is obtained.
- ② The difference between the fair values of identifiable assets of the invested entity and their carrying amounts is of no importance at the time of investment.
- ③ Other causes result in incapability of obtaining the relevant information of the invested entity, and the net profits and losses of the invested entity can not be adjusted according to the provisions.

Where the accounting policy and accounting period adopted by the invested entity is different from those adopted by the Company, the Company shall, according to the accounting policy and accounting period it adopts, adjust the relevant items in the financial statements of the invested entity, and shall recognize the investment income on the basis of such adjustment. Other changes in the owners' equity (other than net profits and losses) of the invested entity shall adjust the carrying amount of the long-term equity investment and shall be recorded into the owners' equity, upon disposal of the investment, the corresponding proportionate amount of the investment originally recorded into the owners' equity shall be transferred to the profits and losses of the current period.

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

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

Significant influences will be recognized where there is power to participate in making decisions on the financial and operating policies of the invested entity, but not to control or do joint control together with other parties over the formulation of these policies.

(14) Investment real estate

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

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

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

(15) Fixed assets

1). Recognition standard of fixed assets

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

(1) The economic benefits pertinent to the fixed assets are likely to flow into the enterprise; and

(2) The cost of the fixed assets can be measured reliably.

2). Measurement of fixed assets

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

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

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

(2) The cost of a self-constructed fixed asset shall be formed by the necessary expenses incurred for bringing the asset to the expected conditions for use.

(3) The cost invested to a fixed asset by the investor shall be recognized in accordance with the value as stipulated in the investment contract or agreement, other than those of unfair value as stipulated in the contract or agreement.

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

3). Classification of fixed assets

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

4). Depreciation of fixed assets

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

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

Category of fixed assets	Expected net salvage value rate %	Expected service life	Annual depreciation rate %
Houses and buildings	3 to 5	15 to 30 years	3.17 to 6.47
Machinery equipment	5 to 10	10 years	9 to 9.5
Electronic equipment	5 to 10	3 to 5 years	18 to 31.67
Transportation equipment	5	5 to 6 years	15.83-19
Others	5 to 10	5 years	18-19

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

For the fixed assets that have reached intended usable condition but not prepared the final account for completion, their costs shall be recognized at their estimated value, and their depreciation shall be made accordingly; After completion of the final account for completion, the original estimated value of the fixed assets shall be adjusted by their actual costs, but the original depreciation amount does not require adjusting.

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

5). Treatment of subsequent expenditures for fixed assets

Subsequent expenditures incurred on a fixed asset refer to repair expenses, renovation expenses, repair costs and decoration expenses and otherwise incurred in the course of use of

the fixed asset. Their accounting treatment is as follows: Where subsequent expenditures of a fixed asset such as renovation expenses meet the conditions of recognizing the fixed asset, they shall be recorded into the cost of the fixed asset, and the carrying amount of the replaced part of the subsequent expenditures shall be deducted; Where subsequent expenditures of a fixed asset such as repair costs do not meet the conditions of recognizing the fixed asset, they shall be recorded into the profits and losses of the current period in which they are incurred; Where the decoration expenses of a fixed asset meet the conditions of recognizing the fixed asset, they shall be measured in a single detail account of "Fixed Assets", and the depreciation of the fixed asset shall be made separately by the straight-line method in a shorter time of the period of two decorations and remaining usable life of the fixed asset.

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

(16) Construction in progress

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

1). Valuation of construction in progress

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

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

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

(17) Capitalization of borrowing costs

Borrowing costs are interests and other costs incurred by the Company in connection with the borrowing of the funds, including interests, amortization of discounts or premiums

related to borrowings, ancillary costs incurred in connection with the arrangement of borrowings, and exchange differences arising from foreign currency borrowings.

1). Recognition of capitalization of borrowing costs

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

2). Period of capitalization of borrowing costs

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

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

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

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

3). Calculation of capitalized amounts of borrowing costs

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

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

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

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

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

(18) Intangible assets

1). Recognition of intangible assets

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

(1) They are consistent with the definition of intangible assets.

(2) The economic benefits related to intangible assets are likely to flow into the enterprise; and

(3) The cost of intangible assets can be measured reliably.

2). Measurement of intangible assets

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

3). Subsequent measurement

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

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

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

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

4). Estimation of service life

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

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

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

① Research expenditures in internal research and development projects shall be recorded into the profits and losses of the current period when they are incurred.

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

- ② Technical feasibility of completing the intangible asset so that it will be available for use or sale;
- ③ Intention to complete the intangible asset and use or sell it;
- ④ How the intangible asset will generate economic benefits, including the ability to demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
- ⑤ Availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- ⑥ Ability to measure reliably the expenditure that is attributable to the intangible asset during its development.

(19) Long-term deferred expenses

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

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

(20) Impairment of Assets

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

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

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

it against the carrying amount of other assets in proportion to the weight of other assets in the asset group or combination of asset groups with the business reputation excluded. The charges against the carrying amount of the assets above shall be treated as the impairment loss of the single item assets (including the business reputation), and a provision for impairment of the single item assets shall be made accordingly.

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

(21) Estimated liabilities

1). Recognition of estimated liabilities

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

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

2). Measurement of estimated liabilities

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

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

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

(22) Share-based payments and equity instruments

The term "share-based payment" refers to a transaction in which the Company grants equity instruments or undertakes equity-instrument-based liabilities in return for services from employee or other parties. The share-based payments shall consist of equity-settled share-based payments and cash-settled share-based payments.

The term "equity-settled share-based payment" refers to a transaction in which the Company grants shares or other equity instruments as a consideration in return for services; The term "cash-settled share-based payment" refers to a transaction of payment of cash or any other asset obligation calculated and recognized on the basis of shares or other equity instruments undertaken by the Company in return for services.

1). The equity-settled share-based payment in return for employee services shall be measured at the fair value of the equity instruments granted to the employees.

(1) As to an equity-settled share-based payment in return for services of employees, if the right may be exercised immediately after the grant, the fair value of the equity instruments shall, on the date of the grant, be included in the relevant cost or expense and the capital reserves shall be increased accordingly;

(2) As to an equity-settled share-based payment in return for employee services, if the right cannot be exercised until the service in the period during which the specified vesting conditions are to be satisfied (or vesting period) is completed or until the prescribed performance conditions are met, then on each balance sheet date within the vesting period, the services obtained in the current period shall, based on the best estimate of the number of vested equity instruments, be included in the relevant costs or expenses and the capital reserves at the fair value of the equities instruments on the date of the grant.

(3) If, on the balance sheet date, the subsequent information indicates that the number of vested equity instruments is different from the previous estimate, an adjustment shall be made

and on the vesting date, the estimate shall be adjusted to equal the number of the actually vested equity instruments.

(4) The Company shall, after the vesting date, make no adjustment to the relevant costs or expenses as well as the total amount of the owner's equities which have been recognized.

2). A cash-settled share-based payment rendered by the Company shall be measured in accordance with the fair value of liability calculated and recognized based on the shares or other equity instruments undertaken by the Company.

(1) As to a cash-settled share-based payment instruments, if the right may be exercised immediately after the grant, the fair value of the liability undertaken by the enterprise shall, on the date of the grant, be included in the relevant costs or expenses, and the liabilities shall be increased accordingly;

(2) As to a cash-settled share-based payment, if the right may not be exercised until the vesting period comes to an end or until the specified performance conditions are met, on each balance sheet date within the vesting period, the services obtained in the current period shall, based on the best estimate of the information about the exercisable right, be included in the relevant costs or expenses and the corresponding liabilities at the fair value of the liability undertaken by the Company.

(3) If, on the balance sheet date, the subsequent information indicates that fair value of the current liability undertaken by the Company are different from the previous estimates, an adjustment shall be made and on the vesting date the estimate shall be adjusted to equal the actually exercisable right;

(4) The Company shall, on each balance sheet date and on each account date prior to the settlement of the relevant liabilities, re-measure the fair values of the liabilities and include the changes in the current profits and losses.

3). The fair value of the equity instruments shall be determined according to the following methods:

(1) As for an equity instruments for which there is an active market, the quoted price in the active market shall be used to determine the fair value thereof;

(2) Where there is no active market for an equity instrument, the Company shall adopt rational value appraisal techniques to determine its fair value. The value appraisal techniques

mainly include the prices adopted by the parties, who are familiar with the condition, in the latest market transaction upon their own free will, the current fair value obtained by referring to other financial instruments of the same essential nature, the cash flow capitalization method and the option pricing model, etc.

4). The best estimate of vested equity instruments shall be estimated and recognized according to subsequent information such as changes in number of employees recently obtaining the exercisable right.

(23) Recognition of revenues

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

1). Revenue from selling goods

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

2). Revenue from rendering labor services

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

be recorded into the profits and losses of the current period, and the revenue from rendering labor services shall not be recognized.

3). Abalienate the right to use assets

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

(24) Government subsidies

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

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

Only when the Company can meet the conditions for the government subsidies and can obtain the government subsidies shall it recognize the government subsidies. A monetary government subsidy received by the Company shall be measured in the light of the received or receivable amount; A non-monetary government subsidy received shall be measured at its fair value; If its fair value cannot be obtained in a reliable way, it shall be measured at its nominal amount.

The government subsidies pertinent to assets received by the Company shall be recognized as deferred income when they are received and shall be equally distributed within the useful lives of the relevant assets, and recorded into the current profits and losses. But the government subsidies measured at their nominal amounts shall be directly recorded into the current profits and losses.

The government subsidies pertinent to incomes received by the Company that are used for compensating the related future expenses or losses of the Company shall be recognized as deferred income and shall be recorded into the current profits and losses during the period

when the relevant expenses are recognized; if the government subsidies pertinent to incomes received by the Company are used for compensating the related expenses or losses incurred to the Company, they shall be directly recorded into the current profits and losses.

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

(25) Income taxes

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

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

(1) The recognition of business reputation;

(2) The recognition of assets or liabilities arising from the following transactions which are simultaneously featured by the following:

① The transaction is not business combination;

② At the time of transaction, the accounting profits will not be affected, nor will the taxable amount (or the deductible loss) be affected.

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

enterprises and the temporary differences are unlikely to be reversed in the predictable future, the Company shall recognize the corresponding deferred income tax liabilities.

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

(1) This transaction is not business combination; and

(2) At the time of transaction, the accounting profits will not be affected, nor will the taxable amount (or the deductible loss) be affected.

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

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

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

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

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

(26) Leases

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

1). Financing leases

(1) Where a lease satisfies one or more of the following criteria, it shall be recognized as a financing lease:

① The ownership of the leased asset is transferred to the lessee when the term of lease expires;

② The lessee has the option to buy the leased asset at a price which is expected to be far lower than the fair value of the leased asset at the date when the option becomes exercisable. Thus, on the lease beginning date, it can be reasonably determined that the option will be exercised;

③ Even if the ownership of the asset is not transferred, the lease term covers the major part (over 75% (included)) of the service life of the leased asset;

④ In the case of the lessee, the present value of the minimum lease payments on the lease beginning date amounts to substantially all (over 90% (included)) of the fair value of the leased asset on the lease beginning date; in the case of the lessor, the present value of the minimum lease receipts on the lease beginning date amounts to substantially all (over 90% (included)) of the fair value of the leased asset on the lease beginning date; and

⑤ The leased assets are of a specialized nature that only the lessee can use them without making major modifications.

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

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

2). Operating leases

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

(27) Hedging

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

1). Recognition condition of hedging

(1) At the commencement of the hedging, the enterprise shall specify the hedging relationship formally (namely the relationship between the hedging instrument and the hedged item) and prepare a formal written document on the hedging relationship, risk management objectives and the strategies of hedging. This document shall at least specify the contents of hedging instrument, the hedged item, the nature of the hedged risk and the method for the effectiveness assessment of the hedging and etc. The hedging shall be relevant to the designated specific identifiable risk, and will ultimately affect the profits and losses of the enterprise;

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

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

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

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

2). Measurement of hedging

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

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

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

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

3). Evaluation of effectiveness of hedging

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

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

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

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

1). Changes of accounting policies

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

2). Changes of accounting estimates

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

3). Early error correction

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

3. Taxes

1). Value-added tax: The Company pays the value-added tax based on value-added amount from sale of goods or rendering of services, and the rate of value-added tax of the main goods is 17%.

2). Income tax:

(1) The Company was registered in Zhuhai, Guangdong province, and has been enjoying the preferential policy for the high and new tech enterprises as of 1 January 2008, upon expiration of the period, the Company passed the re-examination (High-tech Enterprise Certificate No. GF201144000202) and applied the income tax rate of 15%.

(2) GREE (Zhongshan) Small Home Appliances Co., Ltd., a subsidiary company of the Company was registered in Zhongshan, Guangdong province, and has been enjoying the

preferential policy for the high and new tech enterprises as of 1 January 2012 (High-tech Enterprise Certificate No. GR201144000314) and applied the income tax rate of 15%.

(3) Gree Electric Appliances (Chongqing) Co., Ltd., a subsidiary company of the Company has been enjoying the country's western development policy as of 1 January 2008, and applied the income tax rate of 15%.

(4) Zhuhai Landa Compressor Co., Ltd., a subsidiary company of the Company was registered in Zhuhai, Guangdong province, and has been enjoying the preferential policy for the high and new tech enterprises as of 1 January 2012, upon expiration of the period, the Company passed the re-examination (High-tech Enterprise Certificate No. GR201144000037) and applied the income tax rate of 15%. (Zhuhai Meilingda Refrigeration Technology Co., Ltd. as its subsidiary company applied the income tax rate of 25%; Zhuhai Zhengang Foundry Co., Ltd. applies 25%; Zhuhai Meiling General Motors Co., Ltd. applies 25%; Hefei Landa Compressor Co., Ltd. applies 15%; Zhengzhou Landa Compressor Co., Ltd. applies 25%; Chongqing Landa Compressor Co., Ltd. applies 25%; Wuhan Landa Compressor Co., Ltd. applies 25%).

(5) Zhuhai Gree Electrical Co., Ltd., a subsidiary company of the Company was registered in Zhuhai, Guangdong province, and has been enjoying the preferential policy for the high and new tech enterprises as of 1 January 2008, upon expiration of the period, the Company passed the re-examination (High-tech Enterprise Certificate No. GR201144000361) and applied the income tax rate of 15%. (Gree Electric Enterprises (Maanshan) Ltd. as its subsidiary company applied the income tax rate of 15%, has been enjoying the preferential policy for the high and new tech enterprises (High-tech Enterprise Certificate No. GF201134000419).

(6) Zhuhai Kaibang Motor Manufacture Co., Ltd. a subsidiary company of the Company was registered in Zhuhai, Guangdong province, and has been enjoying the preferential policy for the high and new tech enterprises as of 1 January 2009, upon expiration of the period, the Company passed the re-examination (High-tech Enterprise Certificate No. GF201244000068) and applied the income tax rate of 15% in this year (Hefei Kaibang Motor Manufacture Co., Ltd. as its subsidiary company applied the income tax rate of 15%, has been enjoying the preferential policy for the high and new tech enterprises (High-tech Enterprise Certificate No.

GR201134000018), Henan Kaibang Motor Manufacture Co., Ltd. applied the income tax rate of 25%, and Chongqing Kaibang Motor Manufacture Co., Ltd. has been enjoying the country's western development policy as of 1 January 2013 and applied the income tax rate of 15%).

(7) Gree Electric Appliances (Hefei) Co., Ltd., a subsidiary company of the Company was registered in Hefei city of Anhui province and has been enjoying the preferential policy for the high and new tech enterprises as of 1 January 2008, upon expiration of the period, the Company passed the re-examination (High-tech Enterprise Certificate No. GF201134000349) and applied the income tax rate of 15% in this year.

(8) Shanghai Gree Air Conditioners Sales Co., Ltd., a subsidiary company of the Company was registered in Shanghai and applied the income tax rate of 25% in this year.

(9) Zhuhai Gree Xinyuan Electronics Co., Ltd., a subsidiary company of the Company was registered in Zhuhai, Guangdong province, and has been enjoying the preferential policy for the high and new tech enterprises as of 1 January 2010 (High-tech Enterprise Certificate No. GR201044000512), and it applied the income tax rate of 15% in this year.

(10) Gree Electric Appliances (Brazil) Co., Ltd., a subsidiary company of the Company was registered in Manaus of Brazil and applied the income tax rate of 34% (Brazil United Electric Appliances Industry and Commerce Co., Ltd. as its subsidiary company was registered in Sao Paulo of Brazil and applied the income tax rate of 34%).

(11) Zhuhai Gree Group Finance Company Limited, a subsidiary company of the Company was registered in Zhuhai, Guangdong province, and applied the income tax rate of 25% in this year.

(12) Hong Kong Gree Electric Appliances Sales Co., Ltd., a subsidiary company of the Company was registered in Kowloon, Hong Kong and applied the income tax rate of 16.5% (Gree (USA) Sales Co., Ltd. as its subsidiary company was registered in California, USA and paid taxes in accordance with the local tax law).

(13) Shenzhen Gree Electric Appliances Sales Co., Ltd., a subsidiary company of the Company was registered in Shenzhen and applied the income tax rate of 25%.

(14) Zhuhai Gree Daikin Device Co., Ltd., a subsidiary company of the Company was registered in Zhuhai, Guangdong province, and applied the income tax rate of 25%.

(15) Zhuhai Gree Daikin Precision Mold Co., Ltd., a subsidiary company of the Company was registered in Zhuhai, Guangdong province, and has been enjoying the preferential policy for the high and new tech enterprises as of 1 January 2013 (High-tech Enterprise Certificate No. GR201344000501), and applied the income tax rate of 15%.

(16) Gree Green Refrigeration Technology Center Co., Ltd. Of Zhuhai, a subsidiary company of the Company was registered in Zhuhai, Guangdong province, and has been enjoying the preferential policy for the high and new tech enterprises as of 1 January 2011 (High-tech Enterprise Certificate No. GR201144000642), and it applied the income tax rate of 15%.

(17) Gree Electric Appliances (Zhengzhou) Co., Ltd., a subsidiary company of the Company was registered in Zhengzhou city of Henan province and applied the income tax rate of 25%.

(18) Gree Electric Appliances (Wuhan) Co., Ltd., a subsidiary company of the Company was registered in Wuhan city of Hubei province, has been enjoying the preferential policy for the high and new tech enterprises as of 1 January 2013 (High-tech Enterprise Certificate No. GR201342000397), and it applied the income tax rate of 15%.

(19) Zhengzhou Gree Green Resources Recycling Co., Ltd., a subsidiary company of the Company was registered in Zhengzhou city of Henan province and applied the income tax rate of 25%.

(20) Hunan Green Renewable Resources Co., Ltd., a subsidiary company of the Company was registered in Ningxiang county of Hunan province and applied the income tax rate of 25%.

(21) Gree (Shijiazhuang) Small Home Appliances Co., Ltd., a subsidiary company of the Company was registered in Shijiazhuang city of Hebei province, has been enjoying the preferential policy for the high and new tech enterprises as of 1 January 2013 (High-tech Enterprise Certificate No. GR201313000094), and applied the income tax rate of 15%.

(22) Gree Electric Appliances (Wuhu) Co., Ltd., a subsidiary company of the Company was registered in Wuhu city of Anhui province and applied the income tax rate of 25%.

(23) Wuhu Green Resources Recycling Co., Ltd., a subsidiary company of the Company was registered in Wuhu city of Anhui province and applied the income tax rate of 25%.

(24) Shijiazhuang Green Resources Recycling Co., Ltd., a subsidiary company of the Company was registered in Shijiazhuang city of Hebei province and applied the income tax rate of 25%.

(25) Gree Electric Appliances (Shijiazhuang) Co., Ltd., a subsidiary company of the Company was registered in Shijiazhuang city of Hebei province, has been enjoying the preferential policy for the high and new tech enterprises as of 1 January 2013 (High-tech Enterprise Certificate No. GR201313000130), and it applied the income tax rate of 15%.

(26) Zhuhai Gree Electric Appliances Sales Co., Ltd., a subsidiary company of the Company was registered in Zhuhai city of Guangdong province and applied the income tax rate of 25%.

(27) Zhuhai HVAC Equipment Co., Ltd. a subsidiary company of the Company was registered in Zhuhai, Guangdong province and the income tax rate is 25%.

(28) Zhuhai TOSOT Home Appliances Co., Ltd. a subsidiary company of the Company was registered in Zhuhai, Guangdong province and the income tax rate is 25%.

(29) Tianjin Green Resources Recycling Co., Ltd. a subsidiary company of the Company was registered in Tianjin and the income tax rate is 25%.

(30) Zhuhai Ligao Precision Manufacturing Co., Ltd. a subsidiary company of the Company was registered in Zhuhai, Guangdong province and the income tax rate is 25%.

3. Business tax: The tax rate is 3% to-5%, and the business tax is paid based on the taxable income of the Company.

4). Urban maintenance & construction tax: The tax rate is 5% to 7%, and the urban maintenance & construction tax is paid based on the circulation Taxes payable.

5). Education surcharges: The tax rate is 3%, and the education surcharge is paid based on the circulation Taxes payable.

6). Local education surcharge: The tax rate is 2%, and the local education surcharge is paid based on the circulation Taxes payable.

7). Embankment protection fee: The fee rate is 0.03% to 0.1%, and the embankment protection fee is paid based on sales income.

8). Other taxes: Other taxes are paid in accordance with the national provisions.

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

4. Business combination and consolidated financial statements

(1) Information of subsidiaries

1). Subsidiaries acquired through establishment or investment

Full Name of Subsidiary	Type of Subsidiary	Registered Place	Nature of business	Registered Capital (ten thousand yuan)	Scope of Business	Actual Contribution at end of the period (ten thousand yuan)	Balance of other projects substantially constituting net investments to subsidiary	Shareholding ratio (%)	Voting right percentage (%)	Within consolidation scope (Y/N)	Minority equity interests (Yuan)	Amounts of minority equity interests to charge off minority equity gains and losses	Amounts of the excess of current losses undertaken by the subsidiary's minority shareholders and charged off by the parent company's equity interests than the shares held by the minority share
Shenzhen Gree Electric Appliances Sales Co., Ltd	Holding subsidiary	Shenzhen City	Sale	RMB 500	Sale of air conditioners	RMB 450		90	90	Yes	662,844.40		
Zhuhai Gree Electric Appliances Sales Co., Ltd.	Wholly-owned subsidiary	Zhuhai City	Sale	RMB 500	Sale, installation and repair of household electrical appliances	RMB 500		100	100	Yes			
Brazil United Electric Appliances Industry and Commerce Co., Ltd.	Wholly-owned subsidiary of the wholly-owned subsidiary	Sao Paulo, Brazil	Sale	BRL200	Sale of air conditioners	BRL200		100	100	Yes			
Shanghai Gree Air Conditioners Sales Co., Ltd	Holding subsidiary	Shanghai City	Sale	RMB 200	Sale of air conditioners	RMB 199.40		99.7	100	Yes	-282,371.69		
Gree (America) Sales Co., Ltd.	Holding subsidiary of the wholly-owned subsidiary	California, USA	Sale	US\$8	Sale of air conditioners	US\$4.08		51	51	Yes	-26,144,551.15		
Gree Electric Appliances (Hefei) Co., Ltd.	Wholly-owned subsidiary	Hefei City	Commercial manufacture	RMB 15,000	Production and sale of air conditioners	RMB 50,537.06		100	100	Yes			
Gree Electric Appliances (Brazil) Co., Ltd.	Wholly-owned subsidiary	Manaus, Brazil	Commercial manufacture	BRL 4,000	Production and sale of air conditioners	RMB 13,023.94		100	100	Yes			
Gree Electric Appliances (Zhengzhou) Co., Ltd.	Wholly-owned subsidiary	Zhengzhou City	Commercial manufacture	RMB 2,000	Production and sale of air conditioners	RMB 72,000		100	100	Yes			

Full Name of Subsidiary	Type of Subsidiary	Registered Place	Nature of business	Registered Capital (ten thousand yuan)	Scope of Business	Actual Contribution at end of the period (ten thousand yuan)	Balance of other projects substantially constituting net investments to subsidiary	Shareholding ratio (%)	Voting right percentage (%)	Within consolidation scope (Y/N)	Minority equity interests (Yuan)	Amounts of minority equity interests to charge off minority equity gains and losses	Amounts of the excess of current losses undertaken by the subsidiary's minority shareholders and charged off by the parent company's equity interests than the shares held by the minority share
Gree Electric Appliances (Wuhan) Co., Ltd.	Wholly-owned subsidiary	Wuhan City	Commercial manufacture	RMB 1,000	Production and sale of air conditioners	RMB 51,000		100	100	Yes			
Gree Electric Appliances (Chongqing) Co., Ltd.	Holding subsidiary	Chongqing City	Commercial manufacture	RMB 23,000	Production and sale of air conditioners	RMB 22,310		97	97	Yes	95,196,480.86		
Gree Electric Appliances (Wuhu) Co., Ltd.	Wholly-owned subsidiary	Wuhu City	Commercial manufacture	RMB 2,000	Production and sale of air conditioners	RMB 2,000		100	100	Yes			
GREE (Zhongshan) Small Home Appliances Co., Ltd.	Wholly-owned subsidiary	Zhongshan City	Commercial manufacture	RMB 3,000	Production and sale of small household electrical appliances	RMB 3,000		100	100	Yes			
Gree (Shijiazhuang) Small Home Appliances Co., Ltd.	Wholly-owned subsidiary	Shijiazhuang	Commercial manufacture	RMB 1,000	Production and sale of small household electrical appliances	RMB 1,000		100	100	Yes			
Gree Green Refrigeration Technology Center Co., Ltd. Of Zhuhai	Wholly-owned subsidiary	Zhuhai City	Technical research and development	RMB 11,604	Technical research and development of energy saving and environmental protection household appliances	RMB 32,463.37		100.00	100.00	Yes			
Zhengzhou Gree Green Resources Recycling Co., Ltd	Wholly-owned subsidiary	Zhengzhou City	Commercial manufacture	RMB 500	Research & development and sale of secondary resources recycling technology	RMB 500		100	100	Yes			
Shijiazhuang Green Resources Recycling Co., Ltd.	Wholly-owned subsidiary	Shijiazhuang	Commercial manufacture	RMB 200	Research & development and sale of secondary resources recycling technology	RMB 200		100	100	Yes			
Wuhu Green Resources Recycling Co.,	Wholly-owned subsidiary	Wuhu City	Commercial manufacture	RMB 200	Research & development and sale of secondary	RMB 200		100	100	Yes			

Full Name of Subsidiary	Type of Subsidiary	Registered Place	Nature of business	Registered Capital (ten thousand yuan)	Scope of Business	Actual Contribution at end of the period (ten thousand yuan)	Balance of other projects substantially constituting net investments to subsidiary	Shareholding ratio (%)	Voting right percentage (%)	Within consolidation scope (Y/N)	Minority equity interests (Yuan)	Amounts of minority equity interests to charge off minority equity gains and losses	Amounts of the excess of current losses undertaken by the subsidiary's minority shareholders and charged off by the parent company's equity interests than the shares held by the minority share
Ltd.					resources recycling technology								
Hunan Green Renewable Resources Co., Ltd.	Wholly-owned subsidiary	Ningxiang County	Commercial manufacture	RMB 500	Research & development and sale of secondary resources recycling technology	RMB 500		100	100	Yes			
Tianjin Green Renewable Resources Co., Ltd.	Wholly-owned subsidiary	Tianjin	Commercial manufacture	RMB 500	Research & development and sale of secondary resources recycling technology	RMB 500		100	100	Yes			
Zhuhai Gree Daikin Precision Mold Co., Ltd.	Holding subsidiary	Zhuhai City	Commercial manufacture	US\$5,796	Development, production and sale of moulds and moldings	RMB 20,191.12		51	51	Yes	217,220,267.75		
Zhuhai Gree Dakin Device Co., Ltd.	Holding subsidiary	Zhuhai City	Commercial manufacture	US\$8,129	Development, production and sale of compressors and controllers	RMB 28,311.76		51	51	Yes	317,252,520.40		
Hefei Landa Compressor Co., Ltd.	Wholly-owned subsidiary of the wholly-owned subsidiary	Hefei City	Commercial manufacture	RMB 10,000	Production and sale of compressors	RMB 94,110		100.00	100.00	Yes			
Hefei Kaibang Motor Manufacture Co., Ltd.	Wholly-owned subsidiary of the wholly-owned subsidiary	Hefei City	Commercial manufacture	RMB 3,000	Production and sale of motors	RMB 3,000		100	100	Yes			
Zhengzhou Landa Compressor Co., Ltd.	Wholly-owned subsidiary of the wholly-owned subsidiary	Zhengzhou City	Commercial manufacture	RMB 3,000	Production and sale of compressors	RMB 3,000		100	100	Yes			
Chongqing Landa Compressor Co., Ltd.	Wholly-owned subsidiary of the wholly-owned subsidiary	Chongqing City	Commercial manufacture	RMB 3,000	Production and sale of compressors	RMB 3,000		100	100	Yes			

Full Name of Subsidiary	Type of Subsidiary	Registered Place	Nature of business	Registered Capital (ten thousand yuan)	Scope of Business	Actual Contribution at end of the period (ten thousand yuan)	Balance of other projects substantially constituting net investments to subsidiary	Shareholding ratio (%)	Voting right percentage (%)	Within consolidation scope (Y/N)	Minority equity interests (Yuan)	Amounts of minority equity interests to charge off minority equity gains and losses	Amounts of the excess of current losses undertaken by the subsidiary's minority shareholders and charged off by the parent company's equity interests than the shares held by the minority share
Wuhan Landa Compressor Co., Ltd.	Wholly-owned subsidiary of the wholly-owned subsidiary	Wuhan City	Commercial manufacture	RMB 3,000	Production and sale of compressors	RMB 3,000		100	100	Yes			
Henan Kaibang Motor Manufacture Co., Ltd.	Wholly-owned subsidiary of the wholly-owned subsidiary	Zhengzhou	Commercial manufacture	RMB 1,000	Production and sale of motors	RMB 1,000		100	100	Yes			
Chongqing Kaibang Motor Manufacture Co., Ltd.	Wholly-owned subsidiary of the wholly-owned subsidiary	Chongqing	Commercial manufacture	RMB 1,000	Production and sale of motors	RMB 1,000		100	100	Yes			
Zhuhai Ligao Precision Manufacturing Co., Ltd.	Wholly-owned subsidiary	Zhuhai City	Commercial manufacture	RMB 3,000	Production and sale of compressors	RMB 3,000		100.00	100.00	Yes			
Zhuhai HVAC Equipment Co., Ltd.	Wholly-owned subsidiary	Zhuhai City	Commercial manufacture	RMB 10,000	Production and sale of air-conditioners	RMB 10,000		100.00	100.00	Yes			
Zhuhai TOSOT Home Appliances Co., Ltd.	Wholly-owned subsidiary	Zhuhai City	Commercial manufacture	RMB 3,000	Production and sale of small household electrical appliances	RMB 3,000		100.00	100.00	Yes			

The Company directly holds 90% of total stocks of Shanghai GREE Air Conditioners Sales Co., Ltd., and Gree Electric Appliances (Chongqing) Co., Ltd. as the subsidiary of the Company holds its remaining 10% stocks, so the Company holds its 99.7% stocks in the direct and indirect ways;

2. Subsidiaries acquired through business combination involving enterprises under common control

Full Name of Subsidiary	Type of Subsidiary	Registered Place	Nature of business	Registered Capital (ten thousand yuan)	Scope of Business	Actual Contribution at end of the period (ten thousand yuan)	Balance of other projects substantially constituting net investments to subsidiary	Shareholding ratio (%)	Voting right percentage (%)	Within consolidation scope (Y/N)	Minority equity interests (Yuan)	Amounts of minority equity interests to charge off minority equity gains and losses	Amounts of the excess of current losses undertaken by the subsidiary's minority shareholders and charged off by the parent company's equity interests than the shares held by the minority share
Zhuhai Landa Compressor Co., Ltd.	Wholly-owned subsidiary	Zhuhai City	Commercial manufacture	RMB 9,303	Production and sale of compressors	RMB 90,933		100	100	Yes			
Zhuhai Gree Electrical Co., Ltd.	Wholly-owned subsidiary	Zhuhai City	Commercial manufacture	RMB 16,932	Production and sale of varnished wires	RMB 20,395		100	100	Yes			
Zhuhai Gree Xinyuan Electronics Co., Ltd.	Wholly-owned subsidiary	Zhuhai City	Commercial manufacture	RMB 2,618	Production and sale of capacitors	RMB 5,926		100	100	Yes			
Zhuhai Gree Group Finance Company Limited	Holding subsidiary	Zhuhai City	Financial Services	RMB 150,000	Carry on the business approved by China Banking Regulatory Commission	RMB 141,437		89.25	89.25	Yes	253,000,794.51		
Zhuhai Meilingda Refrigeration Technology Co., Ltd.	Holding subsidiary of the wholly-owned subsidiary	Zhuhai City	Commercial manufacture	RMB 1,000	Production and sale of compressors	RMB 700		70	70	Yes	26,961,387.47		
Zhuhai Zhengang Foundry Co., Ltd.	Wholly-owned subsidiary of the wholly-owned subsidiary	Zhuhai City	Commercial manufacture	HKD50	Production and sale of metal precision casting parts	RMB 1,759		100	100	Yes			
Zhuhai Meiling General Motors Co., Ltd.	Holding grandson company of the wholly-owned subsidiary	Zhuhai City	Commercial manufacture	US\$625	Production and sale of compressors	RMB 1,959		100	100	Yes			
Gree Electric Enterprises (Maanshan) Ltd	Wholly-owned subsidiary of the wholly-owned subsidiary	Ma'anshan	Commercial manufacture	RMB 1,530	Production and sale of varnished wires	RMB 1,578		100	100	Yes			

The Company directly holds 88.31% of total stocks of Zhuhai Gree Group Finance Company Limited, and Zhuhai Gree Electrical Co., Ltd. and Zhuhai Gree Xinyuan Electronics Co., Ltd. as the wholly-owned subsidiaries of the Company respectively hold its 0.47% stocks, so the Company holds its 89.25% stocks in the direct and indirect ways.

3. Subsidiaries acquired through business combination not involving enterprises under common control

Full Name of Subsidiary	Type of subsidiary	Registered place	Nature of business	Registered Capital (ten thousand yuan)	Scope of business	Actual Contribution at end of the period (ten thousand yuan)	Balance of other projects substantially constituting net investments to subsidiary	Shareholding ratio (%)	Voting right percentage (%)	Within consolidation scope (Y/N)	Minority equity interests (Yuan)	Amounts of minority equity interests to charge off minority equity gains and losses	Amounts of the excess of current losses undertaken by the subsidiary's minority shareholders and charged off by the parent company's equity interests than the shares held by the minority share
Zhuhai Kaibang Motor Manufacture Co., Ltd.	Wholly-owned subsidiary	Zhuhai City	Commercial manufacture	RMB 8200	Production and sale of motors	RMB 8,386		100	100	Yes			
Hong Kong Gree Electric Appliances Sales Co., Ltd.	Wholly-owned subsidiary	Kowloon, Hong Kong	Sale	HKD10	Sale of air conditioners	HKD47.29		100	100	Yes			
Gree Electric Appliances (Shijiazhuang) Co., Ltd.	Wholly-owned subsidiary	Shijiazhuang	Commercial manufacture	RMB 10,000	Production and sale of air conditioners	RMB 9,894.01		100	100	Yes			

(2) Description for changes in the scope of consolidation

1). New subsidiaries incorporated in the scope of consolidated financial statements during the period

On 6 March 2013, the Company invested RMB 10 million to establish the subsidiary Zhuhai HVAC Equipment Co., Ltd and held its 100% equity. In 2013 it was incorporated in the consolidated financial statements.

On 13 March 2013, the Company invested RMB 5 million to establish the subsidiary Tianjin Green Renewable Resources Co., Ltd. and held its 100% equity. In 2013 it was incorporated in the consolidated financial statements.

On 12 April 2013, the Company invested RMB 30 million to establish the subsidiary Zhuhai TOSOT Life Electric Appliances Co., Ltd and held its 100% equity. In 2013 it was incorporated in the consolidated financial statements.

On 14 October 2013, the Company invested RMB 30 million to establish the subsidiary Zhuhai Ligao Precision Manufacturing Co., Ltd and held its 100% equity. In 2013 it was incorporated in the consolidated financial statements.

2). Subsidiaries not incorporated in the scope of consolidated financial statements during the period

In June 2013, Gree Electric Appliances (Chongqing) and Electronic Technology Co., Ltd was cancelled, so as of June 2013 it will not be included in the consolidated financial statements

(3) New subjects incorporated in the scope of consolidation and subjects not incorporated in the scope of consolidation during the current period

1). New subjects incorporated in the scope of consolidation during the current period

Name	Net assets of the end of the period (Yuan)	Net profit of the period (Yuan)
Tianjin Green Resources Recycling Co., Ltd.	5,000,000.00	-
Zhuhai HVAC Equipment Co., Ltd.	98,406,339.79	-1,593,660.21
Zhuhai TOSOT Home Appliances Co., Ltd.	30,100,196.10	100,196.10
Zhuhai Ligao Precision Manufacturing Co., Ltd.	25,744,464.76	-4,255,535.24

2). Subjects not incorporated in the scope of consolidation during the current period

Name	Net asset on the date of disposal (Yuan)	Net profit from the beginning of the period to date of disposal (Yuan)
Gree Electric Appliances (Chongqing) and Electronic Technology Co., Ltd.	17,263,912.34	829,801.64

(4) Treatment of conversion rate and translation differences of main items of the financial statements involving foreign entities in the consolidated financial statements

In the consolidated financial statements, Hong Kong Gree Electric Appliances Sales Co., Ltd. and its subsidiary Gree (America) Sales Co., Ltd., Gree Electric Appliances (Brazil) Co., Ltd. and its subsidiary Brazil United Electric Appliances Industry and Commerce Co., Ltd. are all foreign entities. For the translation method of foreign currency statements, please refer to the Notes 2 (9) - foreign currency transactions.

Exchange rate of main statements items of foreign operating entities

Exchange rate of main financial statements items of foreign operating entities included in financial statements that consolidated in the report period is: the asset and liability items in the balance sheets shall be translated at a spot exchange rate on the balance sheet date (\$ 1 = RMB 6.0969 , HK \$ 1 = RMB 0.7862 and 1BRL = RMB 2.5869). The owners' equity items, except the ones as "undistributed profits", shall be translated at the spot exchange rate at the time when they are incurred. Income statements and cash flow statements shall be translated at approximate exchange rate of the spot exchange rate of the transaction date (\$ 1 = RMB 6.1896, HK \$ 1 = RMB 0.7979 and 1 BRL = RMB 2.8715).

5. Description of important items in the notes to important items of consolidated financial statements

Unless specially indicated, the monetary unit of the data listed in this section shall be RMB yuan. "Beginning of the period" means 1 January 2013, "End of the period" means 31 December 2013, "Previous period" means the year 2012, "Current period" means the year 2013.

(1) Monetary capital

Item	Amount at the end of the period			Amount at the beginning of the period		
	Foreign currency amount	Conversion rate		Foreign currency amount	Conversion rate	
Cash:			2,183,756.28			1,667,396.41
RMB	2,113,183.87	1.0000	2,113,183.87	1,608,423.83	1.0000	1,608,423.83
Hong Kong dollar	23,390.92	0.7862	18,389.94	16,433.16	0.8109	13,325.65
U.S. dollar	819.30	6.0969	4,995.19	353.00	6.2855	2,218.78
BRL	5,539.00	2.5869	14,328.84	4,576.00	3.0201	13,819.98
Japanese yen	21,606.75	0.0578	1,248.87	23,718.00	0.0730	1,731.41
Rupee	54,115.53	0.0979	5,297.91			
New Zealand dollar	3.50	4.7857	16.75	80.00	5.1298	410.38
Pounds				370.00	10.1611	3,759.61
Singapore dollar				790.50	5.0929	4,025.94
Australian dollar	485.00	5.4301	2,633.60	765.00	6.5363	5,000.27
Euro	2,810.50	8.4189	23,661.31	1,765.00	8.3176	14,680.56
Bank deposits:			16,905,988,342.59			12,410,887,248.92
RMB	1,732,037,762.06	1.0000	1,732,037,762.06	2,309,071,214.27	1.0000	2,309,071,214.27
Hong Kong dollar	547,486,239.99	0.7862	430,433,681.88	11,657,723.89	0.8109	9,453,248.30
U.S. dollar	2,413,142,525.83	6.0969	14,712,688,665.74	1,298,659,918.35	6.2855	8,162,726,916.79
Japanese yen	1,917,392.21	0.0578	110,825.27	5,481,558.00	0.0730	400,153.73
Euro	488,316.03	8.4189	4,111,083.84	229,503,711.35	8.3176	1,908,920,069.52
BRL	10,285,022.15	2.5869	26,606,323.80	6,726,812.46	3.0201	20,315,646.31
Other monetary capital:			6,312,293,138.58			9,545,956,761.46
RMB	2,903,885,211.03	1.0000	2,903,885,211.03	5,704,342,722.02	1.0000	5,704,342,722.03
U.S. dollar	559,039,500.00	6.0969	3,408,407,927.55	611,186,705.82	6.2855	3,841,614,039.43
Deposits in central bank:	-		2,993,409,470.37			1,499,462,197.28
RMB	2,993,409,470.37	1.0000	2,993,409,470.37	1,499,462,197.28	1.0000	1,499,462,197.28
Deposits in other banks:			12,327,809,763.01			5,485,948,097.38
RMB	12,326,705,283.27	1.0000	12,326,705,283.27	5,484,811,883.97	1.0000	5,484,811,883.97
U.S. dollar	4,245.13	6.0969	25,882.13	4,218.72	6.2855	26,516.76
Hong Kong dollar	1,371,912.50	0.7862	1,078,597.61	1,368,475.34	0.8109	1,109,696.65
Total			38,541,684,470.83			28,943,921,701.45

Note: the margin deposit for the banker's acceptance bill in other monetary capital of the Company is RMB 2,521,537,489.74; the loan pledge margin is RMB 3,769,613,409.78; the reserve requirements on deposit in the Company's deposits in central bank is RMB 2,991,350,507.70.

(2) Transactional financial assets

Item	Amount at the end of the period	Amount at the beginning of the period
Derivative financial assets	1,246,106,661.88	263,460,017.40
Total	1,246,106,661.88	263,460,017.40

Note: The ending balance of the derivative financial instruments of the Company during the period is the income from changes in fair value generated from the unsettled foreign exchange forward contract.

(3) Notes receivable

Type of notes	Amount at the end of the period	Amount at the beginning of the period
Banker's acceptance bill	46,297,242,328.98	34,292,168,999.99
Total	46,297,242,328.98	34,292,168,999.99

Note: As of 31 December 2013, the amount of the pledged notes receivable was RMB 222,996,160.00, and the amount of the notes receivable which have been endorsed to others but not yet expired was RMB 27,286,928,460.98, and the amount of the notes receivable which have been discounted but not yet expired was RMB 1,500,000,000.00; the Company had no notes carried forward to the accounts receivable due to incapability of performance by the drawer during the period.

(4) Accounts receivable

1). The accounts receivable are disclosed by type:

Type	Amount at the end of the period			
	Book balance		Bad debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Accounts receivable with significant single amounts and single bad debt provision appropriated				
Accounts receivable with bad debt provision provided by combination				
Aging combination	1,952,883,810.66	97.22	103,608,467.87	5.31
Combination of other credit risks				
Subtotal of combinations	1,952,883,810.66	97.22	103,608,467.87	5.31
Accounts receivable with insignificant single amounts but single bad debt provision appropriated	55,900,113.07	2.78	55,900,113.07	100.00
Total	2,008,783,923.73	100.00	159,508,580.94	7.94

Continued

Type	Amount at the beginning of the period			
	Book balance		Bad debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Accounts receivable with significant single amounts and single bad debt provision appropriated				
Accounts receivable with bad debt provision provided by combination				
Aging combination	1,561,677,574.58	98.83	86,804,603.02	5.56
Combination of other credit risks				
Subtotal of combinations	1,561,677,574.58	98.83	86,804,603.02	5.56
Accounts receivable with insignificant single amounts but single bad debt provision appropriated	18,481,654.23	1.17	18,481,654.23	100.00
Total	1,580,159,228.81	100.00	105,286,257.25	6.66

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

Aging	Amount at the end of the period			Amount at the beginning of the period		
	Book balance		Bad debt provision	Book balance		Bad debt provision
	Amount	Percentage (%)		Amount	Percentage (%)	
Within 1 year	1,946,242,489.17	99.66	97,312,124.49	1,552,134,454.83	99.39	77,606,722.75
1 to 2 years	404,900.14	0.02	80,980.03	42,116.00	0.00	8,423.20
2 to 3 years	42,116.00	0.00	21,058.00	623,093.37	0.04	311,546.69
Over 3 years	6,194,305.35	0.32	6,194,305.35	8,877,910.38	0.57	8,877,910.38
Total	1,952,883,810.66	100.00	103,608,467.87	1,561,677,574.58	100.00	86,804,603.02

3). Accounts receivable with insignificant single amounts but single bad debt provision appropriated at the end of the year:

Name of debtor	Book balance	Bad debt provision	Percentage of appropriation (%)	Reason for appropriation
Client 1	4,715,115.32	4,715,115.32	100.00	Insolvency
Client 2	13,458,727.43	13,458,727.43	100.00	Bankruptcy
Client 3	307,811.48	307,811.48	100.00	Bankruptcy
Client 4	35,479,109.14	35,479,109.14	100.00	Bankruptcy
Client 5	1,939,349.70	1,939,349.70	100.00	Bankruptcy
Total	55,900,113.07	55,900,113.07		

4). As of 31 December 2013, among the accounts receivable, there was not any money owed to a voting entity shareholder holding 5% or more shares of the Company.

5). The top 5 debtors of accounts receivable

Name of entity	Relationship with the Company	Amount	Years	Percentage to total accounts receivable (%)
First	Non-related party	392,677,699.28	Within 1 year	19.55
Second	Non-related party	119,630,367.95	Within 1 year	5.96
Third	Non-related party	62,736,153.86	Within 1 year	3.12
Fourth	Non-related party	55,811,087.80	Within 1 year	2.78
Fifth	Non-related party	39,767,355.79	Within 1 year	1.98
Total		670,622,664.68		33.39

6). As of 31 December 2013, among the accounts receivable, there was not any amount receivable from related parties.

(5) Prepayments

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

Aging	Amount at the end of the period		Amount at the beginning of the period	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	1,202,825,889.73	80.27	1,478,286,686.63	84.97
1 to 2 years	228,274,823.66	15.23	235,890,859.47	13.56
2 to 3 years	60,593,031.79	4.04	25,333,992.44	1.46
Over 3 years	6,955,925.46	0.46	202,347.56	0.01
Total	1,498,649,670.64	100.00	1,739,713,886.10	100.00

2). The top 5 prepaying entities of the prepayments

Name of entity	Relationship with the Company	Amount	Time	Causes of arrears
Angang Steel Company Limited.	Non-related party	167,471,614.10	Within 1 year	Goods not received
Hebei Shougang Qian'an Iron & Steel Co., Ltd.	Non-related party	122,795,508.60	Within 1 year	Goods not received
Magang (Hefei) Iron and Steel Processing Co., Ltd.	Non-related party	117,739,623.84	Within 1 year	Goods not received
Guangzhou WISCO South China Marketing Co., Ltd.	Non-related party	108,115,534.33	Within 1 year	Goods not received
Guangzhou Bao Steel Southern Trading Co., Ltd.	Non-related party	72,283,877.41	Within 1 year	Goods not received
Total		588,406,158.28		

3). As of 31 December 2013, among the prepayments, there was not any money prepaid to a voting entity shareholder holding 5% or more shares of the Company.

(6) Interests receivable

Item	Amount at the end of the period	Amount at the beginning of the period
Interest on deposit	706,084,756.86	692,042,580.41
Loan interest	5,057,680.56	1,942,875.00
Interest of bond investment	18,417,205.48	16,869,771.16
Others		10,357.00
Total	729,559,642.90	710,865,583.57

(7) Other receivables

1). Other receivables are disclosed by type:

Type	Amount at the end of the period			
	Book balance		Bad debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Other receivables with significant single amounts and single bad debt provision appropriated				
Other receivables with bad debt provision appropriated by combination				
Aging combination	382,438,353.20	100.00	36,018,604.45	9.42
Combination of other credit risks				
Subtotal of combinations	382,438,353.20	100.00	36,018,604.45	9.42
Other receivables with insignificant single amounts but single bad debt provision appropriated				
Total	382,438,353.20	100.00	36,018,604.45	9.42

Continued

Type	Amount at the beginning of the period			
	Book balance		Bad debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Other receivables with significant single amounts and single bad debt provision appropriated				
Other receivables with bad debt provision appropriated by combination				
Aging combination	320,164,470.14	100.00	29,808,068.54	9.31
Combination of other credit risks				
Subtotal of combinations	320,164,470.14	100.00	29,808,068.54	9.31
Other receivables with insignificant single amounts but single bad debt provision appropriated				
Total	320,164,470.14	100.00	29,808,068.54	9.31

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

Aging	Amount at the end of the period			Amount at the beginning of the period		
	Book balance		Bad debt provision	Book balance		Bad debt provision
	Amount	Percentage (%)		Amount	Percentage (%)	
Within 1 year	342,711,477.25	89.62	17,135,572.90	284,906,994.74	88.99	14,245,349.77
1 to 2 years	21,887,289.11	5.72	4,377,458.82	23,482,517.55	7.33	4,696,503.52
2 to 3 years	6,668,028.27	1.74	3,334,014.15	1,817,485.19	0.57	908,742.59
Over 3 years	11,171,558.57	2.92	11,171,558.58	9,957,472.66	3.11	9,957,472.66
Total	382,438,353.20	100.00	36,018,604.45	320,164,470.14	100.00	29,808,068.54

3). The top 5 debtors of other receivables

Name of entity	Relationship with the Company	Amount	Years	Percentage to total other receivables (%)
Jinrui Futures Co., Ltd.	Non-related party	170,162,028.73	Within 1 year	44.49
Zhengzhou High-Tech Industrial Development Zone Accounting Service Center	Non-related party	14,382,900.00	Within 1 year	3.76
Hefei Gas Group Co., Ltd.	Non-related party	3,264,872.40	Within 1 year	0.85
Wuhan Labor and Social Security Supervision Team	Non-related party	2,500,000.00	1 to 2 years	0.65
China Resources Gas Co., Ltd	Non-related party	1,160,000.00	Within 1 year	0.30
Total		191,469,801.13		50.05

4). As of 31 December 2013, among the other receivables, there was not any amount receivable from related parties.

(8) Inventories

1). Type of inventories

Item	Amount at the end of the period		
	Book balance	Provision for price fall	Carrying amount
Raw material	5,365,668,616.08	84,887,853.04	5,280,780,763.04
Goods in process	2,081,236,417.97		2,081,236,417.97
Finished goods	5,848,856,641.44	88,143,396.67	5,760,713,244.77
Total	13,295,761,675.49	173,031,249.71	13,122,730,425.78

Continued

Item	Amount at the beginning of the period		
	Book balance	Provision for price fall	Carrying amount
Raw material	5,613,005,938.38	75,073,112.48	5,537,932,825.90
Goods in process	1,388,555,920.98		1,388,555,920.98
Finished goods	10,341,885,771.98	33,331,956.16	10,308,553,815.82
Total	17,343,447,631.34	108,405,068.64	17,235,042,562.70

2). Provision for obsolete stocks

Type of inventories	Amount at the beginning of the period	Amount of appropriation for the current period	Decrease for the current period		Amount at the end of the period
			Reversed amount	Write-off amount	
Raw material	75,073,112.48	9,814,740.56			84,887,853.04
Finished goods	33,331,956.16	54,811,440.51			88,143,396.67
Total	108,405,068.64	64,626,181.07			173,031,249.71

3). Description of provision for obsolete stocks

Item	Basis to appropriate the provision for obsolete stocks	Cause for reversal to provision for obsolete stocks for the current period	Percentage of reversed amount for the current period to ending balance of the inventories (%)
Raw material	Cost is higher than net realizable value		
Goods in process	Cost is higher than net realizable value	The market price picks up	0.13
Finished goods	Cost is higher than net realizable value		

(9) Other current assets

Item	Amount at the end of the period	Amount at the beginning of the period
Hedging instruments	15,205,287.36	13,752,940.26
Hedging instrument margin	85,648,602.00	123,490,057.50
Total	100,853,889.36	137,242,997.76

(10) Disbursement of loans and advances

1). Schedule of disbursement of loans and advances

Item	Amount at the end of the period	Amount at the beginning of the period
Disbursement of loans and advances		
Disbursement of loans	2,224,000,000.00	1,039,500,000.00
Wherein: pledged loans	2,224,000,000.00	1,039,500,000.00
Discounted value	2,459,347,320.64	1,103,243,133.00
Subtotal	4,683,347,320.64	2,142,743,133.00
Total disbursement of loans and advances	4,683,347,320.64	2,142,743,133.00
Less: loan loss provision	117,891,621.73	53,839,698.01
Including: single appropriation		
Combined appropriation	117,891,621.73	53,839,698.01
Carrying amount of disbursement of loans and advances	4,565,455,698.91	2,088,903,434.99

2). Changes in loss provision for disbursement of loans and advances

Item	Amount at the end of the period		Amount at the beginning of the period	
	Single	Combined	Single	Combined
Balance at the beginning of the year		53,839,698.01		
Appropriation for the current year		64,051,923.72		53,839,698.01
Amount transferred out in the current year				
Write-off amount in the current year				
Amount recovered in the current year				
Amounts recovered from receipt of previously amortized loans and advances				
Amounts recovered from appreciation of discounted value of loans and advances				
Amounts recovered from other factors				
Balance at the end of the period		117,891,621.73		53,839,698.01

(11) Financial assets available for sale**1). Classification of financial assets available for sale**

Item	Amount at the end of the period	Amount at the beginning of the period
Bonds available for sale	805,932,600.00	544,912,450.00
Others		10,000,000.00
Total	805,932,600.00	554,912,450.00

2). Long-term debt investment of financial assets available for sale

Item of bond	Type of bond	Par value	Initial investment cost	Maturity date	Balance at the beginning of the year	Interest of current period	Accumulated interest	Ending balance
State Grid bond	State Grid bonds	350,000,000.00	344,572,550.00	2020-2-5	346,077,550.00	16,585,653.48	31,589,178.07	327,135,200.00
SDIC	State Grid bonds	100,000,000.00	98,102,399.99	2014-11-20	100,347,200.00	4,790,000.00	5,341,178.08	98,711,800.00
Railway	Railway bond	200,000,000.00	195,338,400.00	2019-9-22	98,487,700.00	10,941,369.88	13,532,054.81	186,446,400.00
State Grid	State Grid bonds	200,000,000.00	200,000,000.00	2016-12-23		9,810,410.96	9,810,410.96	193,639,200.00
Total		850,000,000.00	838,013,349.99		544,912,450.00	42,127,434.32	60,272,821.92	805,932,600.00

(12) Investment to joint venture and partnership

Name of invested entities	Shareholding ratio of the Company (%)	Percentage of voting rights in the invested entity held by the Company (%)	Total assets at the end of the period	Total liabilities at the end of the period	Total net assets at the end of the period	Total operating revenues for the current period	Net profit for the current period
1. Partnership							
Songyuan Food Group Co., Ltd.	50.00	50.00	120,975,939.51	3,796,976.73	117,178,962.78	9,644,221.44	-2,797,553.37
Subtotal			120,975,939.51	3,796,976.73	117,178,962.78	9,644,221.44	-2,797,553.37
2. Joint venture							
(Vietnam) Gree Electric Appliances, Inc.	31.25	33.75					
Zhuhai Lida International Supply China Management Co., Ltd.	30.00	30.00	5,947,681.77	99,212.45	5,848,469.32		-24,920.95
Liaowang All Media Communication Co., Ltd.	49.00	49.00	67,814,825.36	15,851,986.52	51,962,838.84	60,919,083.58	5,472,313.60
Beijing Gree Technology Co., Ltd.	15.00	15.00	40,010,465.52	35,173,720.51	4,836,745.01	96,671,183.84	1,286,792.29
Chongqing Pargo Mechanical Equipment Co., Ltd.	38.70	38.70	38,892,033.41	10,372,115.23	28,519,918.18	24,268,913.97	2,986,673.60
Subtotal			152,665,006.06	61,497,034.71	91,167,971.35	181,859,181.39	9,720,858.54
Total			273,640,945.57	65,294,011.44	208,346,934.13	191,503,402.83	6,923,305.17

Note: 1. Investment to (Vietnam) Gree Electric Appliances, Inc. has appropriated the provision for impairment in full, at present the Company has not participated in its production, operation and management.

2. In December 2013, the Company and Songyuan Financial Investment Management Center jointly established Songyuan Food Group Limited and its registered capital is RMB 121.2 million. The Company subscribed RMB 60.6 million, accounting for 50% of the registered capital.

3. In September 2012, the Company purchased from Chongqing Shiji Jingxin Industrial (Group) Co., Ltd. 38.7% of total stocks of Chongqing Pargo Mechanical Equipment Co., Ltd. held by it, and the transfer price was RMB 8,503,918.85. As of 31 December 2013, the Company actually paid a total sum of stock transfer of RMB 8,503,918.85 and held 38.7% of total stocks of Chongqing Pargo Mechanical Equipment Co., Ltd.

(13) Long-term equity investments

1). Classification

Item	Amount at the end of the period		Amount at the beginning of the period	
	Amount	Provision for impairment	Amount	Provision for impairment
Investments to joint venture	58,589,481.39			
Investments to joint venture	40,919,061.26	1,940,009.35	30,100,001.65	1,940,009.35
Other equity investments	900,000.00	900,000.00	900,000.00	900,000.00
Total	100,408,542.65	2,840,009.35	31,000,001.65	2,840,009.35

2). Long-term equity investments

Name of invested entities	Accounting method	Investment cost	Amount at the beginning of the period	Increase/decrease	Amount at the end of the period	Shareholding ratio in the invested entity (%)
Zhuhai Dasheng Co. Ltd.	Cost method	900,000.00	900,000.00		900,000.00	3.13
Chongqing Pargo Mechanical Equipment Co., Ltd.	Equity method	8,503,918.85	2,964,409.70	8,072,798.64	11,037,208.34	38.7
(Vietnam) Gree Electric Appliances, Inc.	Equity method	10,572,422.97	1,940,009.35		1,940,009.35	31.25
Zhuhai Lida International Supply China Management Co., Ltd.	Equity method	1,760,000.00	1,762,016.81	-7,476.02	1,754,540.79	30.00
Liaowang All Media Communication Co., Ltd.	Equity method	24,500,000.00	22,901,072.89	2,560,718.14	25,461,791.03	49.00
Beijing Gree Technology Co., Ltd.	Equity method	300,000.00	532,492.90	193,018.85	725,511.75	15.00
Songyuan Food Group Co., Ltd.	Equity method	60,600,000.00		58,589,481.39	58,589,481.39	50.00
Total		107,136,341.82	31,000,001.65	69,408,541.00	100,408,542.65	

Continued

Name of invested entities	Percentage of voting rights in the invested entity (%)	Description of inconsistency between the shareholding ratio and percentage of voting rights in the invested entity	Provision for impairment	Appropriation of provision for impairment for the current period	Cash dividend for the current period
Zhuhai Dasheng Co. Ltd.	3.13		900,000.00		
Chongqing Pargo Mechanical Equipment Co., Ltd.	38.70				
(Vietnam) Gree Electric Appliances, Inc.	33.75	The shareholding ratio of the Company in the invested entity is 31.25%, of which 2.5% stocks are founder's stocks which are entitled to double vote. The percentage of voting rights of the Company in the invested entity is in total 33.75%.	1,940,009.35		

Name of invested entities	Percentage of voting rights in the invested entity (%)	Description of inconsistency between the shareholding ratio and percentage of voting rights in the invested entity	Provision for impairment	Appropriation of provision for impairment for the current period	Cash dividend for the current period
Zhuhai Lida International Supply China Management Co., Ltd.	30.00				
Liaowang All Media Communication Co., Ltd.	49.00				
Beijing Gree Technology Co., Ltd.	15.00				
Songyuan Food Group Co., Ltd.	50.00				
Total			2,840,009.35		

(14) Investment real estate

Item	Amount at the beginning of the period	Increase in the current period	Decrease for the current period	Amount at the end of the period
1. Total of original carrying amount	235,950,395.79	312,284,456.47		548,234,852.26
Houses and buildings	235,950,395.79	312,284,456.47		548,234,852.26
2. Total of accumulated depreciation and accumulated amortization	27,941,266.03	17,237,123.55		45,178,389.58
Houses and buildings	27,941,266.03	17,237,123.55		45,178,389.58
3. Total net carrying amount of investment real estate	208,009,129.76			503,056,462.68
Houses and buildings	208,009,129.76			503,056,462.68
4. Total amount of provisions for impairment of investment real estate				
Houses and buildings				
5. Total carrying amount of investment real estate	208,009,129.76			503,056,462.68
Houses and buildings	208,009,129.76			503,056,462.68

Note: The investment real estate is measured at cost, and the amount of depreciation appropriated for the current period is RMB 17,237,123.55; there was no impairment of investment real estate during the current period.

(15) Fixed assets

1). Schedule of fixed assets

Item	Amount at the beginning of the period	Increase in the current period	Decrease for the current period	Amount at the end of the period
1. Total of original carrying amount:	16,433,587,088.53	2,752,382,091.82	701,828,381.53	18,484,140,798.82
Including: Houses and buildings	8,296,333,988.43	1,558,558,442.67	293,370,239.07	9,561,522,192.03

Item	Amount at the beginning of the period	Increase in the current period		Decrease for the current period	Amount at the end of the period
Machinery equipment	6,768,996,483.56	1,051,262,177.47		290,485,363.73	7,529,773,297.30
Electronic equipment	612,322,459.30	68,264,527.66		68,842,035.38	611,744,951.58
Means of transportation	412,030,767.41	59,518,911.92		21,729,552.82	449,820,126.51
Other equipments	343,903,389.83	14,778,032.10		27,401,190.53	331,280,231.40
		Appropriation for the current period	New increase for the current period		
2. Total accumulated depreciation:	3,725,006,521.01	1,128,518,328.01		410,404,607.77	4,443,120,241.25
Including: Houses and buildings	842,180,333.25	293,578,910.65		9,764,656.14	1,125,994,587.76
Machinery equipment	2,274,673,480.92	634,213,427.85		287,538,589.17	2,621,348,319.60
Electronic equipment	338,741,712.54	82,582,397.24		66,009,599.24	355,314,510.54
Means of transportation	140,273,854.53	64,921,598.60		20,649,767.40	184,545,685.73
Other equipments	129,137,139.77	53,221,993.67		26,441,995.82	155,917,137.62
3. Total net carrying amount of fixed assets	12,708,580,567.52				14,041,020,557.57
Including: Houses and buildings	7,454,153,655.18				8,435,527,604.27
Machinery equipment	4,494,323,002.64				4,908,424,977.70
Electronic equipment	273,580,746.76				256,430,441.04
Means of transportation	271,756,912.88				265,274,440.78
Other equipments	214,766,250.06				175,363,093.78
4. Total provision for impairment	8,186,278.20			1,304,135.08	6,882,143.12
Including: Houses and buildings					
Machinery equipment	7,455,350.58			1,052,785.01	6,402,565.57
Electronic equipment	137,127.65			11,932.02	125,195.63
Means of transportation					
Other equipments	593,799.97			239,418.05	354,381.92
5. Total carrying amount of fixed assets	12,700,394,289.32				14,034,138,414.45
Including: Houses and buildings	7,454,153,655.18				8,435,527,604.27
Machinery equipment	4,486,867,652.06				4,902,022,412.13
Electronic equipment	273,443,619.11				256,305,245.41
Means of transportation	271,756,912.88				265,274,440.78
Other equipments	214,172,450.09				175,008,711.86

Note: The amount of depreciation appropriated for the current period is RMB 1,128,518,328.01. The original price of construction in progress transferred into fixed assets during the period is RMB 1,984,440,499.92. As of 31 December 2013, the original value of

fixed assets of which the certificate of title has not yet obtained by the Company is RMB 6,217,273,492.88.

(16) Construction in progress

1). Schedule of construction in progress

Item	Amount at the end of the period			Amount at the beginning of the period		
	Book balance	Provision for impairment	Net carrying amount	Book balance	Provision for impairment	Net carrying amount
Total	1,875,672,443.53	13,995,429.77	1,861,677,013.76	2,318,313,343.69	13,995,429.77	2,304,317,913.92

2. Changes of major construction projects in progress

Name of project	Amount at the beginning of the period	Increase in the current period	Amount transferred into fixed assets	Other decrease	Amount of capitalization of interests	Including: Amount of capitalization of interests for the current period	Interest capitalization rate for the current period (%)	Source of Funds	Amount at the end of the period
Gree Hong Lok Yuen Phase II	120,314,336.98	83,528,926.08						Self-raised funds	203,843,263.06
Zhuhai Phase 9 project	172,684,126.53	21,210,799.47	193,894,926.00					Self-raised\raise d funds	
Electrical plant project	18,630,034.10	1,242,322.04	598,185.95					Self-raised funds	19,274,170.19
Ma'anshan project	48,480,519.23	1,606,466.48	49,428,985.71					Self-raised funds	658,000.00
Longshan compressor Phase II project	88,538,503.37	152,150.00	88,538,503.37					Self-raised funds	152,150.00
Gree Daikin Mold Phase I project	358,320.51	1,769,701.83	2,128,022.34					Self-raised funds	
Gree Daikin mechanical and electrical engineering	3,690,775.07	5,171,177.45	2,538,553.47					Self-raised funds	6,323,399.05
Chongqing Gree project	333,168,946.11	115,388,849.60						Self-raised funds	448,557,795.71
Hefei Landa compressor project	1,706,499.24	10,754,827.32	10,754,827.32					Self-raised\raise d funds	1,706,499.24
Wuhu Gree project	605,947,040.34	326,172,765.96	454,622,757.55					Self-raised funds	477,497,048.75
Hefei Gree project		177,884,902.18	158,970,684.78	18,914,217.40				Self-raised funds	
Zhengzhou Gree Phase I project	346,387,177.60	165,115,905.31	74,420,240.95					Self-raised funds	437,082,841.96
Zhengzhou Green Project	25,832,452.74	2,887,344.08						Self-raised funds	28,719,796.82
Wuhan Gree project	235,058,991.25	425,398,328.03	597,247,553.01					Self-raised funds	63,209,766.27
Shijiazhuang Gree project	66,284,647.42	72,266,242.42	24,456.70					Self-raised funds	138,526,433.14
Shijiazhuang Household Appliances Phase I project	2,555,670.77	6,622,605.41						Self-raised funds	9,178,276.18
Other projects	248,675,302.43	143,540,503.50	351,272,802.77					Self-raised funds	40,943,003.16
Total	2,318,313,343.69	1,560,713,817.16	1,984,440,499.92	18,914,217.40					1,875,672,443.53

3. Provision for impairment of construction in progress

Item	Amount at the beginning of the period	Increase in the current period	Decrease for the current period	Amount at the end of the period	Cause of appropriation
Electrical plant project	13,995,429.77			13,995,429.77	The plant can not be used because the foundations have subsided.
Total	13,995,429.77			13,995,429.77	

(17) Intangible assets

Item	Amount at the beginning of the period	Increase in the current period	Decrease for the current period	Amount at the end of the period
1. Total of original carrying amount	1,780,643,679.79	784,015,733.95	422,469.00	2,564,236,944.74
(1). Land use rights	1,764,634,718.89	781,909,866.25		2,546,544,585.14
(2). Industrial property rights and know-how	16,008,960.90	2,105,867.70	422,469.00	17,692,359.60
2. Total accumulated amortization	145,370,714.67	49,107,763.02	421,208.24	194,057,269.45
(1). Land use rights	138,838,355.41	47,238,823.07		186,077,178.48
(2). Industrial property rights and know-how	6,532,359.26	1,868,939.95	421,208.24	7,980,090.97
3. Total net carrying amount of intangible assets	1,635,272,965.12			2,370,179,675.29
(1). Land use rights	1,625,796,363.48			2,360,467,406.66
(2). Industrial property rights and know-how	9,476,601.64			9,712,268.63
4. Total provision for impairment				
(1). Land use rights				
(2). Industrial property rights and know-how				
5. Total carrying amount of intangible assets	1,635,272,965.12			2,370,179,675.29
(1). Land use rights	1,625,796,363.48			2,360,467,406.66
(2). Industrial property rights and know-how	9,476,601.64			9,712,268.63

(18) Long-term deferred expenses

Item	Amount at the beginning of	Increase for the current period	Amortization for the current period	Other decreases	Amount at the end of the period
Long-term deferred	48,089,330.59	29,873,310.38	35,297,385.63		42,665,255.34
Total	48,089,330.59	29,873,310.38	35,297,385.63		42,665,255.34

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

(1) Recognized deferred income tax assets and deferred income tax liabilities

Item	Amount at the end of the period	Amount at the beginning of the period
Deferred income tax assets:		
Assets depreciation reserves	68,759,284.04	45,880,246.06
Deductible loss	16,244,325.84	34,931,950.34
Accrued but unpaid expenses	5,061,994,433.94	2,656,746,274.76
Payroll payable	216,054,032.89	118,718,532.91
Changes in fair value of financial assets available for sale	8,706,111.33	
Long-term assets amortization	184,551,430.08	
Others	126,303,563.79	54,808,194.16
Subtotal	5,682,613,181.91	2,911,085,198.23
Deferred income tax liabilities:		
Interests receivable	130,189,704.17	114,464,333.65
Changes in fair value of financial assets available for sale		1,563,837.38
Hedging instruments	2,280,793.10	2,062,941.04
Trading financial assets	191,862,108.86	42,314,325.84
Others	4,610,448.36	
Subtotal	328,943,054.49	160,405,437.91

(2) Schedule of deductible temporary differences and taxable temporary differences

Item	Amount of temporary differences
Deductible temporary differences:	
Assets depreciation reserves	383,478,965.39
Deductible loss	66,911,547.28
Accrued but unpaid expenses	33,737,663,547.17
Payroll payable	1,328,321,713.94
Changes in fair value of financial assets available for sale	34,824,445.33
Amortization of long-term assets	1,188,986,320.05
Others	739,853,265.24
Subtotal	37,480,039,804.40
Taxable temporary differences:	
Interests receivable	729,559,642.90
Hedging instruments	15,205,287.36
Trading financial assets	1,246,106,661.88
Others	18,458,185.41
Subtotal	2,009,329,777.55

(20) Schedule of assets depreciation reserves

Item	Amount at the beginning of the period	Increase in the current period	Decrease for the current period		Amount at the end of the period
			Reversed amount	Write-off amount	
Bad debt provision	135,094,325.79	63,714,878.83		3,282,019.23	195,527,185.39
Provision for obsolete stocks	108,405,068.64	64,626,181.07			173,031,249.71
Provision for impairment of long-term equity investment	2,840,009.35				2,840,009.35
Fixed assets depreciation reserves	8,186,278.20			1,304,135.08	6,882,143.12
Provision for impairment of construction in progress	13,995,429.77				13,995,429.77
Loan loss provision	53,839,698.01	64,051,923.72			117,891,621.73
Total	322,360,809.76	192,392,983.62		4,586,154.31	510,167,639.07

(21) Short-term borrowings

Item	Amount at the end of the period	Amount at the beginning of the period
Pledge loans	2,716,971,153.31	3,520,642,063.91
Borrowing on credit	600,000,000.00	
Total	3,316,971,153.31	3,520,642,063.91

Note: As of 31 December 2013, the pledge loans with a balance of RMB 2,716,971,153.31 were foreign exchange loans pledged by time deposit certificate, among the ending balance of the short-term borrowings, there was not any borrowing that has expired but not yet repaid.

(22) Borrowings from central bank

Item	Amount at the end of the period	Amount at the beginning of the period
Bill rediscount	37,413,972.46	
Total	37,413,972.46	

(23) Deposits from customers and interbank

Item	Amount at the end of the period	Amount at the beginning of the period
Current deposits	2,214,780.74	21,267,418.63
Time deposits	40,050,715.00	59,810,592.35
Draft deposits	500,000,000.00	
Total	542,265,495.74	81,078,010.98

(24) Loans from other banks

Item	Amount at the end of the period	Amount at the beginning of the period
Credit lending	300,000,000.00	
Total	300,000,000.00	

(25) Notes payable

Item	Amount at the end of the period	Amount at the beginning of the period
Banker's acceptance bill	8,230,208,196.99	7,983,581,180.17
Total	8,230,208,196.99	7,983,581,180.17

Note: As of 31 December 2013, among the notes payable, there were not any notes payable to a voting entity shareholder holding 5% or more shares of the Company.

(26) Accounts payable

1). Classification

Item	Amount at the end of the period	Amount at the beginning of the period
Within 1 year	26,752,894,610.94	22,355,490,705.01
1 to 2 years	537,921,487.11	173,690,378.71
2 to 3 years	99,399,179.52	94,838,669.27
Over 3 years	44,279,388.15	40,991,860.67
Total	27,434,494,665.72	22,665,011,613.66

2). As of 31 December 2013, among the accounts payable, for the accounts payable to a voting entity shareholder holding 5% or more shares of the Company or related parties, please refer to the Notes 6 (6).

(27) Advance received from customers

1). Classification

Item	Amount at the end of the period	Amount at the beginning of the period
Within 1 year	11,964,249,413.54	16,608,273,583.83
1 to 2 years	21,602,609.54	21,648,705.56
2 to 3 years	442,323.36	140,926.36
Over 3 years	139,394.84	49,985.08
Total	11,986,433,741.28	16,630,113,200.83

2). As of 31 December 2013, for the advance received from a voting entity shareholder holding 5% or more shares of the Company or other related parties, please refer to the Notes 6 (6).

(28) Financial assets sold for repurchase

Item	Amount at the end of the period	Amount at the beginning of the period
Bonds (Pledge-style Repo)	186,000,000.00	350,000,000.00
Total	186,000,000.00	350,000,000.00

(29) Payroll payable

Item	Amount at the beginning of the period	Increase in the current period	Decrease for the current period	Amount at the end of the period
1. Wages, bonuses, subsidies and allowances	1,150,339,609.26	4,382,123,288.01	4,148,613,438.49	1,383,849,458.78
2. Employee welfares		379,680,385.24	379,680,385.24	
3. Social insurance premiums	662,522.61	488,257,791.83	486,716,073.78	2,204,240.66
Including: 1. Medical insurance premium	12,644.84	103,462,697.98	102,973,687.89	501,654.93
2. Basic endowment insurance premium	641,761.89	325,994,555.89	325,095,911.12	1,540,406.66
3. Unemployment insurance premium	3,893.90	30,306,003.61	30,228,795.42	81,102.09
4. Industrial injury insurance premium	2,594.26	16,122,096.84	16,084,032.72	40,658.38
5. Birth insurance premium	1,627.72	12,059,596.82	12,020,805.93	40,418.61
6. Accident insurance premium		312,840.68	312,840.68	
4. Housing accumulation funds	539,278.83	85,001,889.91	85,046,279.91	494,888.83
5. Others	206,130,993.25	117,096,765.17	69,620,768.30	253,606,990.12
1. Labour union expenditures	44,352,273.03	68,168,613.85	61,670,249.22	50,850,637.66
2. Employee education funds	161,490,123.66	48,447,941.57	7,680,077.67	202,257,987.56
3. Others	288,596.56	480,209.75	270,441.41	498,364.90
Total	1,357,672,403.95	5,452,160,120.16	5,169,676,945.72	1,640,155,578.39

Note: There was no amount in arrears in the payroll payable at the end of the period, and the balances of the labour union expenditures and employee education funds at the end of the period were RMB 253,108,625.22.

(30) Taxes payable

Item	Amount at the end of the period	Amount at the beginning of the period
1. Added-value tax	2,132,179,090.06	459,511,336.74
2. House property tax	34,638,527.54	12,200,454.50
3. Urban maintenance & construction tax	248,410,886.12	108,614,525.19
4. Educational surcharges	175,830,346.56	72,277,634.59
5. Business tax	5,272,881.54	4,397,814.22
6. Business income tax	3,533,566,618.60	1,841,329,085.39
7. Individual income tax	15,824,926.39	1,211,110.00
8. Land use tax	7,784,719.68	5,003,945.86
9. Embankment protection fee	7,493,497.52	2,638,701.01
10. Stamp duty	791,624.76	418,846.69
11. Others	-4,306,501.40	14,496,897.26
Total	6,157,486,617.37	2,522,100,351.45

(31) Interests payable

Item	Amount at the end of the period	Amount at the beginning of the period
Loan interest	20,392,906.45	18,578,897.04
Interest on customer bank deposits	4,985,085.83	402,653.56
Interest from financial assets sold for repurchase	102,300.00	1,217,547.95
Total	25,480,292.28	20,199,098.55

(32) Dividends payable

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

(33) Other payables

1). Classification

Item	Amount at the end of the period		Amount at the beginning of the period	
	Carrying amount	Percentage (%)	Carrying amount	Percentage (%)
Within 1 year	2,289,069,825.84	47.75	4,582,858,777.01	84.22
1 to 2 years	1,838,366,492.69	38.35	663,455,076.29	12.19
2 to 3 years	627,581,607.77	13.09	142,713,289.77	2.62
Over 3 years	38,760,559.05	0.81	52,587,747.86	0.97
Total	4,793,778,485.35	100.00	5,441,614,890.93	100.00

Note: The sums of money with the aging more than one year are mainly margins and infrastructure advances.

2). As of 31 December 2013, among the other payables, there was not any amount payable to a voting entity shareholder holding 5% or more shares of the Company or related parties.

(34) Non-current liabilities due within one year

1). Classification

Item	Amount at the end of the period	Amount at the beginning of the period
Long-term borrowings due within one year	923,447,998.14	2,513,763,694.23
Total	923,447,998.14	2,513,763,694.23

2). Long-term borrowings due within one year

Item	Amount at the end of the period	Amount at the beginning of the period
Pledge loans	923,447,998.14	2,513,763,694.23
Total	923,447,998.14	2,513,763,694.23

(35) Other current liabilities

Item	Amount at the end of the period	Amount at the beginning of the period
Installation and repair costs	1,796,367,522.09	1,369,570,640.58
Sales rebate	28,827,378,989.77	14,346,498,887.77
Others	292,622,951.82	27,805,525.97
Total	30,916,369,463.68	15,743,875,054.32

(36) Long-term borrowings

1). Classification of long-term borrowings

Item	Amount at the end of the period	Amount at the beginning of the period
Pledge loans	1,168,772,867.59	984,463,173.32
Borrowing on credit	206,575,575.20	
Total	1,375,348,442.79	984,463,173.32

2). The top 5 lenders of long-term borrowings

Loan unit	Start date	Termination date	Currency	Amount at the end of the period		Conditions of loan
				Foreign currency amount	Amount in local currency	
First	2013-1-22	2015-1-22	USD	80,000,000.00	487,752,000.00	Pledged
Second	2012-3-29	2015-3-27	USD	32,998,938.36	201,191,227.29	Pledged
Third	2013-12-27	2015-12-18	USD	31,356,332.64	191,176,424.47	Credit
Fourth	2013-5-24	2015-5-22	USD	17,196,719.09	104,846,676.62	Pledged
Fifth	2013-4-25	2015-4-25	USD	12,550,306.13	76,517,961.44	Pledged
Total				174,102,296.22	1,061,484,289.82	

(37) Other non-current liabilities

Item	Amount at the end of the period	Amount at the beginning of the period
Deferred income	39,920,603.17	11,469,703.49
Total	39,920,603.17	11,469,703.49

(38) Stock capital

Item	Amount at the beginning of the period	Increase/Decrease for the period (+, -)					Amount at the end of the period
		New Issue	Bonus Issue	Stock Converted from Reserve	Others	Subtotal	
Total number of stocks	3,007,865,439.00						3,007,865,439.00

(39) Capital reserves

Item	Amount at the beginning of the period	Increase in the current period	Decrease for the current period	Amount at the end of the period
Capital premium (capital stock premium)	3,114,318,892.05			3,114,318,892.05
Other capital reserves	72,856,980.23		11,061,562.19	61,795,418.04
Total	3,187,175,872.28		11,061,562.19	3,176,114,310.09

(40) Surplus reserves

Item	Amount at the beginning of the period	Increase in the current period	Decrease for the current period	Amount at the end of the period
Statutory surplus reserve	1,989,000,298.98			1,989,000,298.98
Discretionary surplus reserve	969,088,265.45			969,088,265.45
Total	2,958,088,564.43			2,958,088,564.43

(41) General Risk Provisions

Item	Amount at the beginning of the period	Increase in the current period	Decrease for the current period	Amount at the end of the period
General risk provisions	7,593,539.68	39,520,527.04		47,114,066.72
Total	7,593,539.68	39,520,527.04		47,114,066.72

(42) Undistributed profit

Item	Amount	Proportion of appropriation or distribution
Undistributed profit at the end of previous year before adjustment	17,572,277,003.95	
Total amount of adjusted undistributed profit at the beginning of the year (profit increase adjusted expressed with "+" and profit decrease adjusted expressed with "-")		
Undistributed profit at the beginning of the year after adjustment	17,572,277,003.95	
Add: Net profit attributable to owners of parent company for the current period	10,870,672,842.47	
Less: Appropriation of statutory surplus reserve		
Appropriation of discretionary surplus reserve		
Appropriation of general risk provisions	39,520,527.04	
Ordinary stock dividends payable	3,007,865,439.00	Distribute RMB 10.00 per 10 stocks (tax included)
Ordinary stock dividends transferred to stock capital		
Undistributed profit at the end of the period	25,395,563,880.38	

(43) Operating revenues and operating costs

1). Operating revenues and operating costs

Item	Amount for the current period	Amount for the previous period
Operating Revenue	120,043,070,005.50	100,110,108,848.26
Including: Prime operating revenue	108,052,844,520.69	91,248,254,915.96
Other operating revenue	11,990,225,484.81	8,861,853,932.30
Operating Cost	80,878,167,709.46	73,434,010,276.42
Including: Prime operating cost	71,219,846,531.15	66,370,257,422.23
Other operating cost	9,658,321,178.31	7,063,752,854.19

2). Main business (classified by industry)

Name of industry	Amount for the current period		Amount for the previous period	
	Operating Revenue	Operating Cost	Operating Revenue	Operating Cost
Household appliances manufacturing	108,052,844,520.69	71,219,846,531.15	91,248,254,915.96	66,370,257,422.23
Total	108,052,844,520.69	71,219,846,531.15	91,248,254,915.96	66,370,257,422.23

3). Main business (classified by product)

Name of product	Amount for the current period		Amount for the previous period	
	Operating Revenue	Operating Cost	Operating Revenue	Operating Cost
Air Conditioner	105,487,901,617.95	69,085,322,534.06	88,886,091,863.25	64,411,756,737.38
Household Appliances	1,617,926,821.24	1,296,614,727.67	1,452,989,500.63	1,124,294,624.81
Others	947,016,081.50	837,909,269.42	909,173,552.08	834,206,060.04
Total	108,052,844,520.69	71,219,846,531.15	91,248,254,915.96	66,370,257,422.23

4). Main business (classified by region)

Name of region	Amount for the current period		Amount for the previous period	
	Operating Revenue	Operating Cost	Operating Revenue	Operating Cost
Domestic sales	92,051,726,504.66	57,156,463,906.86	75,458,160,917.80	52,784,837,671.57
Export sales	16,001,118,016.03	14,063,382,624.29	15,790,093,998.16	13,585,419,750.66
Total	108,052,844,520.69	71,219,846,531.15	91,248,254,915.96	66,370,257,422.23

5). Operating revenues of the top 5 clients of the Company

Name of entity	Sales revenue	Proportion to total sales revenues of the Company (%)
First	8,533,547,842.68	7.11
Second	8,465,553,262.43	7.05
Third	6,646,584,501.30	5.54
Fourth	6,370,617,685.02	5.31
Fifth	5,954,671,887.98	4.96
Total	35,970,975,179.41	29.97

(44) Business tax and surcharges

Item	Amount for the current period	Amount for the previous period	Calculation and payment standard
Urban maintenance & construction tax	507,123,737.67	284,059,922.57	See the Notes 3
Educational surcharges	366,116,172.32	199,173,453.85	See the Notes 3
Embankment protection fee	35,599,887.70	34,832,321.87	See the Notes 3
Business tax	21,394,317.85	18,977,663.75	See the Notes 3
Channel maintenance fee	2,143,186.34	471,186.48	-
Commodity circulation tax and industrial product tax of Brazil	23,792,514.64	52,439,050.16	-
Others	956,169,816.52	589,953,598.68	-
Total	507,123,737.67	284,059,922.57	-

(45) Sales expenses

Item	Amount for the current period	Amount for the previous period
Sales expense	22,508,931,701.70	14,626,228,488.10
Total	22,508,931,701.70	14,626,228,488.10

(46) Overhead expenses

Item	Amount for the current period	Amount for the previous period
Overhead Expense	5,089,572,552.73	4,055,809,619.26
Total	5,089,572,552.73	4,055,809,619.26

(47) Financial expenses

Item	Amount for the current period	Amount for the previous period
Interest expense	227,072,467.38	229,430,698.81
Less: Interest revenue	834,845,293.21	740,435,741.70
Exchange loss	457,864,097.31	14,737,596.19
Less: Exchange gain	18,108,745.70	2,623,135.83
Bank charges	30,584,714.76	36,744,796.46
Others	124,137.59	798,196.41
Total	-137,308,621.87	-461,347,589.66

(48) Asset impairment loss

Item	Amount for the current period	Amount for the previous period
Loss on bad debt	63,714,878.83	-21,519,745.63
Inventory falling price loss	64,626,181.07	33,217,171.54
Loan loss	64,051,923.72	53,839,698.01
Total	192,392,983.62	65,537,123.92

(49) Incomes from changes in fair value

Sources of incomes from changes in fair value	Amount for the current period	Amount for the previous period
Trading financial assets	990,563,610.10	246,884,832.05
Including: Incomes from changes in fair value generated from derivative financial instruments	990,563,610.10	246,884,832.05
Total	990,563,610.10	246,884,832.05

(50) Income from investments

Item	Amount for the current period	Amount for the previous period
Long-term equity investment income measured by equity method	2,855,797.81	8,732,172.23
Investment income from disposal of long-term equity investment		-18,395.03
Investment income from financial assets available for sale	38,901,351.98	24,888,908.99
Investment income from disposal of trading financial assets	675,580,092.84	-54,097,063.01
Total	717,337,242.63	-20,494,376.82

(51) Non-operating revenue

Item	Amount for the current period	Amount for the previous period	Amount recorded into the current non-recurring profit and loss
Total gains from disposal of non-current assets	2,022,174.47	1,961,936.33	2,022,174.47
Including: Gains from disposal of fixed assets	2,022,174.47	1,961,936.33	2,022,174.47
Government subsidies	660,482,277.34	732,249,137.88	660,482,277.34
Others	21,695,171.29	26,172,151.79	21,695,171.29
Total	684,199,623.10	760,383,226.00	684,199,623.10

Including the schedule of government subsidies:

Item	Amount for the current period	Amount for the previous period
Financial rewards	240,678,609.24	112,654,809.14
Capital allowance for development projects	375,730,312.57	113,502,070.70
Technological innovation subsidies income	5,158,962.93	7,399,865.87
Tax deduction and exemption	25,886,756.18	5,336,705.00
Subsidies for energy-saving		479,404,500.00
Others	13,027,636.42	13,951,187.17
Total	660,482,277.34	732,249,137.88

(52) Non-operating expenses

Item	Amount for the current period	Amount for the previous period	Amount recorded into the current non-recurring profit and loss
Total losses from disposal of non-current assets	3,782,455.16	14,294,914.48	3,782,455.16
Including: Losses from disposal of fixed assets	3,782,455.16	14,294,914.48	3,782,455.16
Foreign donations	632,244.48	4,813,504.25	632,244.48
Other expenses	50,871,077.07	4,873,418.07	50,871,077.07
Total	55,285,776.71	23,981,836.80	55,285,776.71

(53) Income tax expenses

Item	Amount for the current period	Amount for the previous period
Current income tax stipulated by Enterprise Income Tax Law	4,549,107,038.58	2,431,976,527.22
Deferred income tax adjustment	-2,592,938,270.45	-1,115,195,237.65
Total	1,956,168,768.13	1,316,781,289.57

(54) Calculating process of basic earnings per share and diluted earnings per share

1). Basic earnings per share

Item	Serial Number	Amount for the current period	Amount for the previous period
Total stocks at the beginning of the period	a	3,007,865,439.00	2,817,888,750.00
The increased stocks by capitalization of capital reserves or distribution of stock dividend during the Report Period	b		
The increased stocks by issuance of new stocks or debt-equity swap during the Report Period	c		189,976,689.00
The number of months from the next month after increase of stocks to the end of the Report Period	d		11
The number of months of the Report Period	e	12	12
The decreased stocks by repurchase during the Report Period	f		
The number of months from the next month after decrease of stocks to the end of the Report Period	g		
The number of shrunk stocks during the Report Period	h		

Item		Serial Number	Amount for the current period	Amount for the previous period
The weighted averaged number of outstanding ordinary shares		$i=a+b+c \times d \div e-f \times g \div e-h$	3,007,865,439.00	2,992,034,048.25
Net profit attributable to shareholders of ordinary stocks of the Company		j	10,870,672,842.47	7,379,666,345.09
Net profit attributable to shareholders of ordinary stocks of the Company after deduction of non-recurring profit and loss		k	8,907,843,107.98	6,995,208,275.30
Basic earnings per share	Calculate according to the net profit attributable to shareholders of ordinary stocks of the Company	$l=j \div i$	3.61	2.47
	Calculate according to the net profit attributable to shareholders of ordinary stocks of the Company after deduction of non-recurring profit and loss	$m=k \div i$	2.96	2.34

2). Diluted earnings per share

Item		Serial Number	Amount for the current period	Amount for the previous period
Total stocks at the beginning of the period		a	3,007,865,439.00	2,817,888,750.00
The increased stocks by capitalization of capital reserves or distribution of stock dividend during the Report Period		b		
The increased stocks by issuance of new stocks or debt-equity swap during the Report Period		c		189,976,689.00
The number of months from the next month after increase of stocks to the end of the Report Period		d		11
The number of months of the Report Period		e	12	12
The decreased stocks by repurchase during the Report Period		f		
The number of months from the next month after decrease of stocks to the end of the Report Period		g		
The number of shrunk stocks during the Report Period		h		
The weighted averaged number of outstanding ordinary stocks		$i=a+b+c \times d \div e-f \times g \div e-h$	3,007,865,439.00	2,992,034,048.25
The weighted averaged number of increased ordinary shares by warrants, stock option and convertible bonds		j		
Net profit attributable to shareholders of ordinary stocks of the Company		K	10,870,672,842.47	7,379,666,345.09
Net profit attributable to shareholders of ordinary stocks of the Company after deduction of non-recurring profit and loss		l	8,907,843,107.98	6,995,208,275.30
Diluted earnings per share	Calculate according to the net profit attributable to shareholders of ordinary stocks of the Company	$m=k \div (i+j)$	3.61	2.47
	Calculate according to the net profit attributable to shareholders of ordinary stocks of the Company after deduction of non-recurring profit and loss	$n=l \div (i+j)$	2.96	2.34

Remark: $i=a+b+c \times d \div e-f \times g \div e-h$

(55) Other comprehensive income

Item	Amount for the current period	Amount for the previous period
1. Gains (losses) from financial assets available for sale	-41,079,794.86	6,255,349.53
Less: Income tax impact from financial assets available for sale	-10,269,948.71	1,563,837.38
Net amount recognized into other comprehensive income in previous period and transferred to the current profits and losses		
Subtotal	-30,809,846.15	4,691,512.15
2. Share of other comprehensive income of the investee measured by equity method		
Less: Income tax impact from share of other comprehensive income of the investee measured by equity method		
Net amount recognized into other comprehensive income in previous period and transferred to the current profits and losses		
Subtotal		
3. Gains/ (losses) from cash flow hedging instruments	1,452,347.11	63,438,922.56
Less: Income tax impact from cash flow hedging instruments	217,852.07	9,515,838.38
Net amount recognized into other comprehensive income in previous period and transferred to the current profits and losses		
Adjusted amount of initial recognized amount transferred to hedging items		
Subtotal	1,234,495.04	53,923,084.18
4. Difference arising from translation of financial statements in foreign currency	-11,774,679.30	-6,437,549.90
Less: net amount from disposal of overseas operation transferred to the current profits and losses		
Subtotal	-11,774,679.30	-6,437,549.90
5. Others		
Less: income tax impact from others recognized into other comprehensive income		
Net amount transferred to the current profits and losses from others in previous period recognized into other comprehensive income		
Subtotal		
Total	-41,350,030.41	52,177,046.43

(56) Notes to cash flow statement

1). Other cash receipts relating to operating activities

Item	Amount for the current period	Amount for the previous period
Net decrease in margin of bill pledge		968,045,273.45
Government subsidies	630,872,384.27	727,667,479.64
Interest revenue	816,151,233.88	269,309,879.09
Project funds advanced	1,199,230,415.18	938,610,190.55
Others	386,202,905.20	303,044,439.87
Total	3,032,456,938.53	3,206,677,262.60

2). Other cash payments relating to operating activities

Item	Amount for the current period	Amount for the previous period
Cash repayments for selling expenses	2,947,384,204.17	3,329,875,220.92
Cash repayments for overhead expenses	952,377,574.66	911,242,822.63
Net increase in margin of bill pledge	2,213,878,597.46	
Other expenses	280,028,497.71	429,816,583.06
Total	6,393,668,874.00	4,670,934,626.61

3). Other cash receipts relating to investing activities

Item	Amount for the current period	Amount for the previous period
Receipts from forward foreign exchange settlement and sales	434,397,421.35	6,902,514.16
Total	434,397,421.35	6,902,514.16

4). Other cash payments relating to investing activities

Item	Amount for the current period	Amount for the previous period
Payment for forward foreign exchange settlement and sales	24,926,702.72	111,990,174.39
Total	24,926,702.72	111,990,174.39

5). Other cash receipts relating to financing activities

Item	Amount for the current period	Amount for the previous period
Net decrease in margin of loan pledge	1,996,700,658.64	1,127,918,464.58
Total	1,996,700,658.64	1,127,918,464.58

6). Other cash payments relating to financing activities

Item	Amount for the current period	Amount for the previous period
Costs of issuance of additional shares		2,583,000.00
Total		2,583,000.00

(57) Supplementary information about cash flow statement

1). Supplementary information about cash flow statement

Item	Amount for the current period	Amount for the previous period
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	10,935,755,177.19	7,445,927,982.70
Add: Assets depreciation reserves	192,392,983.62	65,537,123.92
Fixed assets depreciation, oil and gas assets accumulated depreciation, productive biological assets accumulated depreciation	1,145,755,451.56	882,799,953.25
Amortization of intangible assets	49,107,763.02	68,571,452.82
Amortization of long-term deferred expenses	35,297,385.63	27,004,172.75

Item	Amount for the current period	Amount for the previous period
Losses on disposal of fixed assets, intangible assets and other long-term assets (incomes expressed with “-”)	1,760,280.69	12,332,978.15
Losses on disposal of fixed assets (incomes expressed with “-”)		
Losses from changes in fair value (incomes expressed with “-”)	-990,563,610.10	-246,884,832.05
Financial expenses (incomes expressed with “-”)	621,934,236.21	154,485,748.52
Investment losses (incomes expressed with “-”)	-717,337,242.63	20,494,376.82
Decrease in deferred income tax assets (increase expressed with “-”)	-2,762,821,872.35	-1,228,805,549.01
Increase in deferred income tax liabilities (decrease expressed with “-”)	169,883,601.90	113,610,851.37
Decrease of inventories (increase expressed with “-”)	4,047,685,955.85	234,847,605.32
Decrease in operating receivables (increase expressed with “-”)	-15,181,805,520.62	-2,489,481,646.22
Increase in operating payables (decrease expressed with “-”)	19,128,559,595.30	12,380,260,779.77
Others	-3,705,767,055.44	968,045,273.45
Net cash flow from operating activities	12,969,837,129.83	18,408,746,271.56
2. Major investing and financing activities not involving cash receipts and payment:		
Conversion of debt into capital		
Convertible bonds expiring within one year		
Fixed assets acquired under finance leases		
3. Net changes in cash and cash equivalents:		
Ending balance of cash	29,259,183,063.61	21,370,486,691.03
Less: Beginning balance of cash	21,370,486,691.03	6,338,827,761.32
Add: Ending balance of cash equivalents		
Less: Beginning balance of cash equivalents		
Net increase in cash and cash equivalents	7,888,696,372.58	15,031,658,929.71

Note: “others” includes RMB 2,213,878,597.46 net increase of bank’s acceptance bills and RMB 491,888,457.98 net increase of legal deposit reserved.

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

Item	Amount for the current period	Amount for the previous period
1. Information about acquisition of subsidiaries and other business units:		
(1) Price of acquisition of subsidiaries and other business units		
(2) Cash and cash equivalents paid for acquisition of subsidiaries and other business units		
Less: Cash and cash equivalents held by subsidiaries and other business units		
(3) Net cash paid for acquisition of subsidiaries and other business units		
(4) Net asset for acquisition of subsidiaries		

Item	Amount for the current period	Amount for the previous period
Current assets		
Non-current assets		
Current liabilities		
Non-current liabilities		
2. Information about disposal of subsidiaries and other business units:		
(1) Price of disposal of subsidiaries and other business units	17,263,912.34	7,027,319.69
(2) Cash and cash equivalents received from disposal of subsidiaries and other business units		7,027,319.69
Less: Cash and cash equivalents held by subsidiaries and other business units		7,027,319.69
(3) Net cash received from disposal of subsidiaries and other business units		
(4) Net asset from disposal of subsidiaries	17,263,912.34	7,018,395.03
Current assets	17,412,797.34	7,022,825.03
Non-current assets		
Current liabilities	148,885.00	4,430.00
Non-current liabilities		

3). Composition of cash and cash equivalents

Item	Amount at the end of the period	Amount at the beginning of the period
1. Cash	29,259,183,063.61	21,370,486,691.03
Including: Cash on hand	2,183,756.28	1,667,396.41
Bank deposit for payment at any time	16,905,988,342.59	12,410,887,248.92
Other monetary capital for payment at any time	21,142,239.06	3,471,983,800.76
Deposit in the central bank for payment	2,058,962.67	147.56
Deposits in other banks	12,327,809,763.01	5,485,948,097.38
Inter-bank lending		
2. Cash equivalents		
Including: Bond investments maturing within three months		
3. Ending balance of cash and cash equivalents	29,259,183,063.61	21,370,486,691.03

6. Related parties and related transaction

1). Parent company of the Company

Name of parent company	Incidence relation	Enterprise type	Registered Place	Corporate representative	Nature of business	Registered capital	Shareholding ratio of parent company to the Company	Percentage of voting rights of parent company to the Company	Ultimate controlling party of the Company	Organization Code
Zhuhai Gree Group Co., Ltd.	Parent company	Wholly state-owned enterprise	Zhuhai	Dong Mingzhu	Investment and asset management	RMB 800 million	18.22%	18.22%	Zhuhai Municipal State-owned Assets Supervision and Administration Commission	19253718-6

2). Subsidiaries of the Company

Full name of subsidiary	Type of subsidiary	Enterprise type	Registered Place	Corporate representative	Nature of business	Registered capital	Shareholding ratio (%)	Voting right percentage (%)	Organization Code
Zhuhai Gree Group Finance Company Limited	Holding subsidiary	Company with limited liability	Zhuhai City	Dong Mingzhu	Carry on the business approved by China Banking Regulatory Commission	RMB 1.5 billion	89.25	89.25	19259174-8
Gree Electric Appliances (Chongqing) Co., Ltd.	Holding subsidiary	Company with limited liability	Chongqing City	Dong Mingzhu	Commercial manufacture	RMB 0.23 billion	97.00	97.00	709410891
Shanghai GREE Air Conditioners Sales Co., Ltd	Holding subsidiary	Company with limited liability	Shanghai City	Tan Aijun	Sale of air conditioners	RMB 2 million	99.70	100.00	72949916-8
Shenzhen Gree Electric Appliances Sales Co., Ltd	Holding subsidiary	Company with limited liability	Shenzhen City	He Tao	Sale of air conditioners	RMB 5 million	90.00	90.00	67481833-5
Zhuhai Gree Daikin Precision Mold Co., Ltd.	Holding subsidiary	Company with limited liability	Zhuhai City	Xie Dongbo	Commercial manufacture	US\$ 57.96 million	51.00	51.00	68448190-8
Zhuhai Gree Dakin Device Co., Ltd.	Holding subsidiary	Company with limited liability	Zhuhai City	Huang Hui	Commercial manufacture	US\$ 81.29 million	51.00	51.00	68448188-7
Zhuhai Gree Electrical Co., Ltd.	Wholly-owned subsidiary	Company with limited liability	Zhuhai City	Zhang Jian	Commercial manufacture	RMB 169.32 million	100.00	100.00	61748836-8
Zhuhai Gree Xinyuan Electronics Co., Ltd.	Wholly-owned subsidiary	Company with limited liability	Zhuhai City	Zhang Jian	Commercial manufacture	RMB 26.18 million	100.00	100.00	19252571-6

Full name of subsidiary	Type of subsidiary	Enterprise type	Registered Place	Corporate representative	Nature of business	Registered capital	Shareholding ratio (%)	Voting right percentage (%)	Organization Code
		liability							
Zhuhai Kaibang Motor Manufacture Co., Ltd.	Wholly-owned subsidiary	Company with limited liability	Zhuhai City	Dong Mingzhu	Commercial manufacture	RMB 82 million	100.00	100.00	74918290-X
Gree Electric Appliances (Hefei) Co., Ltd.	Wholly-owned subsidiary	Company with limited liability	Hefei City	Dong Mingzhu	Commercial manufacture	RMB 150 million	100.00	100.00	79810324-3
GREE (Zhongshan) Small Home Appliances Co., Ltd.	Wholly-owned subsidiary	Company with limited liability	Zhongshan City	Dong Mingzhu	Commercial manufacture	RMB 30 million	100.00	100.00	68640957-1
Zhuhai Gree Electric Appliances Sales Co., Ltd.	Wholly-owned subsidiary	Company with limited liability	Zhuhai City	Wang Jingdong	Sale of air conditioners	RMB 5 million	100.00	100.00	67889955-8
Hong Kong Gree Electric Appliances Sales Co., Ltd.	Wholly-owned subsidiary	Company with limited liability	Kowloon, Hong Kong	Xiao Youyuan	Sale	HKD0.1 million	100.00	100.00	
Gree (America) Sales Co., Ltd.	Holding subsidiary of the wholly-owned subsidiary	Company with limited liability	USA	Le Jiashi	Sale	US\$ 80,000	51.00	51.00	
Gree Electric Appliances (Brazil) Co., Ltd.	Wholly-owned subsidiary	Company with limited liability	Manaus, Brazil	Xie Dongbo	Commercial manufacture	BRL 40 million	100.00	100.00	13519135/0001-56
Gree Green Refrigeration Technology Center Co., Ltd. Of Zhuhai	Wholly-owned subsidiary	Company with limited liability	Zhuhai City	Huang Hui	Technical research and development	RMB 116.04 million	100.00	100.00	69818608-8
Zhuhai Landa Compressor Co., Ltd.	Wholly-owned subsidiary	Company with limited liability	Zhuhai City	Chen Daguang	Commercial manufacture	RMB 93.03 million	100.00	100.00	617495656
Zhuhai Meilingda Refrigeration Technology Co., Ltd.	Holding subsidiary of the wholly-owned subsidiary	Company with limited liability	Zhuhai City	Chen Daguang	Commercial manufacture	RMB 10 million	70.00	70.00	738594618
Zhuhai Zhengang Foundry Co., Ltd.	Wholly-owned subsidiary of the wholly-owned subsidiary	Company with limited liability	Zhuhai City	Liu Jianxun	Commercial manufacture	HKD 0.5 million	100.00	100.00	738594626
Zhuhai Meiling General Motors Co., Ltd.	Holding grandson company of the wholly-owned subsidiary	Company with limited liability	Zhuhai City	Liu Jianxun	Commercial manufacture	US\$ 6.25 million	70.00	70.00	739882312

Full name of subsidiary	Type of subsidiary	Enterprise type	Registered Place	Corporate representative	Nature of business	Registered capital	Shareholding ratio (%)	Voting right percentage (%)	Organization Code
Hefei Landa Compressor Co., Ltd.	Wholly-owned subsidiary of the wholly-owned subsidiary	Company with limited liability	Hefei City	Dong Mingzhu	Commercial manufacture	RMB 100 million	100.00	100.00	69739561-1
Zhengzhou Landa Compressor Co., Ltd.	Wholly-owned subsidiary of the wholly-owned subsidiary	Company with limited liability	Zhengzhou City	Dong Mingzhu	Commercial manufacture	RMB 30 million	100.00	100.00	56982781-1
Chongqing Landa Compressor Co., Ltd.	Wholly-owned subsidiary of the wholly-owned subsidiary	Company with limited liability	Chongqing City	Dong Mingzhu	Commercial manufacture	RMB 30 million	100.00	100.00	57616375-0
Wuhan Landa Compressor Co., Ltd.	Wholly-owned subsidiary of the wholly-owned subsidiary	Company with limited liability	Wuhan City	Dong Mingzhu	Commercial manufacture	RMB 30 million	100.00	100.00	57491565-6
Gree Electric Enterprises (Ma'anshan) Ltd.	Wholly-owned subsidiary of the wholly-owned subsidiary	Company with limited liability	Ma'anshan City	Zhu Jianbin	Commercial manufacture	RMB 15.3 million	100.00	100.00	737337898
Hefei Kaibang Motor Manufacture Co., Ltd.	Wholly-owned subsidiary of the wholly-owned subsidiary	Company with limited liability	Hefei City	Dong Mingzhu	Commercial manufacture	RMB 30 million	100.00	100.00	69739554-X
Brazil United Electric Appliances Industry and Commerce Co., Ltd.	Wholly-owned subsidiary of the wholly-owned subsidiary	Company with limited liability	Sao Paulo, Brazil	Xiao Youyuan	Sale	BRL 2 million	100.00	100.00	35215319621
Gree Electric Appliances (Zhengzhou) Co., Ltd.	Wholly-owned subsidiary	Company with limited liability	Zhengzhou City	Dong Mingzhu	Commercial manufacture	RMB 20 million	100.00	100.00	56102331-7
Gree Electric Appliances (Wuhan) Co., Ltd.	Wholly-owned subsidiary	Company with limited liability	Wuhan City	Dong Mingzhu	Commercial manufacture	RMB 10 million	100.00	100.00	55844350-5
Zhengzhou Gree Green Resources Recycling Co., Ltd	Wholly-owned subsidiary	Company with limited liability	Zhengzhou City	Dong Mingzhu	Commercial manufacture	RMB 5 million	100.00	100.00	56102314-9
Hunan Green Resources Recycling Co., Ltd	Wholly-owned subsidiary	Company with limited liability	Ningxiang County	Huang Jiahai	Commercial manufacture	RMB 5 million	100.00	100.00	56590163-1

Full name of subsidiary	Type of subsidiary	Enterprise type	Registered Place	Corporate representative	Nature of business	Registered capital	Shareholding ratio (%)	Voting right percentage (%)	Organization Code
Gree (Shijiazhuang) Small Home Appliances Co., Ltd.	Wholly-owned subsidiary	Company with limited liability	Shijiazhuang	Dong Mingzhu	Commercial manufacture	RMB 10 million	100.00	100.00	57130933-5
Gree Electric Appliances (Wuhu) Co., Ltd.	Wholly-owned subsidiary	Company with limited liability	Wuhu City	Dong Mingzhu	Commercial manufacture	RMB 20 million	100.00	100.00	57177460-8
Wuhu Green Resources Recycling Co., Ltd.	Wholly-owned subsidiary	Company with limited liability	Wuhu City	Dong Mingzhu	Commercial manufacture	RMB 2 million	100.00	100.00	57179479-9
Henan Kaibang Motor Manufacture Co., Ltd.	Wholly-owned subsidiary of the wholly-owned subsidiary	Company with limited liability	Zhengzhou	Dong Mingzhu	Commercial manufacture	RMB 10 million	100.00	100.00	58032934-6
Chongqing Kaibang Motor Manufacture Co., Ltd.	Wholly-owned subsidiary of the wholly-owned subsidiary	Company with limited liability	Chongqing	Dong Mingzhu	Commercial manufacture	RMB 10 million	100.00	100.00	58148776-8
Shijiazhuang Green Resources Recycling Co., Ltd.	Wholly-owned subsidiary	Company with limited liability	Shijiazhuang	Dong Mingzhu	Commercial manufacture	RMB 2 million	100.00	100.00	58693185-6
Gree Electric Appliances (Shijiazhuang) Co., Ltd.	Wholly-owned subsidiary	Company with limited liability	Shijiazhuang	Dong Mingzhu	Commercial manufacture	RMB 100 million	100.00	100.00	57553062-7
Tianjin Green Resources Recycling Co., Ltd.	Wholly-owned subsidiary	Company with limited liability	Tian Jin	Dong Mingzhu	Commercial manufacture	RMB 5 million	100.00	100.00	06400944-2
Zhuhai HVAC Equipment Co., Ltd.	Wholly-owned subsidiary	Company with limited liability	Zhuhai City	Dong Mingzhu	Commercial manufacture	RMB 100 million	100.00	100.00	06213288-5
Zhuhai TOSOT Home Appliances Co., Ltd.	Wholly-owned subsidiary	Company with limited liability	Zhuhai City	Dong Mingzhu	Commercial manufacture	RMB 30 million	100.00	100.00	06665225-5
Zhuhai Ligao Precision Manufacturing Co., Ltd.	Wholly-owned subsidiary	Company with limited liability	Zhuhai City	Dong Mingzhu	Commercial manufacture	RMB 30 million	100.00	100.00	08255205-1

3). Joint venture and partnership of the Company

Name of invested entities	Enterprise type	Registered Place	Corporate representative	Nature of business	Registered capital	Shareholding ratio of the Company (%)	Percentage of voting rights in the invested entity held by the Company (%)	Incidence relation	Organization Code
1. Partnership									
Songyuan Food Group Co., Ltd.	Company with limited liability	Songyuan City	Bao Mengquan	Food manufacture	RMB 121.2 million	50.00	50.00	Joint venture	598809970
2. Joint venture									
Liaowang All Media Communication Co., Ltd.	Company with limited liability	Beijing	Ji Bin	Media communication	RMB 50 million	49.00	49.00	Joint venture	71782504-2
(Vietnam) Gree Electric Appliances, Inc.	Joint-stock company	Becamex Binh Duong, Vietnam	Wu Qingxiao	Commercial manufacture	VND80 billion	31.25	33.75	Joint venture	
Zhuhai Lida International Supply China Management Co., Ltd.	Company with limited liability	Zhuhai City	Wang Gang	Logistics service	RMB 5.88 million	30.00	30.00	Joint venture	68636367-3
Beijing Gree Technology Co., Ltd.	Company with limited liability	Beijing	Xia Yongbin	Technological development	RMB 2 million	15.00	15.00	Joint venture	55686262-6
Chongqing Pargo Mechanical Equipment Co., Ltd.	Company with limited liability	Chongqing City	Huang Hui	Commercial manufacture	RMB 30 million	38.70	38.70	Joint venture	66356755-0

4). Other related parties of the Company

Name of other related parties	Relationship between other related parties and the Company	Organization Code
Hebei Jinghai Guaranteed Investment Co., Ltd.	The second largest shareholder of the company	792675304
Zhuhai Gree Real-Estate Co., Ltd.	Grandson company of holding subsidiary of the parent company	617488325
Zhuhai Gree Building Materials Co., Ltd.	Grandson company of holding subsidiary of the parent company	192528060
Zhuhai Gree Zhisheng Real Estate Co., Ltd.	Grandson company of holding subsidiary of the parent company	763811792
Zhuhai Gree Zhiye Co., Ltd.	Holding subsidiary of the parent company	19255108-4
Zhuhai Gree Island Investment Co. Ltd.	Grandson company of holding subsidiary of the parent company	698148911
Zhongshan Gree Zhiye Co., Ltd.	Holding subsidiary of the parent company	72784384-2
Zhuhai Jianan Group Co., Ltd.	Holding subsidiary of the parent company	192528511
Zhuhai Gree Property Management Co., Ltd.	Holding subsidiary of the parent company	192559457
Zhuhai Gree New Technology Development Co., Ltd.	Holding subsidiary of the parent company	752091347
Zhuhai Gree Magneto-Electric Co., Ltd.	Holding subsidiary of the parent company	61751538-9
China Aviation Industry General Aircraft Co., Ltd.	Equity joint venture of the parent company	710935839
Zhuhai Gree Service Co., Ltd.	Wholly-owned subsidiary of the parent company	19255590-7
Henan Chengxin Gree Electric Appliances Marketing Co., Ltd.	The company in which the Company's supervisor serves as general manager	66466462-7
Henan Shengshi Xinxing Gree Trading Co., Ltd.	The company in which the Company's supervisor serves as general manager	57920725-3
Zhejiang Shengshi Xinxing Gree Trading Co., Ltd.	The company in which the Company's director serves as general manager	71761180-2

5). Related transactions

(1) Purchase of commodities/receiving of services

Related parties	Type of related transactions	Contents of related transactions	Related transaction pricing principle	Amount for the current period		Amount for the previous period	
				Amount	Proportion to amount of similar transaction (%)	Amount	Proportion to amount of similar transaction (%)
Zhuhai Gree Group Co., Ltd.	Deposit-taking	Interest expense	Fair market price	439,790.82	0.09	357,844.28	0.16
Zhuhai Gree Zhiye Co., Ltd.	Deposit-taking	Interest expense	Fair market price	992.87	0.00	1,132.94	0.00
Zhuhai Gree Magneto-Electric Co., Ltd.	Deposit-taking	Interest expense	Fair market price	188.26	0.00	214.79	0.00
Zhuhai Gree Real-Estate Co., Ltd.	Deposit-taking	Interest expense	Fair market price			11,466.78	0.00
Zhuhai Gree Property Management Co., Ltd.	Deposit-taking	Interest expense	Fair market price	79.79	0.00	91.03	0.00
Zhuhai Gree New Technology Research Institute Co., Ltd.	Deposit-taking	Interest expense	Fair market price	5.32	0.00	194.02	0.00
Zhuhai Gree Building Materials Co., Ltd.	Deposit-taking	Interest expense	Fair market price			574.89	0.00
Zhuhai Gree Zhisheng Real Estate Co., Ltd.	Deposit-taking	Interest expense	Fair market price			508.89	0.00
China Aviation Industry General Aircraft Co., Ltd.	Deposit-taking	Interest expense	Fair market price			180,001.58	0.08
Zhuhai Gree Service Co., Ltd.	Deposit-taking	Interest expense	Fair market price	141,951.06	0.03	164,497.85	0.07
Zhejiang Shengshi Xinxing Gree Trading Co., Ltd.	Deposit-taking	Interest expense	Fair market price	52.60	0.00	4,808.05	0.00
Zhuhai Jianan Group Co., Ltd.	Purchase of services	Infrastructure project	Fair market price	13,857,683.22	0.89		
Henan Chengxin Gree Electric Appliances Marketing Co., Ltd.	Deposit-taking	Interest expense	Fair market price	245.47	0.00	1,441.00	0.00
Zhuhai Gree Island Investment Co. Ltd.	Deposit-taking	Interest expense	Fair market price	213.28	0.00		
Liaowang All Media Communication Co., Ltd.	Service sourcing	Publicity and advertising	Fair market price	13,128,555.48	0.06	39,703,852.46	0.27
Beijing Gree Technology Co., Ltd.	Materials procurement	Fittings	Fair market price	11,598,711.40	0.01	19,929,947.29	0.03

(2) Sales of commodities/rendering of services

Related parties	Type of related transactions	Contents of related transactions	Related transaction pricing principle	Amount for the current period		Amount for the previous period	
				Amount	Proportion to amount of similar transaction	Amount	Proportion to amount of similar transaction (%)
Henan Chengxin Gree Electric Appliances Marketing Co., Ltd.	Loan	Interest revenue	Fair market price	2,881,666.66	0.35	1,283,333.33	0.16
Henan Chengxin Gree Electric Appliances Marketing Co., Ltd.	Discounted value	Interest revenue	Fair market price			2,107,371.60	0.27
Zhejiang Shengshi Xinxing Gree Trading Co., Ltd.	Discounted value	Interest revenue	Fair market price			1,503,604.74	0.19
Henan Shengshi Xinxing Gree Trading Co., Ltd.	Sales of commodities	Sales revenue	Market price	8,533,547,842.68	7.11	7,347,118,532.86	7.34
Zhejiang Shengshi Xinxing Gree Trading Co., Ltd.	Sales of commodities	Sales revenue	Market price	6,370,617,685.02	5.31	5,031,691,197.47	5.03
Zhuhai Gree Group Co., Ltd.	Other inflows	Fees income	Fair market price			259.50	0.16
China Aviation Industry General Aircraft Co., Ltd.	Other inflows	Fees income	Fair market price			182.64	0.11
Zhejiang Shengshi Xinxing Gree Trading Co., Ltd.	Other inflows	Fees income	Fair market price			7,961.50	4.82

6). Accounts receivable and payable by related parties

Name of project	Related parties	Amount at the end of the period	Amount at the beginning of the period
Customer deposit	Zhuhai Gree Group Co., Ltd.	958,929.78	18,631,267.95
	Zhuhai Gree Zhiye Co., Ltd.	254,946.92	253,954.17
	Zhuhai Gree Service Co., Ltd.	3,878,565.91	4,691,351.35
	Zhuhai Gree Magneto-Electric Co., Ltd.	48,338.37	48,150.14
	Zhuhai Gree Property Management Co., Ltd.	20,484.77	20,404.99
	Zhuhai Gree New Technology Research Institute Co., Ltd.		43,488.12
	Zhuhai Gree Zhisheng Real Estate Co., Ltd.		0.01
	Zhuhai Gree Building Materials Co., Ltd.	0.01	0.01
	Henan Chengxin Gree Electric Appliances Marketing Co., Ltd.	7,574.06	7,328.62
	Zhejiang Shengshi Xinxing Gree Trading Co., Ltd.	13,502.19	13,449.60
	Zhuhai Gree Island Investment Co. Ltd.	1,921.70	
Notes receivable	Henan Shengshi Xinxing Gree Trading Co., Ltd.	5,314,346,552.98	4,778,730,100.00
	Zhejiang Shengshi Xinxing Gree Trading Co., Ltd.	3,670,279,163.99	2,549,371,822.79
Accounts payable	Beijing Gree Technology Co., Ltd.	2,073,136.52	2,351,900.61
Advance received from customers	Henan Shengshi Xinxing Gree Trading Co., Ltd.	1,613,575,660.06	2,246,944,769.56
	Zhejiang Shengshi Xinxing Gree Trading Co., Ltd.	380,233,447.68	1,025,193,804.99
Interests receivable	Henan Chengxin Gree Electric Appliances Marketing Co., Ltd.		128,333.33
Interests payable	Zhuhai Gree Zhiye Co., Ltd.	29.99	29.87
	Zhuhai Gree Service Co., Ltd.	67,385.19	129,871.52
	Zhuhai Gree Magneto-Electric Co., Ltd.	5.69	5.66
	Zhuhai Gree Property Management Co., Ltd.	2.41	2.40
	Zhuhai Gree Group Co., Ltd.	947.22	5,652.33
	Zhuhai Gree New Technology Research Institute Co., Ltd.		5.12
	Zhejiang Shengshi Xinxing Gree Trading Co., Ltd.	1.59	1.58
	Henan Chengxin Gree Electric Appliances Marketing Co., Ltd.	0.89	0.86
	Zhuhai Gree Island Investment Co. Ltd.	1.28	
Short-term and long-term loans	Henan Chengxin Gree Electric Appliances Marketing Co., Ltd.		70,000,000.00

7). Credit conditions of related parties

On 23 April 2013, Zhuhai Gree Group Finance Company Limited (hereinafter referred to as "Finance Company") as the Company's holding subsidiary and Zhuhai Gree Group Co., Ltd. (hereinafter referred to as "Gree Group") as the Company's controlling shareholder

signed a Financial Services Framework Agreement, with the transaction amount up to RMB 1 billion. As of 31 December 2013, the Finance Company had no balance of loans to Gree Group and its subsidiaries.

7. Contingencies

On 12 September 2013, the Company initiatively applied for and gained permission of the US Consumer Product Security Commission (CPSC) and Health Canada to recall dehumidifiers sold in the US and Canada from January 2005 to June 2013. The Company has accrued sufficient expenses based on the estimated loss.

MJC (also called Soleus), shareholder of United States Gree Ltd. (GREE USA INC) sues the company and its subsidiary Hong Kong Gree Electric Appliances Co., Ltd. (HK GREE ELECTRIC APPLIANCES), seeking USD 0.15 billion compensation for MJC'S loss. The company hires professional lawyers to actively respond to the litigation. The company believes that MJC' allegation has no merit and will insist to protect company's legal rights. It is expected that the litigation will not affect the company's results of operations. At present the case is still in litigation documents served and pretrial preparation phase and not yet ruled.

8. Commitments

As of 23 April 2013, the Company had no significant commitments to be disclosed.

9. Events after the balance sheet date

According to the resolution passed at the eleventh meeting of the ninth session of the Board of Directors of the Company, the profit distribution plan of the Company for the year 2013 is as follows: calculated by total stock capital of the Company equivalent to 3,007,865,439 stocks, all directors will be distributed a cash of RMB 15.00 (tax included) per 10 stocks, with the total amount of cashes to be distributed in such a way up to RMB 4,511,798,158.50 and the balance to be carried forward to the next year.

10. Other matters

Item	Amount at the beginning of the period	Gains and losses from changes in fair value	Fair value changes recognized in equity	Depreciation reserves withdrawn during the period	Amount at the end of the period
1. Financial assets measured at their fair values and of which the changes are recorded into the current profits and losses	263,460,017.40	990,563,610.10			1,246,106,661.88
2. Derivative financial assets	13,752,940.26		1,234,495.04		15,205,287.36

Item	Amount at the beginning of the period	Gains and losses from changes in fair value	Fair value changes recognized in equity	Depreciation reserves withdrawn during the period	Amount at the end of the period
3. Available-for-sale financial assets	554,912,450.00		-30,809,846.15		805,932,600.00
Total	832,125,407.66	990,563,610.10	-29,575,351.11		2,067,244,549.24

11. Notes to main items of financial statements of the parent company

(1) Accounts receivable

1). The accounts receivable are disclosed by type

Type	Amount at the end of the period			
	Book balance		Bad debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Accounts receivable with significant single amounts and single bad debt provision appropriated				
Accounts receivable with bad debt provision provided by combination				
Aging combination	547,791,894.09	68.03	27,709,519.02	5.06
Combination of other credit risks	252,672,778.02	31.38		
Subtotal of combinations	800,464,672.11	99.41	27,709,519.02	3.46
Accounts receivable with insignificant single amounts but single bad debt provision appropriated	4,715,115.32	0.59	4,715,115.32	100.00
Total	805,179,787.43	100.00	32,424,634.34	4.03

Continued

Type	Amount at the beginning of the period			
	Book balance		Bad debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Accounts receivable with significant single amounts and single bad debt provision appropriated				
Accounts receivable with bad debt provision provided by combination				
Aging combination	440,982,764.73	56.18	22,184,358.66	5.03
Combination of other credit risks	339,189,491.62	43.22		
Subtotal of combinations	780,172,256.35	99.40	22,184,358.66	2.84
Accounts receivable with insignificant single amounts but single bad debt provision appropriated	4,715,115.32	0.60	4,715,115.32	100.00
Total	784,887,371.67	100.00	26,899,473.98	3.43

2). Accounts receivable with bad debt provision appropriated by aging analysis in the combinations:

Aging	Amount at the end of the period		Amount at the beginning of the period	
	Book balance	Bad debt	Book balance	Bad debt

	Amount	Percentage (%)	provision	Amount	Percentage (%)	provision
Within 1 year	547,262,202.19	99.90	27,363,110.11	440,680,701.57	99.93	22,034,035.08
1 to 2 years	227,628.74	0.04	45,525.75	2,360.00	0.00	472.00
2 to 3 years	2,360.00	0.00	1,180.00	299,703.16	0.07	149,851.58
Over 3 years	299,703.16	0.06	299,703.16			
Total	547,791,894.09	100.00	27,709,519.02	440,982,764.73	100.00	22,184,358.66

3). Accounts receivable with insignificant single amounts but single bad debt provision appropriated at the end of the year:

Name of debtor	Book balance	Bad debt provision	Percentage of appropriation (%)	Reason for appropriation
Vietnam HOME APPLIANCE (MHI)	4,715,115.32	4,715,115.32	100.00	Insolvency
Total	4,715,115.32	4,715,115.32	100.00	

4). As of 31 December 2013, among the accounts receivable, there was not any money owed to a voting entity shareholder holding 5% or more shares of the Company.

5). The top 5 debtors of accounts receivable

Name of entity	Relationship with the Company	Amount	Years	Percentage to total accounts receivable (%)
First	Non-related party	218,782,811.88	Within 1 year	27.17
Second	Wholly-owned subsidiary	129,347,358.03	Within 1 year	16.06
Third	Wholly-owned subsidiary of the wholly-owned subsidiary	123,325,419.99	Within 1 year	15.32
Fourth	Non-related party	35,784,457.26	Within 1 year	4.44
Fifth	Non-related party	20,418,538.82	Within 1 year	2.54
Total		527,658,585.98		65.53

6). Accounts receivable from related parties

Name of entity	Relationship with the Company	Amount	Proportion to total accounts receivable (%)
Brazil United Electric Appliances Industry and Commerce Co., Ltd.	Wholly-owned subsidiary of the wholly-owned subsidiary	123,325,419.99	15.32
Gree Electric Appliances (Brazil) Co., Ltd.	Wholly-owned subsidiary	129,347,358.03	16.06
Total		252,672,778.02	31.38

(2) Other receivables

1). Other receivables are disclosed by type

Type	Amount at the end of the period	
	Book balance	Bad debt provision

	Amount	Percentage (%)	Amount	Percentage (%)
Other receivables with significant single amounts and single bad debt provision appropriated				
Other receivables with bad debt provision appropriated by combination				
Aging combination	209,508,326.57	25.69	10,893,019.07	5.20
Combination of other credit risks	605,931,244.50	74.31		
Subtotal of combinations	815,439,571.07	100.00	10,893,019.07	1.34
Other receivables with insignificant single amounts but single bad debt provision appropriated				
Total	815,439,571.07	100.00	10,893,019.07	1.34

Continued

Type	Amount at the beginning of the period			
	Book balance		Bad debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Other receivables with significant single amounts and single bad debt provision appropriated				
Other receivables with bad debt provision appropriated by combination				
Aging combination	191,429,499.15	25.58	9,933,644.01	5.19
Combination of other credit risks	556,561,598.76	74.42		
Subtotal of combinations	747,991,097.91	100.00	9,933,644.01	1.33
Other receivables with insignificant single amounts but single bad debt provision appropriated				
Total	747,991,097.91	100.00	9,933,644.01	1.33

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

Aging	Amount at the end of the period			Amount at the beginning of the period		
	Book balance		Bad debt provision	Book balance		Bad debt provision
	Amount	Percentage (%)		Amount	Percentage (%)	
Within 1 year	208,992,381.19	99.75	10,449,619.06	190,942,790.09	99.75	9,547,139.50
1 to 2 years	29,315.20	0.01	5,863.04	98,186.42	0.05	19,637.28
2 to 3 years	98,186.42	0.05	49,093.21	43,310.83	0.02	21,655.42
Over 3 years	388,443.76	0.19	388,443.76	345,211.81	0.18	345,211.81
Total	209,508,326.57	100.00	10,893,019.07	191,429,499.15	100.00	9,933,644.01

3). As of 31 December 2013, among the other receivables, there was not any money owed to a voting entity shareholder holding 5% or more shares of the Company.

4). The top 5 debtors of other receivables

Name of entity	Relationship with the Company	Amount	Years	Percentage to total other receivables (%)
Gree Electric Appliances (Wuhu) Co., Ltd.	Wholly-owned subsidiary	198,114,292.36	Within 1 year	24.30
Jinrui Futures Co., Ltd.	Non-related party	170,162,028.73	Within 1 year	20.87
Zhengzhou Green Resources Recycling Co., Ltd	Wholly-owned subsidiary	140,614,833.17	Within 1 year	17.24
Hunan Green Resources Recycling Co., Ltd	Wholly-owned subsidiary	127,754,584.29	Within 1 year	15.67
Shijiazhuang Green Resources Recycling Co., Ltd.	Wholly-owned subsidiary	37,671,552.00	Within 1 year	4.62
Total		674,317,290.55		82.70

5). Accounts receivable from related parties

Name of entity	Relationship with the Company	Amount	Percentage to total other receivables (%)
Gree Electric Appliances (Wuhu) Co., Ltd.	Wholly-owned subsidiary	198,114,292.36	24.30
Zhengzhou Green Resources Recycling Co., Ltd	Wholly-owned subsidiary	140,614,833.17	17.24
Hunan Green Resources Recycling Co., Ltd	Wholly-owned subsidiary	127,754,584.29	15.67
Shijiazhuang Green Resources Recycling Co., Ltd.	Wholly-owned subsidiary	37,671,552.00	4.62
Zhuhai Gree Electrical Co., Ltd.	Wholly-owned subsidiary	27,361,755.46	3.36
Wuhu Green Resources Recycling Co., Ltd	Wholly-owned subsidiary	32,513,890.02	3.99
Gree Electric Enterprises (Ma'anshan) Ltd.	Wholly-owned subsidiary of the wholly-owned subsidiary	11,116,134.67	1.36
Zhuhai Green Refrigeration Technology Center Co., Ltd.	Wholly-owned subsidiary	12,415,329.38	1.52
Gree Electric Appliances (Wuhan) Co., Ltd.	Wholly-owned subsidiary	3,320,092.95	0.41
Gree Electric Appliances (Hefei) Co., Ltd.	Wholly-owned subsidiary	3,408,456.90	0.42
Gree Electric Appliances (Chongqing) Co., Ltd.	Holding subsidiary	3,203,778.83	0.39
Zhuhai Gree Group Finance Company Limited	Holding subsidiary	645,613.86	0.08
GREE (Zhongshan) Small Home Appliances Co., Ltd.	Wholly-owned subsidiary	1,874,708.76	0.23
Zhuhai Gree Xinyuan Electronics Co., Ltd.	Wholly-owned subsidiary	2,133,561.93	0.26
Shijiazhuang Gree Small Home Appliances Co., Ltd.	Wholly-owned subsidiary	81,611.21	0.01
Hefei Kaibang Motor Manufacture Co., Ltd.	Wholly-owned subsidiary of the wholly-owned subsidiary	30,625.04	0.00
Zhuhai Kaibang Motor Manufacture Co., Ltd.	Wholly-owned subsidiary	3,666,586.87	0.45
Zhuhai TOSOT Home Appliances Co., Ltd.	Wholly-owned subsidiary	1,133.00	0.00
Zhuhai Ligao Precision Manufacturing Co., Ltd.	Wholly-owned subsidiary	963.00	0.00
Zhuhai HVAC Equipment Co., Ltd.	Wholly-owned subsidiary	938.00	0.00
Zhuhai Gree Daikin Precision Mold Co., Ltd.	Holding subsidiary	802.80	0.00
Total		605,931,244.50	74.31

(3) Long-term equity investment

Name of invested entities	Accounting method	Investment cost	Beginning Balance	Increase/decrease	Balance at the end of the period	Shareholding ratio in the invested entity (%)	Percentage of voting rights in the invested entity (%)	Provision for impairment	Appropriation of provision for impairment for the current period	Cash dividend
Zhuhai Gree Group Finance Company Limited	Cost method	1,400,371,239.99	1,400,371,239.99		1,400,371,239.99	89.25	89.25			
Zhuhai Landa Compressor Co., Ltd.	Cost method	757,688,325.50	757,688,325.50	151,639,145.71	909,327,471.21	100.00	100.00			
Gree Electric Appliances (Zhengzhou) Co., Ltd.	Cost method	720,000,000.00	720,000,000.00		720,000,000.00	100.00	100.00			
Gree Electric Appliances (Wuhan) Co., Ltd.	Cost method	510,000,000.00	510,000,000.00		510,000,000.00	100.00	100.00			
Gree Electric Appliances (Hefei) Co., Ltd.	Cost method	505,370,626.10	505,370,626.10		505,370,626.10	100.00	100.00			
Zhuhai Gree Dakin Device Co., Ltd.	Cost method	283,117,574.47	283,117,574.47		283,117,574.47	51.00	51.00			15,567,109.06
Gree Electric Appliances (Chongqing) Co., Ltd.	Cost method	223,100,000.00	223,100,000.00		223,100,000.00	97.00	97.00			
Zhuhai Green Refrigeration Technology Center Co., Ltd.	Cost method	209,352,450.89	209,352,450.89	115,281,297.60	324,633,748.49	100.00	100.00			
Zhuhai Gree Daikin Precision Mold Co., Ltd.	Cost method	201,911,186.86	201,911,186.86		201,911,186.86	51.00	51.00			
Zhuhai Gree Electrical Co., Ltd.	Cost method	184,680,359.95	184,680,359.95		184,680,359.95	100.00	100.00			
Gree Electric Appliances (Brazil) Co., Ltd.	Cost method	130,239,414.36	130,239,414.36		130,239,414.36	100.00	100.00			
Gree Electric Appliances (Shijiazhuang) Co., Ltd.	Cost method	98,940,059.97	98,940,059.97		98,940,059.97	100.00	100.00			
Zhuhai Kaibang Motor Manufacture Co., Ltd.	Cost method	83,860,929.67	83,860,929.67		83,860,929.67	100.00	100.00			
Zhuhai Gree Xinyuan Electronics Co., Ltd.	Cost method	54,290,096.61	54,290,096.61		54,290,096.61	100.00	100.00			
GREE (Zhongshan) Small Home Appliances Co.	Ltd.	30,000,000.00	30,000,000.00		30,000,000.00	100.00	100.00			
Gree Electric Appliances (Wuhu) Co., Ltd.	Cost method	20,000,000.00	20,000,000.00		20,000,000.00	100.00	100.00			
Gree (Shijiazhuang) Small Home Appliances Co., Ltd.	Cost method	10,000,000.00	10,000,000.00		10,000,000.00	100.00	100.00			

Name of invested entities	Accounting method	Investment cost	Beginning Balance	Increase/decrease	Balance at the end of the period	Shareholding ratio in the invested entity (%)	Percentage of voting rights in the invested entity (%)	Provision for impairment	Appropriation of provision for impairment for the current period	Cash dividend
Gree Electric Appliances (Chongqing) Electronic Technology Co., Ltd.	Cost method	9,700,000.00	9,700,000.00	-9,700,000.00						317,419,051.62
Zhuhai Gree Electric Appliances Sales Co., Ltd.	Cost method	5,000,000.00	5,000,000.00		5,000,000.00	100.00	100.00			
Zhengzhou Gree Green Resources Recycling Co., Ltd	Cost method	5,000,000.00	5,000,000.00		5,000,000.00	100.00	100.00			
Hunan Green Resources Recycling Co., Ltd	Cost method	5,000,000.00	5,000,000.00		5,000,000.00	100.00	100.00			
Shenzhen Gree Electric Appliances Sales Co., Ltd	Cost method	4,500,000.00	4,500,000.00		4,500,000.00	90.00	90.00			
Wuhu Green Resources Recycling Co., Ltd.	Cost method	2,000,000.00	2,000,000.00		2,000,000.00	100.00	100.00			
Shijiazhuang Green Resources Recycling Co., Ltd.	Cost method	2,000,000.00	2,000,000.00		2,000,000.00	100.00	100.00			
Shanghai GREE Air Conditioners Sales Co., Ltd	Cost method	1,800,000.00	1,800,000.00		1,800,000.00	99.70	100.00			
Hong Kong Gree Electric Appliances Sales Co., Ltd.	Cost method	472,879.08	472,879.08		472,879.08	100.00	100.00			
Zhuhai TOSOT Life Electric Appliances Co., Ltd.	Cost method	30,000,000.00		30,000,000.00	30,000,000.00	100.00	100.00			
Zhuhai Ligao Precision Manufacturing Co., Ltd.	Cost method	30,000,000.00		30,000,000.00	30,000,000.00	100.00	100.00			
Zhuhai HVAC Equipment Co., Ltd.	Cost method	100,000,000.00		100,000,000.00	100,000,000.00	100.00	100.00			
Tianjin Green Resources Recycling Co., Ltd.	Cost method	5,000,000.00		5,000,000.00	5,000,000.00	100.00	100.00			
Zhuhai Dasheng Co. Ltd.	Cost method	900,000.00	900,000.00		900,000.00	3.13	3.13	900,000.00		
Subtotal		5,624,295,143.45	5,459,295,143.45	422,220,443.31	5,881,515,586.76			900,000.00		332,986,160.68
Chongqing Pargo Mechanical Equipment Co., Ltd.	Equity method	8,503,918.85	2,964,409.70	8,072,798.64	11,037,208.34	38.70	38.70			
Songyuan Food Group Co., Ltd.	Equity method	60,600,000.00		58,589,481.39	58,589,481.39	50.00	50.00			
Liaowang All Media Communication Co., Ltd.	Equity method	24,500,000.00	22,901,072.89	2,560,718.13	25,461,791.02	49.00	49.00			

Name of invested entities	Accounting method	Investment cost	Beginning Balance	Increase/decrease	Balance at the end of the period	Shareholding ratio in the invested entity (%)	Percentage of voting rights in the invested entity (%)	Provision for impairment	Appropriation of provision for impairment for the current period	Cash dividend
Beijing Gree Technology Co., Ltd.	Equity method	300,000.00	532,492.90	193,018.85	725,511.75	15.00	15.00			
Zhuhai Lida International Supply China Management Co., Ltd.	Equity method	1,760,000.00	1,762,016.81	-7,476.02	1,754,540.79	30.00	30.00			
(Vietnam) Gree Electric Appliances, Inc.	Equity method	10,572,422.97	1,940,009.35		1,940,009.35	31.25	33.75	1,940,009.35		
Subtotal		106,236,341.82	30,100,001.65	69,408,540.99	99,508,542.64			1,940,009.35		
Total		5,730,531,485.27	5,489,395,145.10	491,628,984.30	5,981,024,129.40			2,840,009.35		332,986,160.68

(4) Total operating revenues and costs

1). Operating revenues and operating costs

Item	Amount for the current period	Amount for the previous period
Operating Revenue	113,451,559,029.47	96,826,436,400.15
Including: Prime operating revenue	105,681,479,447.51	90,505,815,560.81
Other operating revenue	7,770,079,581.96	6,320,620,839.34
Operating Cost	83,523,033,950.67	76,484,384,303.03
Including: Prime operating cost	76,223,302,551.28	70,627,921,806.56
Other operating cost	7,299,731,399.39	5,856,462,496.47

2). Main business (classified by industry)

Name of industry	Amount for the current period		Amount for the previous period	
	Operating Revenue	Operating Cost	Operating Revenue	Operating Cost
Household appliances manufacturing	105,681,479,447.51	76,223,302,551.28	90,505,815,560.81	70,627,921,806.56
Total	105,681,479,447.51	76,223,302,551.28	90,505,815,560.81	70,627,921,806.56

3). Main business (classified by product)

Name of product	Amount for the current period		Amount for the previous period	
	Operating Revenue	Operating Cost	Operating Revenue	Operating Cost
Air Conditioner	104,387,171,004.79	75,072,173,714.53	89,408,861,848.09	69,628,799,791.83
Household Appliances	1,294,308,442.72	1,151,128,836.75	1,096,953,712.72	999,122,014.73
Total	105,681,479,447.51	76,223,302,551.28	90,505,815,560.81	70,627,921,806.56

4). Main business (classified by areas)

Name of product	Amount for the current period		Amount for the previous period	
	Operating Revenue	Operating Cost	Operating Revenue	Operating Cost
Internal sales	91,101,203,679.77	63,265,811,476.49	75,361,121,742.19	57,177,148,233.10
External sales	14,580,275,767.74	12,957,491,074.79	15,144,693,818.62	13,450,773,573.46
Total	105,681,479,447.51	76,223,302,551.28	90,505,815,560.81	70,627,921,806.56

5). Sales revenues of the top 5 clients of the Company

Name of entity	Sales revenue	Proportion to total sales revenues of the Company (%)
First	8,501,663,214.44	7.49
Second	8,450,802,347.04	7.45
Third	6,609,316,252.55	5.83
Fourth	6,356,926,771.33	5.60
Fifth	5,954,671,887.98	5.25

Total	35,873,380,473.34	31.62
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(5) Investment income

Item	Amount for the current period	Amount for the previous period
Long-term equity investment income measured by cost method	332,986,160.68	
Long-term equity investment income measured by equity method	2,855,797.81	8,732,172.23
Investment income from long-term equity investment	6,986,389.75	
Investment income from disposal of trading financial assets	235,870,752.91	31,624,382.48
Total	578,699,101.15	40,356,554.71

(6) Supplementary information about cash flow statement

Item	Amount for the current period	Amount for the previous period
Net profit	5,986,905,538.79	4,570,064,653.35
Add: Assets depreciation reserves	139,947.16	-116,091,297.33
Fixed assets depreciation, oil and gas assets accumulated depreciation, productive biological assets accumulated depreciation	305,254,794.85	339,649,055.05
Amortization of intangible assets	6,092,577.96	6,494,559.44
Amortization of long-term deferred expenses		
Losses on disposal of fixed assets, intangible assets and other long-term assets (incomes expressed with “-”)	657,579.32	7,013,692.58
Losses on disposal of fixed assets (incomes expressed with “-”)		
Losses from changes in fair value (incomes expressed with “-”)	-839,260,888.59	-30,995,945.02
Financial expenses (incomes expressed with “-”)	522,587,827.78	85,078,116.01
Investment losses (incomes expressed with “-”)	-578,699,101.15	-40,356,554.71
Decrease in deferred income tax assets (increase expressed with “-”)	-2,583,363,156.04	-1,090,892,358.68
Increase in deferred income tax liabilities (decrease expressed with “-”)	141,875,657.40	74,096,356.61
Decrease of inventories (increase expressed with “-”)	3,475,855,769.13	1,259,606,867.87
Decrease in operating receivables (increase expressed with “-”)	-11,160,521,611.09	-4,693,493,583.70
Increase in operating payables (decrease expressed with “-”)	18,756,128,840.64	15,677,307,304.66
Others	-2,180,646,937.55	242,000,000.00
Net cash flow from operating activities	11,853,006,838.61	16,289,480,866.13
2. Major investing and financing activities not involving cash receipts and payment:		
Conversion of debt into capital		
Convertible bonds expiring within one year		
Fixed assets acquired under finance leases		
3. Net changes in cash and cash equivalents:		
Ending balance of cash	33,405,450,196.45	24,582,887,186.53
Less: Beginning balance of cash	24,582,887,186.53	7,783,477,068.97
Add: Ending balance of cash equivalents		
Less: Beginning balance of cash equivalents		
Net increase in cash and cash equivalents	8,822,563,009.92	16,799,410,117.56

Note: “other” is RMB 2,180,646,937.55 net increase of banks’ acceptance bill..

12. Supplementary information

1). Schedule of non-recurring profit and loss for the year

Item	Amount	Description
Profit and loss from disposal of non-current assets	-1,760,280.69	They are mainly profit

Item	Amount	Description
		and loss from disposal of fixed assets
Governmental subsidies recorded into the current gains and losses (excluding the governmental subsidies closely relating to the business of the enterprise and enjoyed by a fixed quota or a fixed amount in accordance with the state policies)	660,482,277.34	Financial rewards, technological innovation subsidies and development project grants, etc.
Gains and losses of the fair value change of the trading financial asset and liability held by the Company, investment income from the disposal of the trading financial asset and liability and available-for-sale financial asset, except for the effective hedging business in relation to the normal operation of Company	1,705,045,054.92	Investment income, gains and losses from changes in fair value
Non-operating incomes and expenditures other than the above items	-29,808,150.26	
Total non-recurring profit and loss	2,333,958,901.31	
Less: Influence amount of income tax	367,611,287.10	
Net non-recurring profit and loss	1,966,347,614.21	
Including: non-recurring profit and loss attributable to minority shareholders	3,517,879.72	
Including: non-recurring profit and loss attributable to owners of the parent company	1,962,829,734.49	

2). Rate of return on net assets and earnings per share

Profit during the Report Period	Weighted average return on net assets	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to shareholders of ordinary stocks of the Company	35.77%	3.61	3.61
Net profit attributable to shareholders of ordinary stocks of the Company after deduction of non-recurring profit and loss	29.31%	2.96	2.96

3). Changes of key accounting statements of the Company and reasons

Item	Ending amount as of December 2013 or accumulated amount from January to December 2013	Ending amount as of December 2012 or accumulated amount from January to December 2012	Ratio of change %	Reason of change
Monetary Capital	38,541,684,470.83	28,943,921,701.45	33.16	Increase of operating revenues and due acceptance of bills
Trading financial assets	1,246,106,661.88	263,460,017.40	372.98	Increase of fair value of forward foreign exchange contract
Bills receivable	46,297,242,328.98	34,292,168,999.99	35.01	Increase of pre-sale dealer bills
Disbursement of loans and advances	4,565,455,698.91	2,088,903,434.99	118.56	Increase of finance company's disbursement of loans and advances
Financial assets available for sale	805,932,600.00	554,912,450.00	45.24	Increase of bonds investment from finance companies
Investment real estate	503,056,462.68	208,009,129.76	141.84	Increase of external rental houses
Intangible assets	2,370,179,675.29	1,635,272,965.12	44.94	Increase of land use rights
Deferred income tax assets	5,682,613,181.91	2,911,085,198.23	95.21	Increase of deductible temporary differences for the period
Tax payable	6,157,486,617.37	2,522,100,351.45	144.14	Increase of taxes outstanding
Non-current liabilities due within a year	923,447,998.14	2,513,763,694.23	-63.26	Repayment of long-term loans due within a year
Other current liabilities	30,916,369,463.68	15,743,875,054.32	96.37	Increase of expenses outstanding
Sales expense	22,508,931,701.70	14,626,228,488.10	53.89	Increase of sales expense due to increase of sales and great efforts made in marketing
Income from changes in fair value	990,563,610.10	246,884,832.05	301.22	Increase of incomes from changes in fair value of forward foreign exchange contract
Investment income	717,337,242.63	-20,494,376.82	3600.17	Substantial increase of incomes from forward foreign exchange transactions
Income tax expense	1,956,168,768.13	1,316,781,289.57	48.56	Taxes increase due to sales increase

13. Approval of financial report

The financial report for this year has been approved by the Board of Directors of the Company as of 23 April 2014.

Section XI Index of documents

(1) The accounting statements signed and sealed by Dong Mingzhu, the Company's legal representative, Wang Jingdong, responsible person in charge of accounting work and Liao Jianxiong, in-charge person of accounting institution.

(2) The original audit report sealed by China Audit Asia Pacific Certified Public Accountants Co., Ltd. and signed and sealed by certified public accountants Han Zhenping and Gong Jingwei.

(3) Originals and original drafts of all the Company's documents and announcements published on the newspapers designated by CSRC within the Report Period.

GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI
Board of Directors
23 April 2014