

# **Wuxi Little Swan Company Limited**

## **2014 Annual Report**



**March 2015**

## **Section I. Important Reminders, Catalogue & Explanation**

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

All directors attended the board session for reviewing this report.

The Company’s profit distribution preplan upon review and approval of this board session: Based on the total shares of the Company as at 31 Dec. 2014, a cash dividend of RMB 4.50 (tax included) will be distributed for every 10 shares held by shareholders. No bonus shares will be granted and no capital reserve will be turned into share capital.

Mr. Fang Hongbo, chairman of the board, Mr. Sun Yunan, CFO, and Mr. Zhong Fangliu, chief of the accounting organ (chief of accounting), hereby confirm that the Financial Report enclosed in this report is factual, accurate and complete.

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

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

## Catalogue

<b>Section I. Important Reminders, Catalogue &amp; Explanation.....</b>	<b>2</b>
<b>Section II. Company Profile .....</b>	<b>5</b>
<b>Section III. Accounting &amp; Business Highlights .....</b>	<b>7</b>
<b>Section IV. Report of the Board of Directors.....</b>	<b>9</b>
<b>Section V. Significant Events.....</b>	<b>29</b>
<b>Section VI. Change in Shares &amp; Shareholders.....</b>	<b>39</b>
<b>Section VII. Directors, Supervisors, Senior Management Staff &amp; Employees .....</b>	<b>46</b>
<b>Section VIII. Corporate Governance .....</b>	<b>54</b>
<b>Section IX. Internal Control .....</b>	<b>58</b>
<b>Section X. Financial Report .....</b>	<b>60</b>
<b>XI. Documents Available for Reference .....</b>	<b>178</b>

## Explanation

Term	Refers to	Contents
Company, the Company or Little Swan	Refers to	Wuxi Little Swan Company Limited
Midea Group	Refers to	Midea Group Co., Ltd.
TITONI	Refers to	TITONI INVESTMENTS DEVELOPMENT LTD.
Midea Group Finance	Refers to	Midea Group Finance Co., Ltd.
Midea Holding	Refers to	GD Midea Holding Co., Ltd.
Hefei Midea Washing Machine	Refers to	Hefei Midea Washing Machine Co., Ltd.
Wuxi Little Swan General Appliance	Refers to	Wuxi Little Swan General Appliance Co., Ltd.
Wuxi FILIN Electronics	Refers to	Wuxi FILIN Electronics Co., Ltd.
Guangzhou Hualing Air Conditioner	Refers to	Guangzhou Hualing Air Conditioner Equipment Co., Ltd.
CSRC	Refers to	China Securities Regulatory Commission
Reporting period	Refers to	1 Jan. 2014-31 Dec. 2014

## Section II. Company Profile

### I. Basic information of the Company

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

### II. For Contact

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

### III. About information disclosure and where this report is placed

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

**IV. Changes in the registered information**

	Registration date	Registration place	Business license No.	Registration code of taxation	Organizational code
Initial registration	29 November 1993	Industrial and Commercial Administration Bureau of Wuxi, Jiangsu	13590586-X-1	320200704046760	70404676-0
At the end of the reporting period	25 March 2011	Industrial and Commercial Administration Bureau of Wuxi, Jiangsu	320200000014723	320200704046760	70404676-0
Changes of the main business since listing (if any)	Unchanged				
Changes of the controlling shareholder (if any)	Unchanged				

**V. Other information**

The CPAs firm hired by the Company:

Name	Jiangsu Gongzheng Tianye Certified Public Accountants LLP
Office address	No. 28, Liangxi Road, Wuxi
Signing accountants	Xia Zhengshu, Yu Zhiqiang

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

Applicable  Inapplicable

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

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

Applicable  Inapplicable

## Section III. Accounting & Business Highlights

### I. Major accounting data and financial indicators

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

Yes  No

	2014	2013	Increase or decrease of this year over last year (%)	2012
Operating revenue (RMB Yuan)	10,804,217,288.60	8,727,956,044.37	23.79%	6,899,863,926.81
Net profit attributable to shareholders of the Company (RMB Yuan)	698,195,731.48	413,350,079.54	68.91%	338,387,680.99
Net profit attributable to shareholders of the Company after extraordinary gains and losses (RMB Yuan)	549,737,253.68	310,261,096.43	77.19%	341,978,755.36
Net cash flows from operating activities (RMB Yuan)	1,657,114,317.33	904,882,101.01	83.13%	344,757,698.15
Basic EPS (RMB Yuan/share)	1.10	0.65	69.23%	0.54
Diluted EPS (RMB Yuan/share)	1.10	0.65	69.23%	0.54
Weighted average ROE (%)	16.73%	10.88%	5.85%	9.59%
	As at 31 Dec. 2014	As at 31 Dec. 2013	Increase or decrease of this year-end than last year-end (%)	As at 31 Dec. 2012
Total assets (RMB Yuan)	11,376,793,928.71	9,222,527,380.74	23.36%	8,403,705,443.29
Net assets attributable to shareholders of the Company (RMB Yuan)	4,427,982,112.33	3,908,897,654.74	13.28%	3,686,210,495.87

### II. Items and amounts of extraordinary gains and losses

Unit: RMB Yuan

Item	2014	2013	2012	Notes
Gain/loss on the disposal of non-current assets (including the offset part of the asset impairment provisions)	-3,482,781.03	-1,078,789.83	5,388,076.41	
Government grants recognized in the current period, except for those acquired in the ordinary course of business or granted at certain quotas or amounts according to the government's unified	19,316,074.38	23,748,858.49	23,335,697.60	

standards				
Gain/loss on debt restructuring	7,708,285.28	2,807,241.09	9,007,539.11	
Impairment provision reversal of accounts receivable on which the impairment test is carried out separately		733,146.16		
Effect on current gains/losses when a one-off adjustment is made to current gains/losses according to requirements of taxation, accounting and other relevant laws and regulations	7,701,506.00	308,469.59		
Non-operating income and expense other than the above	7,821,536.57	9,283,944.96	7,166,257.62	
Other gain and loss items that meet the definition of an extraordinary gain/loss	162,708,030.89	97,565,087.41	-33,250,000.00	
Dismissal expenses	-17,259,177.65	-5,944,610.29	-4,606,067.30	
Less: Income tax effects	11,994,501.34	9,485,975.81	6,042,660.17	
Minority interests effects (after tax)	24,060,495.30	14,848,388.66	4,589,917.64	
Total	148,458,477.80	103,088,983.11	-3,591,074.37	

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

Applicable  Inapplicable



## Section IV. Report of the Board of Directors

### I. Overview

#### (I) Sum-up

Domestically, 2014 witnessed a slowdown in growth of the macro economy, a continuously sluggish real estate market, low-running prices of raw materials and increasingly steady development of the washing machine industry. Internationally, the export environment improved as the market was boosted by the gradual recovery of the US economy and the growing emerging economies. According to statistics from ChinaIOL, China sold a total of 56.3642 million units of washing machines in 2014, up 0.77% from the year earlier, of which 37.6195 million units were sold domestically, representing a slight YoY drop, and 18.7447 million units were exported, increasing 2.75% year on year. In the year, great changes happened in the competitive landscape of the household appliance industry. Merger among international household appliance tycoons accelerated, resulting in a reshuffle in the global household appliance market. Thanks to development of the Internet, cloud computing and the Internet of Things, Chinese home appliance makers entered the first year of intelligence. 2014 witnessed obvious consumption upgrading and accelerated restructuring in the washing machine industry. The proportion of middle-and high-end products increased, with a considerable growth in the sales volume of roller, large-capacity and inverter washing machines. Washing machines were made more automatic and intelligent. Meanwhile, distribution channels diversified, with a surge in online sales.

In face of the slowdown in growth of the industry and changes in the domestic and overseas environments, closely adhering to the strategic axis of “leading products, efficiency-driven and global operation”, we focused on our main business, improved products, kept pushing forward and deepening operation transformation, and improved our operational quality in an all-round way. In 2014, we continued to optimize our product structure, improve our product quality and steadily increase the operating efficiency, which further solidified our capability of sustainable development. For the reporting period, the Company achieved operating revenues of RMB 10.804 billion, up 23.79% from the year earlier; net profit attributable to shareholders of the Company stood at RMB 698 million, representing a YoY growth of 68.91%; and the overall gross profit rate stood at 25.89%, increasing by 0.93 percentage points from last year.

#### (II) Work done in 2014



## 1. Increase of both the domestic and overseas sales

In terms of domestic distribution in 2014, we continued to tap traditional channels to increase the coverage and effectiveness of our network, and carried out level-to-level channel administration and petty & fast distribution and replenishment to increase the turnover speed. Meanwhile, we vigorously expanded online channels and continued to enhance cooperation with all major e-commerce platforms. As a result, online sales improved significantly, with the sales in the shopping spree on Nov. 11th exceeding RMB 100 million. We also enhanced market promotion through events such as the “Little Swan I-intelligence Exhibition Tour” and the “Little Swan & Movie Lucy Joint Promotion” to increase our brand recognition. In the

reporting period, we achieved a steady growth in domestic sales, with the profitability greatly improved.

As for export in 2014, we continued to enhance expansion in strategic and mature markets, proactively tried to enter new markets and deepened the strategic cooperation with customers in emerging markets. At the same time, we were moving manufacture bases out to reduce costs in manufacture and logistics. We continued to optimize our product structure, enhance product promotion and improve the brand image in the end consumption market. In the reporting period, we also achieved a steady growth in export, with a stronger growth in Europe and Middle East and our own brands taking up a larger proportion.

## 2. Enhanced the solid principle of quality

In 2014, we continued to perfect the quality control and assessment mechanism, establishing scientific management mechanisms and assessment standards in product planning, product development, the procurement process, the manufacture process, the examination process, warehousing & delivery, after-sales service, etc. We also vigorously pushed forward the competitive product project, increasing our product competitiveness according to the core principle of “accurate planning, advanced R&D, excellent quality, lean manufacture and first-rate service”. In the reporting period, our product quality was further improved.

## 3. Increased our R&D and innovation capability

In 2014, we input more efforts to improving our R&D and innovation capability. With the market as the guidance, we studied and developed new products based on the needs of consumers, which systematically improved our product competitiveness. We continued to promote product platformization and design modularization to ensure steady product quality and cost advantages. Meanwhile, we enhanced R&D of intelligent products, launching the 3rd generation of auto-throw-in washing machines—the I-intelligent series, which covered roller and pulsator

washing machines and generated good sales and a good market reputation. We also enriched our intellectual property system. By the end of the reporting period, we accumulatively had over 1,300 patents. During the reporting period, Little Swan washing machines were granted the 2014 China Low-carbon Appliance Award, the Germany iF Design Award, the Germany Red Dot Award, the China Key New Product Certificate, etc. Our capability in R&D and innovation were widely recognized on the market.



#### 4. Increased the manufacture efficiency

In 2014, we continued to enhance lean manufacture and management by building up a lean manufacture control system and training talents in lean management. We continued to train talents in the Innovation School, which laid a solid foundation for the long-term and effective development of lean manufacture. At the same time, we proactively carried out benchmarking projects to boost upgrading in manufacture efficiency and technology. We also kept optimizing the logistics system to realize “one logistics flow”, reduce logistics turnover and increase logistics efficiency. Meanwhile, we vigorously promoted automatic and intelligent manufacture. In the reporting period, our manufacture efficiency improved significantly when compared to last year, with notable achievements in the automation project.

## II. Main business analysis

### 1. Overview

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

Unit: RMB Yuan

Item	2014	2013	+/-	+/-%
Operating revenues	10,804,217,288.60	8,727,956,044.37	2,076,261,244.23	23.79%
Operating costs	8,007,492,218.69	6,549,621,939.90	1,457,870,278.79	22.26%

Period expense	1,945,862,660.03	1,685,209,312.16	260,653,347.87	15.47%
Operating profit	908,408,806.48	521,442,323.19	386,966,483.29	74.21%
Total profit	934,002,673.29	548,621,308.01	385,381,365.28	70.25%
Net profit attributable to the Company (without subsidiaries)	698,195,731.48	413,350,079.54	284,845,651.94	68.91%

State the reasons why the Company's actual business performance is 20% lower or higher than the earning forecast for the reporting period which has been publicly disclosed earlier:

Applicable  Inapplicable

Changes in the main operational mode

Applicable  Inapplicable

## 2. Revenues

For the reporting period, the Company achieved operating revenues of RMB 10.804 billion, up 23.79% over last year.

Is the Company's goods selling revenue higher than the service revenue?

Yes  No

Industry	Item	Unit	2014	2013	YoY +/-%
Household appliance	Sales volume	Unit	11,293,335	9,142,664	23.52%
	Output	Unit	11,043,520	9,054,490	21.97%
	Stock	Unit	798,903	1,048,718	-23.82%
	Market share (note)	--	20.82%	18.95%	1.87%

Note: The market share data were the retail market shares from reports by China Market Monitor Co., Ltd.

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

Applicable  Inapplicable

Major orders on hand:

Applicable  Inapplicable

Significant change or adjustment of the Company's products or services during the reporting period:

Applicable  Inapplicable

Major customers:

Total sales to the top 5 customers (RMB Yuan)	3,214,337,716.20
Ratio of the total sales to the top 5 customers to the annual total sales (%)	29.76%

Information about the top 5 customers:

Serial No.	Name of customer	Sales (RMB Yuan)	Proportion in annual total sales (%)
------------	------------------	------------------	--------------------------------------

1	Customer A	1,524,280,186.72	14.11%
2	Customer B	975,191,345.52	9.03%
3	Customer C	407,020,051.41	3.77%
4	Customer D	184,077,162.07	1.70%
5	Customer E	123,768,970.48	1.15%
Total	--	3,214,337,716.20	29.76%

### 3. Costs

Unit: RMB Yuan

Industry	Item	2014		2013		YoY +/- (%)
		Amount	Proportion in operating costs (%)	Amount	Proportion in operating costs (%)	
Home appliance manufacture	Raw materials	6,582,063,431.60	91.67%	5,328,504,226.96	90.48%	1.19%
Home appliance manufacture	Labor cost	348,951,663.73	4.86%	287,045,949.02	4.87%	-0.01%
Home appliance manufacture	Depreciation & amortization	140,082,517.01	1.95%	159,123,532.24	2.70%	-0.75%
Home appliance manufacture	Energy	53,119,840.68	0.74%	47,221,210.21	0.80%	-0.06%

The proportion of raw materials increased because ① the business scale expanded, the proportion of fixed expenses decreased and the proportion of materials increased accordingly; and ② the twin-tub washers which consumed a relatively small proportion of materials decreased in the sales proportion.

Major suppliers:

Total purchases from the top 5 suppliers (RMB Yuan)	1,785,993,635.88
Ratio of the total purchases from the top 5 suppliers to the annual total purchases (%)	24.53%

Information about the top 5 suppliers:

Serial No.	Name of supplier	Procurement amount (RMB Yuan)	Proportion in annual total procurement (%)
1	Supplier A	1,087,823,539.49	14.94%
2	Supplier B	190,961,750.39	2.62%
3	Supplier C	178,314,355.60	2.45%
4	Supplier D	174,580,275.53	2.40%
5	Supplier E	154,313,714.87	2.12%

Total	--	1,785,993,635.88	24.53%
-------	----	------------------	--------

#### 4. Expense

Unit: RMB Yuan

Item	2014	2013	YoY +/-
Selling expenses	1,519,482,348.76	1,267,118,417.20	19.92%
Administrative expenses	441,240,435.76	393,481,200.80	12.14%
Financial expenses	-14,860,124.49	24,609,694.16	-160.38%
Income tax expenses	143,176,568.98	73,863,608.22	93.84%

#### 5. R&D expenses

During the reporting period, with market as the guidance and consumers' needs as the center, we focused on building long-standing product competitiveness. R&D expenses were mainly used to: 1. enhance study of consumers' needs and focus on key projects; 2. keep introducing high-end talents; and 3. enhance R&D of intelligent products. In 2014, various R&D expenses stood at RMB 438 million, accounting for 8.51% of our audited net assets at the end of 2014 and 4.05% of our operating revenues for the year.

#### 6. Cash flows

Unit: RMB Yuan

Item	2014	2013	YoY +/- (%)
Subtotal of cash inflows from operating activities	8,891,098,192.24	7,313,349,568.57	21.57%
Subtotal of cash outflows from operating activities	7,233,983,874.91	6,408,467,467.56	12.88%
Net cash flows from operating activities	1,657,114,317.33	904,882,101.01	83.13%
Subtotal of cash inflows from investing activities	10,280,083,245.17	11,405,168,864.71	-9.86%
Subtotal of cash outflows from investing activities	11,785,485,490.22	11,854,317,350.44	-0.58%
Net cash flows from investing activities	-1,505,402,245.05	-449,148,485.73	-235.17%
Subtotal of cash inflows from financing activities	103,860,740.00		
Subtotal of cash outflows from financing activities	297,147,898.14	189,716,383.08	56.63%
Net cash flows from financing activities	-193,287,158.14	-189,716,383.08	-1.88%
Net increase in cash and cash equivalents	-41,465,061.67	265,078,649.53	-115.64%

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

Applicable  Inapplicable

Net cash flows from operating activities increased mainly because the sales scale increased, bank acceptance bills

were adopted more often in procurement and the increase in the cash received from selling goods was higher than the increase in the cash paid for goods and services.

Net cash flows from investing activities decreased mainly because the closing balance of bank wealth management products and the structural deposits increased.

Reasons for a big difference between the operating cash flows and the net profit:

Applicable  Inapplicable

### III. Breakdown of main business

Unit: RMB Yuan

	Operating revenues	Operating costs	Gross profit rate (%)	Increase/decrease of operating revenues over last year (%)	Increase/decrease of operating costs over last year (%)	Increase/decrease of gross profit rate over last year (%)
Classified by industry:						
Home appliance manufacture	9,880,602,020.03	7,180,075,385.38	27.33%	23.59%	21.92%	0.99%
Classified by product:						
Washing machines	9,880,602,020.03	7,180,075,385.38	27.33%	23.59%	21.92%	0.99%
Classified by region:						
China	7,767,890,796.04	5,221,319,894.92	32.78%	22.86%	20.21%	1.48%
Other countries	2,112,711,223.99	1,958,755,490.46	7.29%	26.37%	26.74%	-0.27%

Where the Company's accounting standard of the main business data above changed during the reporting period, give the main business data of the latest year adjusted according to the accounting standard at the end of the reporting period:

Applicable  Inapplicable

### IV. Asset and liability analysis

#### 1. Major changes of asset items

Unit: RMB Yuan

	As at 31 Dec. 2014		As at 31 Dec. 2013		Proportion change (%)	Explain any major change
	Amount	Proportion in total assets (%)	Amount	Proportion in total assets (%)		
Monetary funds	3,059,914,956.21	26.90%	1,617,373,088.50	17.54%	9.36%	
Accounts receivable	856,343,229.70	7.53%	777,744,132.32	8.43%	-0.90%	

Inventories	605,616,993.25	5.32%	798,141,838.58	8.65%	-3.33%	
Investing real estate	73,229,177.52	0.64%	9,466,777.10	0.10%	0.54%	
Long-term equity investment	2,850,040.45	0.03%	3,169,148.88	0.03%	0.00%	
Fixed assets	1,065,820,898.65	9.37%	1,194,244,286.86	12.95%	-3.58%	

## 2. Assets and liabilities measured at fair value

Unit: RMB Yuan

Item	Opening amount	Gain/loss on fair value change in the reporting period	Cumulative fair value change recorded into equity	Impairment provisions in the reporting period	Purchased amount in the reporting period	Sold amount in the reporting period	Closing amount
Financial assets							
1. Derivative financial assets	15,016,740.00	-14,767,832.25					248,907.75
2. Available-for-sale financial assets	1,722,816.00	-1,422,516.00		100,300.00			200,000.00
Total of the above	16,739,556.00	-16,190,348.25		100,300.00			448,907.75
Financial liabilities	0.00	0.00		0.00			0.00

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

Yes  No

## V. Core competitiveness analysis

The Company is one of the biggest washing machine manufacturers in China, with its main competitiveness as follows:

1. Technology-related competitiveness: The Company has been concentrating on its washing machine business all the time. Through constant input of R&D resources over the years, the Company has owned leading technological competitiveness in the industry. The Company has a sound technological R&D system, including one state-level technological center and two state-recognized labs. Little Swan Lab is the first washing machine lab in China to pass the UL North American safety verification and the German VDE verification. Little Swan holds on to independent innovation and has the internationally advanced frequency-changing, intelligent control, structure design, industrial design and other core washing technologies.

2. Brand-related competitiveness: The Company adopts a two-brand strategy ("Little Swan" and "Midea"). As a washer brand with a history over 30 years, Little Swan is considered a very reliable brand among consumers, with the slogan of "Whole-hearted Little Swan" being well-known among them. As for Midea, it is a well-known home appliance brand, which is also of a high reputation as a washer brand, and its market share keeps rising.



3. Scale-related competitiveness: The Company is one of the first washer manufacturers in China and it has established the lean manufacturing culture. It now has domestically and internationally first-class manufacturing equipments and an experienced manufacturing team. The Company has now two production bases—Wuxi and Hefei, with the combined production capacity over 16 million units. Its wide product range covers tumbling-box, whirlpool agitator full-automatic, double-cylinder and agitator washing machines, clothes dryers, etc., creating incomparable scale competitiveness among washer manufacturers.

4. Channel-related competitiveness: Through reform and adjustment in the recent years, the Company has formed its channel competitiveness. In the domestic first and secondary markets, the Company mainly works with Suning, Gome and some other big regional customers. In the tertiary and fourth markets, the Company combines traditional channels and franchised stores to distribute its products to households. In e-commerce, the Company keeps enhancing cooperation with online platforms and proactively builds online distribution channels, which results in a high-speed growth in online sales. Overseas, the Company keeps deepening its cooperation with customers, continuously expanding strategic markets and enhancing promotion of its own brands in local markets. The Company enjoys a good and long-term cooperation relationship with its major customers at home and abroad.

5. Competitiveness in mechanism. The Company has built up a sound corporate governance mechanism and formulated the corresponding rules of procedure and management rules, which will help it operate continuously and efficiently. The Company gives sufficient power to its executives and at the same time sets up a sound mechanism for performance appraisal, boosting vitality among staff and at the same time ensuring the fulfillment of its strategic goals. A mature professional manager mechanism has been established within the Company. The core management team has all worked for years in the Company or Midea Group, the controlling shareholder, with rich experience in the industry and in management. With an open mind in talent management, the Company is building its talent pool through the combination of internal cultivation and external introduction. The competitiveness in mechanism ensures the Company's capability of sustainable development.

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

## VI. Investment analysis

### 1. Investments in equities of external parties

#### (1) Equity-holdings in financial enterprises

Enterprise name	Enterprise variety	Initial investment cost (RMB Yuan)	Opening equity-holdings (share)	Opening equity-holding ratio (%)	Closing equity-holdings (share)	Closing equity-holding ratio (%)	Closing book value (RMB Yuan)	Gain/loss in the reporting period (RMB Yuan)	Accounting title	Equity source
Jiangsu Commercial Bank Ltd., Co.	Commercial bank	1,100,000	2,202,564	0.02%	0	0.00%	0.00	7,600,256	Long-term equity investment	Private offering
Total		1,100,000	2,202,564	--	0	--	0.00	7,600,256	--	--

## 2. Wealth management entrustment, derivative investments and entrustment loans

### (1) Wealth management entrustment

Unit: RMB Ten Thousand

Name of trustee	Related-party relation	Related-party transaction or not	Type of products	Amount	Beginning date	Ending date	Payment determination	Principal actually recovered	Impairment provision	Anticipated earnings	Actual gain/loss during the reporting period
Bank	No	No	Bank wealth management product	1,022,700	1 Jan. 2014	31 Dec. 2014	Floating interest rate and the contract gave the highest annualized rate of return	1,010,190		16,271	16,271
Total				1,022,700	--	--	--	1,010,190		16,271	16,271
Source of the entrusted funds				All is from the self-owned funds of the Company. The entrusted funds are cumulative. The line for wealth management entrustment is not exceeding RMB 2 billion and repeated use is allowed within the said line.							
Cumulative overdue principals and gains				0							
Lawsuits (if applicable)				Inapplicable							
Disclosure date of the Board of Directors' announcement approving the wealth management entrustment (if any)				7 Mar. 2014							
Disclosure date of the Board of Shareholders' announcement approving the wealth management entrustment (if any)											

### (2) Derivative investments

Unit: RMB Ten Thousand Yuan

Operator	Relation	Related-party transaction or not	Type of derivative investment	Initial investment amount	Beginning date	Ending date	Opening investment amount	Impairment provision (if any)	Closing investment amount	Proportion of the closing investment amount in the Company's	Actual gain/loss in reporting period
----------	----------	----------------------------------	-------------------------------	---------------------------	----------------	-------------	---------------------------	-------------------------------	---------------------------	--	--------------------------------------

										closing net assets (%)	
Bank	No	No	Forward exchange contract	48,371	16 May 2013	19 May 2015	48,371		5,770	1.12%	782
Total				48,371	--	--	48,371		5,770	1.12%	782
Capital source for derivative investment				All self-owned funds							
Lawsuit situations (if applicable)				Inapplicable							
Disclosure date of the board announcement approving the wealth management entrustment (if any)				7 Mar. 2014							
Disclosure date of the general meeting announcement approving the wealth management entrustment (if any)				16 Apr. 2014							
Analysis on risks and control measures of derivative products held in the reporting period (including but not limited to market risk, liquidity risk, credit risk, operation risk, law risk, etc.)				<p>The Company has formulated the Management Methods for Exchange Funds upon review to thoroughly assess and control derivative investment risks, which are detailed as follows:</p> <p>1. Market risk</p> <p>Fluctuations of exchange rates may incur a great market risk in the foreign exchange funds business. Meanwhile, if the Company fails to input foreign exchanges on time for contract execution in the foreign exchange funds business, contract breach risk may incur.</p> <p>Counter-measures: The Company will not carry out speculative trading in its foreign exchange funds business. And the Company will stick to the principle of being prudent in operations. A from-the-bottom-up management mechanism is adopted. When subsidiaries or product enterprises file applications for funds business, they will give a risk analysis on conditions or circumstances that might affect gains and losses, estimate the maximum gain and loss, and state the ratio or total amount of guarantee deposits they can bear. And the Company will, according to their applications, update operations in time in its funds business and make funds arrangements before the maturity date.</p> <p>2. Operation risk</p> <p>The Company may suffer loss in its hedging business and foreign exchange funds business due to faulty internal procedures, staff, systems and external events.</p> <p>Counter-measures: Responsibility division and approval procedures for the hedging and foreign exchange business have been specified in relevant management rules. And a sound supervision mechanism has been established. And operation risk can be effectively reduced by enhancing risk control over procedures for operation, decision-making and trading.</p> <p>3. Risk concerning laws and regulations</p> <p>The Company carries out its foreign exchange business in compliance with applicable laws</p>							

	<p>and regulations, with rights and duties between the Company and agencies being stated clearly.</p> <p>Counter-measures: The Company urges responsible departments to understand better about relevant laws, regulations and market rules; be strict in contract re-checks; make clear relevant rights and duties; and enhance compliance checks to make sure that the Company operates derivative investments in compliance with applicable laws, regulations and the Company's internal management rules.</p>
Changes of market prices or fair values in the reporting period of the invested derivatives. And the analysis on the fair value of the derivatives should include the specific use methods and the relevant assumptions and parameters.	The Company adopts forward foreign exchange quotations declared by the People's Bank of China in its analysis on fair values of derivative products.
Whether significant changes occurred to the Company's accounting policy and specific accounting principles of derivatives in the reporting period compared to the previous reporting period	No significant changes.
Specific opinion from independent directors on the Company's derivatives investment and risk control	<p>Independent directors of the Company believe that: The Company has formulated derivative investment rules such as the Management Methods for Exchange Funds to help it effectively control risks involved; the Company's derivative investments in the reporting period mainly targeted its exports. It signed forward exchange contracts with domestic financial institutions, which helped it to lock up the exchange rate and avoid the risk of exchange rate fluctuations. The Company conducted no speculative operations, so there was no credit risk. And transaction periods were determined according to expectations and payment receiving and making, with no influence on the Company's fluidity.</p>

### 3. Analysis to main subsidiaries and stock-participating companies

Unit: RMB Ten Thousand Yuan

Company	Company	Industry	Main	Registered	Total	Net assets	Operating	Operating	Net profit
Hefei Midea Washing Machine Co., Ltd.	Subsidiary	Manufacture	washing machine manufacture	USD 13,552	434,115.34	187,937.73	490,165.57	24,499.33	21,520.38
Wuxi Little Swan General Electrical Appliances	Subsidiary	Manufacture	Washer-dryer manufacture	2,800	23,298.00	16,661.24	22,212.50	1,373.46	1,277.61

Co., Ltd									
Wuxi FILIN Electronics Co., Ltd	Subsidiary	Manufacture	Development and manufacture of new electronic components	USD 362.4564	50,160.81	36,541.11	41,470.37	9,122.27	8,537.98

Subsidiaries acquired or disposed during the reporting period:

Applicable  Inapplicable

For the details, please refer to Notes VIII, “Changes of the Consolidation Scope” of “Section X. Financial Report”.

## VII. Predict the operating results of Jan.-Mar. 2015

Warning of possible loss or considerable YoY change of the accumulated net profit made during the period-begin to the end of the next reporting period according to prediction, as well as explanations on the reasons:

Applicable  Inapplicable

## VIII. Outlook of the Company’s future development

### (I) Industry development trend

In 2015, from the view of the macro-economic situation, the economy of China had stepped into the low order but stabilizing new normalcy development period, while the regulation of the property policies had loosen a little but recovered slowly with underpowered internal sales growth; the differentiation of the overseas economic entities growth, the exchange rate fluctuation, the political situation turbulence as well as the rise of the labor cost will also influence the export business at a certain degree.

In 2015, mobile internet and the intellectualized technology revolution will further and deeper influence the industry reform, the cross-border cooperation and the complementary fusion will become tendency; accompanied with the subsidence of the logistics channel down to the three, four level market, the internet sales will expand to the countryside market and further promote the rapid development of the e-commerce industry; the manufacturing upgrade will be further accelerated, and intellectualization as well as automation will become tendency; as the industry competition heated up, the execution of the “Pacemaker” system will promote the further optimization and integration of the industry, thus the concentration ratio will be further improved. Under the circumstance of the new normalcy economic situation, the washing machine industry will face up with certain new challenges and opportunities: upgrade of the industry consumption, acceleration of the urbanization process, the increase of parts of the developed countries and the newly-developing market economy etc, will continue to be the main power to promote the industry development; the tendency of the global washing machine products and the technology development is heading towards to the direction which is more intelligent, more energy-saving and healthier, as well as the competition of the products power and the technology power is becoming heater and heater, the enterprises with leading technology level and R&D strength will occupy the dominant position.

Generally speaking, the washing machine industry will step in to the high-end oriented stage driven by the products upgrade and the adjustment of the products structure, market structure and the operation mode will

become tendency.

## (II) Development plan of the Company

In 2015, the Company will continue to insist the development path of professional development, will center on the core business—the washing machine business, will continue to take the “Product Leadership, Efficiency-driven, Global Operation” as strategic spindle, constantly deepen the operation transformation through the strategic path of “Well Production, Simplified Operation, Enhanced Efficiency, E-commerce and Flagship Store Development Strengthen of Internal Sales and Major Customers and Self-owned Brand Cultivation of External Sales”, thus to entirely enhance the operation quality of the Company and the sustainable ability.



In 2015, for ensure the achievement strategic targets, the Company will tightly center on the five powers enhancing such as the “marketing power, product power, manufacture power, quality power and supply power” to carry out the work with the main work ideas as follows:

### 1. Marketing power enhancing

In 2015, as for the internal sales, the Company will continue to promote the construction of the traditional channels, to strengthen the development efforts of the internet branches and the flagship store, to push the TOP customer direct sales and the key enhancing of the weak customers, to guide the transformation of the marketing mode of the customers level, to accelerate the channels efficiency enhancing, to constantly promote the terminal standardized construction, and to improve the number and quality of the after-sales service internet branches; to make great efforts to development the e-commerce business, to deepen the cooperation of the current e-commerce platform, to improve the online sales structure, to guide the offline customers to expand the online internet branches, to promote the execution of the O2O projects and to promote the integration online and offline. As for the external sales, to constantly develop the strategic and mature market, rapidly enhance the proportion of the emerging market, to accelerate the distribution of the blank market, to strengthen the develop efforts of the key self-owned brand markets, to constantly optimize the products sales structure and to insist the promotion of the off-shoring layout of the manufacture. As for the brand, the Company will constantly construct the double-brand operation system, to steadily enhance the influence power of Little Swan and to rapidly pull the market position of Midea.

## **2. Product power enhancing**

In 2015, the Company will further enlarge the R&D investment efforts, to constantly construct the R&D innovation system and to build up the global product R&D strategy; to take the customers requirements as center, to combine with the products development process and the products service life, to strengthen the customer study work, to constantly promote the users experience perfection with the customer study support for the nodes such as the business planning and proposal approval, the design verification and the product listing; to constantly simplified the products type, to improve the hit rate of the business planning, and to concentrate the resources on the main superior products; to promote the refined design of R&D, to insist the mode of product platformization, design modularization and accessories standardization, and to improve the products manufacturability and to construct the constantly cost advantages; to enlarge the intellectualized products R&D and promotion efforts and to construct the competition advantages in the field of intellectual laundry.

## **3. Manufacture power enhancing**

In 2015, the Company will concentrate on the products leading and the efficiency-driven as strategic spindle, will promote the manufacture upgrade by standardization, flexibility, informatization, automation and streamline production, and will forge the high-efficient and stable production mode. To promote the transformation of the T+3 order mode, to realize the customer order system and offline direct delivery, and to deliver rapidly as well as to reduce the inventories; to rigidly execute the planning and management and to adopt the production method pulled by the production plan; to enlarge the investment efforts of the automatized projects, to promote the transformation from station automation to line body automation and to enhance the automation level of the manufacture.

## **4. Quality power enhancing**

In 2015, the Company will insist the rigidly controlling principles of the quality, to regard the refined management as method and to promote the enhancing of quality management of the whole value chain; to firmly promote the excellent project strategy, to build up the refined management system of the whole process and the assessment standard of the quality of the competitive products and to forge the competitive products recognized by the market; to promote and construct the new products assessment system which center on the customers perspective, and to build up a more scientific and objective quality assessment system; to constantly improve the products quality of the Company through multiple dimensions perfecting.

## **5. Supply power enhancing**

In 2015, under the premise of ensuring the products quality, the Company will constantly build up the competition advantage of the material cost through standardized and modularized design; to execute the industry benchmarking supplier analysis of the key material, to carry out the exclusive step-by-step supply clean and to introduce the optimized resources perfection supply layout; to constantly practice the quality rigid principles and to refine the management of the incoming material problem; to intensify the material comprehensive guarantee ability, to constantly optimize and adjust the supply distribution, to integrate the supplier superior resources, to shorten the purchase period and to systematically improve the supply ability of the Company.

## **(III) Future risk analysis**

1. Market risks. The descending of the domestic economy growth rate and the slowly recovery of the real estate market, as well as the differentiation of the overseas economy growth and the complicated political environment

brought uncertainty of the market requirements; the rapid development of the online sales brought great challenges for the traditional marketing mode; and the development of the mobile interconnected intelligent technology will also deeper influence the industry reform and the border of the industry which become fuzzifier will bring certain impact on the industry development.

2. Cost risks: In 2014, the prices of bulk raw materials remained relatively low. If they go to a much higher level in 2015, the Company's profitability will be directly affected. Along with the rise of labor cost, cost pressure on the Company will build up.

3. Exchange rate risks: The fluctuation in exchange rate is very much uncertain. Though the Company has adopted certain counter measures against exchange rate fluctuation, the Company would still be largely affected in profitability of overseas sales by fluctuated exchange rate.

4. Policy risks: In overseas market, the promotion of non-tariff trade barriers and possible anti-dumping policy would affect the scale and profitability of the Company's overseas business.

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

Applicable  Inapplicable

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

Applicable  Inapplicable

For the details, please refer to Notes V. 28 "Changes of significant accounting polices and accounting estimates" of Section X. "Financial Report".

#### **XI. Explanation of the significant accounting correction of errors that needed to make retroactive statement during the reporting period**

Applicable  Inapplicable

#### **XII. Explanation of the changes of the consolidated statement scale compared to the last financial report**

Applicable  Inapplicable

For the details, please refer to Notes VIII. "Changes of Consolidation Scope" of Section X. "Financial Report".

#### **XIII. Profit allocation and dividend payout**

(1) Formulation, execution or adjustment of the Company's profit allocation policy, especially the cash dividend



policy, during the reporting period:

The Company held 1<sup>st</sup> Extraordinary General Meeting of 2014 on 22 Aug. 2014, which reviewed and approved the Protocol Amendments of Constitutions that clear confirmed the profits distribution polices and cash dividend proportion such as: the annual realizable distributable profits of the Company was positive and there was no any significant investment plan or significant cash expenses events within the year (except for the raised-funds investment projects). During any three consecutive years, the profits accumulatively distributed by cash of the Company were not lower than 30% of the annual average realizable distributable profits of the recent three years. When the Company is executing the profits distribution, the proportion of the cash dividends of the profits distribution should at least reach 20%.

For the details of the above content, please refer to the announcement disclosed on [www.cninfo.com.cn](http://www.cninfo.com.cn) by the Company on 25 Aug. 2014.

(2) The Company's preplans or plans for profit allocation and turning capital reserve into share capital for the recent three years (including the reporting year):

Profit distribution plan for 2012: Based on the total 632,487,764 shares of the Company as at the end of 2012, a cash dividend of RMB 3.00 (tax included) was distributed for every 10 shares and no capital reserve was turned into share capital. The plan was fully carried out in Jun. 2013.

Profit distribution plan for 2013: Based on the total 632,487,764 shares of the Company as at the end of 2013, a cash dividend of RMB 3.00 (tax included) was distributed for every 10 shares and no capital reserve was turned into share capital. After the deliberation of the Board of Directors, it would be handed in to be examined by the Board of Shareholders.

Profit distribution plan for 2014: Based on the total 632,487,764 shares of the Company as at the end of 2014, a cash dividend of RMB 4.50 (tax included) was distributed for every 10 shares and no capital reserve was turned into share capital. After reviewed and approved by the Board of Directors, the proposal was planed to summit to the Annual General Meeting for review and approval.

(3) Cash dividend distribution of the Company over the recent three years:

Unit: RMB Yuan

Dividend year	Amount of cash dividend (including tax)	Net profit belonging to shareholders of the listed company in consolidated statement of dividend year	The ratio accounting in net profit which belongs to shareholders of the listed company in consolidated statement	The amount offered and re-purchased the shares by cash that included in the cash bonus	The proportion offered and re-purchased the shares by cash that included in the cash bonus
2014	284,619,493.80	698,195,731.48	40.77%	0.00	0.00%
2013	189,746,329.20	413,350,079.54	45.90%	0.00	0.00%
2012	189,746,329.20	338,387,680.99	56.07%	0.00	0.00%

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

Applicable  Inapplicable

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

Bonus shares for every 10 shares (share)	0
Dividend for every 10 shares (RMB Yuan) (tax included)	4.50
Turning capital reserve into share capital for every 10 shares (share)	0
Total shares as the basis for the allocation preplan (share)	632,487,764
Total cash dividends (RMB Yuan) (tax included)	284,619,493.80
Distributable profit (RMB Yuan)	2,119,114,361.84
Percentage of the cash bonus of the total profits dividends	100.00%
Cash dividend policy:	
Other	
Details about the profit allocation or turning capital reserve into share capital	
<p>According to the Audit Report provided by the Jiangsu Gongzheng Tianye Certified Public Accountants LLP, the parent company realized the net profit of RMB 416,363,537.97 in 2014, and if plus the undistributed profit of the last year-begin of the amount of RMB 1,702,750,823.87, the distributable profit would be of RMB 2,119,114,361.84; the statutory surplus reserves was of RMB 41,636,353.80, the distributed dividend of 2013 was of RMB 189,746,329.20, and the distributable profits for the shareholders of the end of the reporting period was of RMB 1,887,731,678.84.</p> <p>Pre-plan of the distribution of 2014: Based on the total 632,487,764 shares of the Company as at the end of 2014, a cash dividend of RMB 4.50 (tax included) was distributed for every 10 shares to the whole shareholders, which come to the total cash amount of RMB 284,619,493.80, and the remain undistributed profits will carry forward to the consequent years. No capital reserve was turned into share capital in 2014.</p>	

#### XV. Social responsibilities

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

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

(II) Positively paying back for the shareholders. The Company constructed a more perfect corporate governance structure and formulated a corresponding management system for ensure the shareholders to fully enjoy each legal interests stipulated by the laws and regulations. The Company attached great importance to the retribution and had

been executing the cash dividends for recent years, as well as revised the Articles of Association during the reporting period which clearly confirmed the profits distribution system and cash dividends proportion etc, which further strengthen the return awareness of the shareholders.

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

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

(V) Promoting energy saving and environmental protection: The Company carried out and promoted the energy conservation and emission reduction and executed the social responsibility under the low-carbon time through innovation in management, technology and products. During the progress of produce, the Company realized 100% of the recycle and the reuse of the industrial water consumption; the Company explored the Accurate Automatic Launch Detergent Technology, which gained the authentication of the international authority-UK Intertek, and at the same time received the green leave label of Carbon Footprint that meant the Company be the first enterprise that received that label in the domestic washing machine industry.

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

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

Yes  No

Does the listed company or its subsidiaries have any other significant social security problems?

Yes  No

Any administrative punishment during the reporting period?

Yes  No

## **XVI. Particulars about researches, visits and interviews received in this reporting period**

Time of reception	Place of reception	Way of reception	Visitor type	Visitor	Main discussion and materials provided by the Company

12 Mar. 2014	Conference Room of the Company	Field research	Institution	Industrial Securities	Overall operation of the Company
1 Sep. 2014	Conference Room of the Company	Field research	Institution	Huashang Fund, Founder Securities	Overall operation of the Company
29 Oct. 2014	Conference Room of the Company	Field research	Institution	Huatai Securities, ChinaAMC, Harvest Fund	Overall operation of the Company
30 Oct. 2014	Conference Room of the Company	Field research	Institution	Renhang Investment, Haitong Securities, Orient Securities	Overall operation of the Company
4 Nov. 2014	Conference Room of the Company	Field research	Institution	Huatai Securities, Minsheng Fund, Mont Pelerin Investment, Eastern Fund, ICBC Credit Suisse Fund, Huatai Securities,	Overall operation of the Company
13 Nov. 2014	Conference Room of the Company	Field research	Institution	Huatai Securities, Penghua Fund, Taikang Asset, Investec, Citic Securities	Overall operation of the Company

## Section V. Significant Events

### I. Significant lawsuit or arbitration

Applicable  Inapplicable

There was no significant lawsuit or arbitration during the reporting period.

### II. Media's doubts

Applicable  Inapplicable

There was no such a case in the reporting period where most of the media raised the same doubt about the Company.

### III. Asset transactions

#### 1. Sale of assets

Transaction party	Assets sold	Disposal date	Transaction price	Net profit contributed to the Company from the period-begin to the disposal date (RMB Ten thousand)	Impact to the company (Notes 3)	Ratio of the net profit contributed by the asset to the Company to the total profit (%)	Pricing principle	Related-party transaction or not	Relationship between the transaction party and the Company (applicable for related-party transactions)	Whether or not the ownership of the asset involved has been fully transferred	Whether or not the creditor's right and liabilities involved have been fully transferred	Disclosure date	Disclosure index
Midea Group Finance Co., Ltd.	Equities of the Jiangsu Commercial Bank	23 Dec. 2013	881.03	760.03	Net profits increased	0.96%	Confirmed according to the market price of similar assets	Yes	Company controlled by the controlling shareholder	Yes	Yes		Inapplicable

									der				
--	--	--	--	--	--	--	--	--	-----	--	--	--	--

#### IV. Implementation of equity incentive and its influence

Applicable  Inapplicable

There was no any equity incentive plan and its implementation about the Company.

#### V. Significant related-party transactions

##### 1. Credits and liabilities with related parties

Applicable  Inapplicable

Was there any credit or liability with any related party for non-operating purpose?

Yes  No

##### 2. Other significant related-party transactions

(1) The Company convened the 1<sup>st</sup> Special Shareholder's General Meeting on 27 Aug. 2013, which reviewed and approved the proposals on:

① The Proposal on the Announcement about the Financial Service Agreement which signed with the Midea Group Finance Co., Ltd. of related transaction

It was agreed that, the financial company should provide the service of deposit, loan, note discount, guarantee, settlement, and the series of the financial services that approved by the CBRC according to the requirements of the Company as well as its subsidiaries. During the three-year validity after date of the validation of the agreement, the maximum of the deposit balance that the Company and its subsidiaries disposed in the financial company should not exceed the amount of RMB 1 billion per day; and the maximum of the outstanding loan principal and interest balance that the financial company granted to the Company and its subsidiaries should not exceed the amount of RMB 1 billion per day.

At the report-end, the deposit balance of the Company at Midea Group Finance Co., Ltd. was of RMB 0.99 billion, with no any loan.

② The Proposal on the Announcements about trademark license of related transactions

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

(Notes: Approved by [2013] No. 1014 document of China Securities Regulatory Commission, Midea Group had made share swap absorption merger of the original controlling shareholder—GD Midea Holding Co., Ltd. on 18 Sep. 2013, after which, Midea Group inherited and carried on the whole obligations and right such as the whole

assets and liabilities of GD Midea Holding Co., Ltd. as a remainder enterprise as well as had completed the relevant share transfer registration procedures on 31 Dec. 2013.)

(2) The Company held the 2013 Annual General Meeting on 16 Apr. 2014 which reviewed and approved the Proposal on Estimating the Amount of the 2014 Daily Related Transactions.

(3) The Company held the 9<sup>th</sup> Session of the 7<sup>th</sup> Board of Directors on 21 Apr. 2014, which reviewed and approved the Proposal on Adjusting the Amount of the 2014 Daily Related Transactions.

(4) The Company held the 12<sup>th</sup> Session of the 7<sup>th</sup> Board of Directors on 20 Oct. 2014, which reviewed and approved the Proposal on Adjusting the Amount of the 2014 Daily Related Transactions.

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

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

Title of the interim announcement	Disclosure date	Disclosure website
Announcements about Trademark License of Related Transactions (No. 2013-18)	6 Aug. 2013	www.cninfo.com.cn
Announcement about the Financial Service Agreement which Signed with the Midea Group Finance Co., Ltd. of Related Transaction (No. 2013-17)	6 Aug. 2013	www.cninfo.com.cn
Announcements about Estimating the 2014 Daily Connection Transaction Amount (No. 2014-05)	7 Mar. 2014	www.cninfo.com.cn
Announcements about Adjusting the 2014 Daily Connection Transaction Amount (No. 2014-17)	22 Apr. 2014	www.cninfo.com.cn
Announcements about Adjusting the 2014 Daily Connection Transaction Amount (No. 2014-49)	22 Oct. 2014	www.cninfo.com.cn

## VI. Significant contracts and their execution

### 1. Trusteeship, contracting and leasing

#### (1) Trusteeship

Applicable  Inapplicable

During the reporting period, there were no major events where the Company trusted other companies with anything or vice versa. Nor there were such events that occurred in previous periods but lasted to the reporting period.

#### (2) Contracting

Applicable  Inapplicable

During the reporting period, there were no major events where the Company served as a contractor for other companies or vice versa. Nor there were such events that occurred in previous periods but lasted to the reporting period.

**(3) Leasing**

□ Applicable √ Inapplicable

During the reporting period, no major leasing events occurred. Nor there were such events that occurred in previous periods but lasted to the reporting period.

**2. Guarantees provided by the Company**

Unit: RMB '000

Guarantees provided by the Company for external parties (excluding those for subsidiaries)								
Guaranteed party	Disclosure date of relevant announcement	Amount for guarantee	Actual occurrence date (date of agreement)	Actual guarantee amount	Type of guarantee	Period of guarantee	Executed or not	Guarantee for a related party or not
Total external guarantee line approved during the reporting period (A1)				0	Total actual occurred amount of external guarantee during the reporting period (A2)		0	
Total external guarantee line that has been approved at the end of the reporting period (A3)				0	Total actual external guarantee balance at the end of the reporting period (A4)		0	
Guarantees provided by the Company for its subsidiaries								
Guaranteed party	Disclosure date of relevant announcement	Amount for guarantee	Actual occurrence date (date of agreement)	Actual guarantee amount	Type of guarantee	Period of guarantee	Executed or not	Guarantee for a related party or not
Hefei Midea Washing Machine Co., Ltd.	7 Mar. 2014	1,270,000	28 Mar. 2014	645.4	General guarantee	Half year	Yes	Yes
Hefei Midea Washing Machine Co., Ltd.	7 Mar. 2014	1,270,000	1 Jun. 2014	63.7	General guarantee	Half year	Yes	Yes
Hefei Midea Washing Machine Co., Ltd.	7 Mar. 2014	1,270,000	22 Sep. 2014	263.1	General guarantee	Half year	No	Yes
Total guarantee line approved for the subsidiaries during the reporting period (B1)				1,290,000	Total actual occurred amount of guarantee for the subsidiaries during the reporting period (B2)		972.2	
Total guarantee line that has been approved for the subsidiaries at the end of the reporting period (B3)				1,290,000	Total actual guarantee balance for the subsidiaries at the end of the reporting period (B4)		263.1	
Total guarantee amount provided by the Company (total of the above-mentioned two kinds of guarantees)								



Total guarantee line approved during the reporting period (A1+B1)	1,290,000	Total actual occurred amount of guarantee during the reporting period (A2+B2)	972.2
Total guarantee line that has been approved at the end of the reporting period (A3+B3)	1,290,000	Total actual guarantee balance at the end of the reporting period (A4+B4)	263.1
Proportion of total guarantee amount (A4+B4) to the net assets of the Company			0.01%
Of which:			
Amount of guarantee for shareholders, actual controller and related parties (C)			0
Amount of debt guarantee provided for the guaranteed party whose asset-liability ratio is not less than 70% directly or indirectly (D)			0
Part of the amount of the total guarantee over 50% of net assets (E)			0
Total amount of the above three guarantees (C+D+E)			0
Explanation on possibility to bear joint liability due to undue guarantees (if any)			
Explanation on the external guarantees in violation of stipulated procedures (if any)			

### 3. Other significant contracts

Applicable  Inapplicable

There was no other significant contract during the reporting period of the Company.

### 4. Other significant transactions

Applicable  Inapplicable

There was no other significant contraction during the reporting period of the Company.

## VII. Performance of commitments

### 1. Commitments made by the Company or shareholders holding over 5% of the Company's shares in the reporting period or such commitments carried down into the reporting period

Commitment	Commitment maker	Contents	Time of making commitment	Period of commitment	Fulfillment
Commitment	Controlling	Where the controlling shareholder GD Midea Holding Co., Ltd.	28 Feb. 2008	Long-term	In the

on share reform	shareholder	(Midea Holding) plans to sell the Company's shares released from trading moratorium held by it via the bid trading system of the Shenzhen Stock Exchange, and Midea Holding decreases over 5% shares within six months since the first reduction of holdings, Midea Holding will disclose the suggestive announcement on share selling through the Company two trading days before its first reduction of holdings.			process of implementation
Commitment in the acquisition report or the report on equity changes	Controlling shareholder and actual controller	1. As for the commitment of avoiding horizontal competition, Midea Holding (the controlling shareholder) and Mr. He Xiangjian (the actual controller) has promised that, and for the period after the said transaction when the Company's controlling shareholder and actual controller remain unchanged, the actual controller Mr. He Xiangjian and his direct relatives, Midea Group and its controlling other enterprises recently no and will neither engage in the same or similar production and operating activities as the current main business of Little and its controlling enterprises, nor control other economic entities, institutions and economic organizations to engage in or participate at the same competitive business with the current main business of Little Swan and the enterprises controlled by it. If Little Swan and its controlling enterprises developed their operation business scope on the basis of the current business, the actual controller Mr. He Xiangjian and his direct relatives, Midea Group and its controlling other enterprises if had ceased production on those business, the Company will solve the horizontal competition caused by them during reasonable period, and if at the moment had not execute any production and operation, they will not engage in those new business competed with Little Swan or its controlling enterprises. If there was any situation violated the above commitments, the profits gained from the relevant business should be enjoyed by Little Swan.	1 Dec. 2010, 6 Jun. 2014	Long-term	In the process of implementation
	Controlling shareholder and actual controller	2. As for the commitment for regulating related-party transactions, GD Midea Holding (the controlling shareholder) and Mr. He Xiangjian (the actual controller) have promised that when there are inevitable related-party transactions or such transaction incurred with rational reasons of the period after the said transaction when the Company's controlling shareholder and actual controller remain unchanged, the actual controller Mr. He Xiangjian and his direct relatives, Midea Group and its controlling other enterprises will standard and try their best to reduce the related transactions between Little Swan and its controlled enterprises. If there was unavoidable related transactions with Little Swan and its controlling enterprises, the	1 Dec. 2010, 6 Jun. 2014	Long-term	In the process of implementation

		Company will sign the standard related transaction agreement with Little Swan according to law and execute the approval procedure according to relevant regulations for ensuring the fairness of the price of the related transactions; guarantee that to execute the information disclosure obligations of the related transactions according to relevant regulations; guarantee not to make use of the related transactions illegally transfer the capital and profits of Little Swan as well as not to make use of the related transactions to do harm to the interests of Little Swan and the shareholders; will not require Little Swan to provide more favorable conditions than the conditions that provides for the independent third parties among any market fair deal; when those other enterprise relevant events involved with the actual controller Mr. He Xiangjian and his direct relatives, Midea Group and its controlling enterprises taking the voting, the Company should execute the voting avoiding obligations. If there did any situation that violated the above commitments and guarantees own to Midea Group and Mr. He Xiangjian that harmed the equities of Little or other shareholders, Midea Group and Mr. He Xiangjian should take the corresponding compensation responsibility according to laws.			
	Controlling shareholder and actual controller	3. As for the commitment on independence, for further ensure the independent operation of Little Swan, Midea Group and the actual controller Mr. He Xiangjian and its controlling other enterprises will maintain mutual independent in the aspects such as personnel, finance, assets, business and institutions according to the relevant laws and regulations as well as the normative documents.	1 Dec. 2010, 6 Jun. 2014	Long-term	In the process of implementation
	Controlling shareholder	4. As for the commitment on related-party deposits and borrowings, up to 8 Apr. 2010, the Financial Settlement Center of GD Midea Holding had settled all internal deposits and borrowings with Hefei Royalstar Washing Equipment Manufacturing Co., Ltd.; and GD Midea Holding has promised that there will be no more deposits, borrowings or other funds flows incurred between the Financial Settlement Center and Hefei Royalstar Washing Equipment Manufacturing Co., Ltd..	1 Dec. 2010	Long-term	In the process of implementation
	Controlling shareholder	5. The commitment by GD Midea Holding on housing properties with no ownership certificates of the target company for sale is detailed as follows. Two pieces of the buildings of Royalstar Washing Equipment assessed and sold to the Company are of no ownership certificates—the warehouse for half-finished products (176 square meters) and the workshop for injection molding (834 square meters), both located in the	1 Dec. 2010	Long-term	In the process of implementation

		old factory of Royalstar Washing Equipment, Hewa Road, Hefei. GD Midea Holding has promised that if loss occurs due to the said two buildings without ownership certificates in the asset disposal process in the future, it will assume the loss thus caused and make compensation to the Company.			
	Controlling shareholder	6. The commitment by GD Midea Holding on trademarks is detailed as follows. (1) Concerning the “Midea” trademark: Upon approval and implementation of the equity transfer transaction, GD Midea Holding has promised that it will make sure that Royalstar Washing Equipment uses the “Midea” trademark in a proper manner. Royalstar Washing Equipment will be allowed to use the “Midea” trademark with a trademark use fee not more than that paid by Midea Group (the controlling shareholder of GD Midea Holding) and its subsidiaries (currently 3% of the annual sales income generated by products using the “Midea” trademark), and upon negotiation and signing of the “Agreement for Trademark Use”. The related-party transactions incurred due to the said use of the “Midea” trademark will be submitted to the decision-making organ of the Company for approval according to the stipulated procedure. As such, interests of the Company and its minority shareholders will be safeguarded. (2) Concerning the “Royalstar” trademark: GD Midea Holding has signed the “Contract for Trademark Use” with Royalstar Group and obtained the ordinary use rights of the “Royalstar” (or “荣事达”) trademark. As the transferor in the transfer transaction of equity interests of Royalstar Washing Equipment, GD Midea Holding has promised that within the scope as agreed in the “Contract for Trademark Use”, if any dispute arises between Royalstar Washing Equipment and Royalstar Group over the former’s execution of the “Contract for Trademark Use”, Little Swan will not be involved. If Royalstar Washing Equipment and Little Swan have to assume any responsibility or loss due to the aforesaid dispute, GD Midea Holding is willing to take on the responsibility instead and make compensations to Royalstar Washing Equipment and Little Swan at full amount.	1 Dec. 2010	(2) Concerning the “Royalstar” trademark was expired on 31 Mar. 2013 and will not be renewed, others are in the process of long term implementation	In the process of implementation
	Controlling shareholder	7. The commitment by GD Midea Holding on social security payment and tax risks is detailed as follows. GD Midea Holding has promised that upon the completion of the said equity transfer deal, if Royalstar Washing Equipment is obliged to take on any responsibility or pay relevant fares as required by relevant government authorities due to its social security payment before the said deal, GD Midea Holding is willing to pay relevant fares for Royalstar Washing Equipment to relevant	1 Dec. 2010	Long-term	In the process of implementation

		government authorities in a timely manner and assume any other liability. If any loss thus occurs to Royalstar Washing Equipment or Little Swan, GD Midea Holding is willing to assume relevant responsibilities for compensation. Upon the completion of the said equity transfer deal, if income tax evasion or any other tax risk is found in Royalstar Washing Equipment, GD Midea Holding is willing to assume relevant legal responsibilities and risks and pay relevant taxes in a timely manner to relevant government authorities; and if any loss thus occurs to Little Swan, GD Midea Holding will assume the corresponding responsibility for compensation.			
	Controlling shareholder	8. The commitment by Midea Group on capital safety at the finance companies of the Company: during the validity period of the Financial Services Agreement, when Midea Group occurred emergency situation of payment difficulty at finance companies, it should adopt the effective measures such as increase the capital fund of the finance companies according to the actual needs of solving the payment difficulty to ensure the capital safety of the Company.	18 Mar. 2015	3 years validity	In the process of implementation
Commitments made upon the assets reorganization					
Commitments made upon IPO or refinancing					
Other commitments made to minority shareholders					
Executed timely or not?	Yes				
Specific reasons fail to complete execution and further plans (if any)	Inapplicable				

**VIII. Particulars about engagement and disengagement of CPAs firm**

CPAs firm engaged at present

Name of domestic CPAs firm	Jiangsu Gongzheng Tianye Certified Public Accountants LLP
Remuneration for domestic CPAs firm for the reporting period (ten thousand Yuan)	235
Consecutive years of the audit services provided by domestic CPAs firm	8 years (including the year of 2013)
Names of the certified public accountants from the CPAs firm	Xia Zhengshu, Yu Zhiqiang

Reengage the CPAs firm at current period or not?

 Yes  No

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

 Applicable  Inapplicable

The Company continued to engage Jiangsu Gongzheng Tianye Certified Public Accountants LLP as the audit firm for the internal control for the year. During the reporting period, the total amount of the audit expenses of the Financial Report the external audit expenses paid for Jiangsu Gongzheng Tianye Certified Public Accountants LLP was of RMB 2.35 million. And Huatai United Securities Co., Ltd. was as continuous supervision sponsor institution of the equity division reform of the Company that continued to carry out the supervision responsibility of the reporting period.

**IX. Other significant events** Applicable  Inapplicable

There was no other significant event needed to be explained during the reporting period.

**X. Significant events of subsidiaries** Applicable  Inapplicable

There was no other significant event of subsidiary needed to be explained during the reporting period.

## Section VI. Change in Shares & Shareholders

### I. Changes in shares

#### 1. Changes in shares

Unit: share

	Before the change		Increase/decrease (+, -)					After the change	
	Amount	Proportion (%)	Issuance of new shares	Bonus shares	Capitalization of public reserve fund	Others	Subtotal	Amount	Proportion (%)
I. Restricted shares	3,689,890	0.58%					-3,000	3,686,890	0.58%
1. State-owned shares									
2. Shares held by state-owned corporations									
3. Shares held by domestic investors	3,689,890	0.58%					-3,000	3,686,890	0.58%
Among which: shares held by domestic legal person	3,686,890	0.58%						3,686,890	0.58%
Shares held by domestic natural person	3,000						-3,000		
4. Shares held by foreign investors									
Among which: shares held by foreign legal person									
Shares held by foreign natural person									
II. Shares not subject to trading moratorium	628,797,874	99.42%					3,000	628,800,874	99.42%
1. RMB ordinary shares	437,762,002	69.21%					3,000	437,765,002	69.21%
2. Domestically listed foreign shares	191,035,872	30.20%						191,035,872	30.20%
3. Overseas listed foreign shares									
4. Others									

III. Total shares	632,487,764	100.00%						632,487,764	100.00%
-------------------	-------------	---------	--	--	--	--	--	-------------	---------

Reason for the change in shares

Applicable  Inapplicable

The Company's former supervisor Mr. Yang Xiaowen held 4000 shares of Company share, According to the 141<sup>st</sup> regulation of Company law, the annual transfer of shares shall not exceed 25% of the total number of shares of the Company he held, So at the beginning of the year, his held 3000 of restricted shares of the Company, Mr. Yang Xiaowen resigned on 16 Apr. 2014, according to the 3.8.12 regulation of Main Board Listed Company Operating Guidelines of the Shenzhen Stock Exchange ", after six months of in his resignation, his holding of the Company shares will be automatically unlocked

Approval of the change in shares

Applicable  Inapplicable

Transfer of share ownership

Applicable  Inapplicable

Effects of the change in shares on the basic EPS, diluted EPS, net assets per share attributable to common shareholders of the Company and other financial indexes over the last year and last period

Applicable  Inapplicable

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

Applicable  Inapplicable

## 2. Changes in restricted shares

Unit: share

Name of shareholder	Number of opening restricted share	Number of unlocked restricted shares	Increase number of restricted share	Number of closing restricted share	Reason	Date of unlocked
Yang Xiaowen	3,000	4,000	1,000	0	At the beginning of reporting period, holding of 4000 shares, of which, holding 3000 shares of senior executive restricted share. Mr. Yang Xiaowen resigned on 16 Apr. 2014, whose holding of 4000 shares were restricted, after six months, on 20 Oct. 2014, the shares were automatically unlocked.	2014-10-20
Total	3,000	4,000	1,000	0		

## II. Issuance and listing of securities

### 1. Issuance of securities over the past three years

Applicable  Inapplicable



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

Applicable  Inapplicable

During the reporting period, there existed no changes in total shares of the Company, or changes in structure of shares or in asset-liability structure of the Company due to bonus shares, capitalization of shares, allotment of shares, issuance of new shares, private issuance of shares or other reasons.

## 3. Existent shares held by internal staffs of the Company

Applicable  Inapplicable

## II. Particulars about the shareholders and actual controller

### 1. Total number of shareholders and their shareholding

Unit: Share

Name of shareholder	Nature of shareholder	Holding percentage (%)	Number of shareholding at the end of the reporting period	Increase and decrease of shares during reporting period	Number of shares held subject to trading moratorium	Number of shares held not subject to trading moratorium	Pledged or frozen shares	
							Status of shares	Number of shares
MIDEA GROUP CO., LTD.	Domestic non-state-owned corporation	37.78%	238,948,117	16,286,546		238,948,117		
TITONI INVESTMENTS DEVELOPMENT LTD.	Overseas corporation	14.89%	94,204,942	63,353,228		94,204,942		
GAOLING FUND,L.P.	Overseas corporation	4.23%	26,727,686	-27,423,900		26,727,686		
FINANCE BUREAU OF WUXI	On behalf of the state	3.49%	22,057,657	0		22,057,657		
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	Overseas corporation	2.22%	14,032,852	-315,219		14,032,852		
NATIONAL SOCIAL	Domestic	1.34%	8,500,000	-3,500,000		8,500,000		

SECURITY FUND PORTFOLIO 102	non-state-owned corporation							
DEUTSCHE BANK AKTIENGESELLSCH AFT	Overseas corporation	1.16%	7,361,972	7,361,972		7,361,972		
NATIONAL SOCIAL SECURITY FUND PORTFOLIO 108	Domestic non-state-owned corporation	0.98%	6,180,101	-1,000,000		6,180,101		
CCB--Penghua Value Advanced Stock Investment Fund	Domestic non-state-owned corporation	0.78%	4,903,148	-2,190,000		4,903,148		
LMA SPC F/B/O MAP 147 SEGREGATED PORTFOLIO	Overseas corporation	0.60%	3,767,698	3,064,649		3,767,698		
Strategic investors or the general legal person due to the placement of new shares become the top 10 shareholders (if any) (note 3)	Inapplicable							
Explanation on associated relationship or/and persons	GD MIDEA HOLDING CO., LTD. and TITONI INVESTMENTS DEVELOPMENT LTD. are parties acting in concert.							
Particulars about shares held by top 10 shareholders not subject to trading moratorium								
Name of shareholder	Number of shares held not subject to trading moratorium at the end of the period	Type of share						
		Type of share	Number					
MIDEA GROUP CO., LTD.	238,948,117	Renminbi ordinary shares						
TITONI INVESTMENTS DEVELOPMENT LTD.	94,204,942	Domestically listed foreign shares						
GAOLING FUND,L.P.	26,727,686	Domestically listed foreign shares						
FINANCE BUREAU OF WUXI	22,057,657	Renminbi ordinary shares						
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	14,032,852	Domestically listed foreign shares						
NATIONAL SOCIAL SECURITY FUND PORTFOLIO 102	8,500,000	Renminbi ordinary shares						
DEUTSCHE BANK AKTIENGESELLSCHAFT	7,361,972	Renminbi ordinary shares						
NATIONAL SOCIAL SECURITY FUND PORTFOLIO 108	6,180,101	Renminbi ordinary shares						
CCB--Penghua Value Advanced Stock Investment Fund	4,903,148	Renminbi ordinary shares						
LMA SPC F/B/O MAP 147 SEGREGATED PORTFOLIO	3,767,698	Domestically listed foreign shares						

Explanation on associated relationship among the top ten shareholders of tradable share not subject to trading moratorium, as well as among the top ten shareholders of tradable share not subject to trading moratorium and top ten shareholders, or explanation on acting-in-concert	GD MIDEA HOLDING CO., LTD. and TITONI INVESTMENTS DEVELOPMENT LTD. are parties acting in concert.
Particular about shareholder participate in the securities lending and borrowing business ( if any)	Inapplicable

## 2. Particulars about the controlling shareholder

Name of controlling shareholder	Legal representative / company principal	Date of establishment	Organization code	Registered capital	Business scope
MIDEA GROUP CO., LTD	Fang Hongbo	MIDEA GROUP CO., LTD	72247334-4	4,215,808,472 元	Electric Equipment and Machinery
Future development strategy	The Company's controlling shareholder is MIDEA GROUP CO., LTD with the securities code of 000333, whose operating results, financial situation, cash flow and future development strategy, etc. are published on <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> .				
Operating results, financial situation, cash flow and future development strategy, etc.	The Company's controlling shareholder is MIDEA GROUP CO., LTD with the securities code of 000333, whose operating results, financial situation, cash flow and future development strategy, etc. are published on <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> .				
Equity of shareholding and participating shares of controlling shareholders in other domestic and foreign listed company during the reporting period	The Company's controlling shareholder is MIDEA GROUP CO., LTD. with the securities code of 000333, whose shares held in other listed companies by holding or shareholding is published on <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> .				

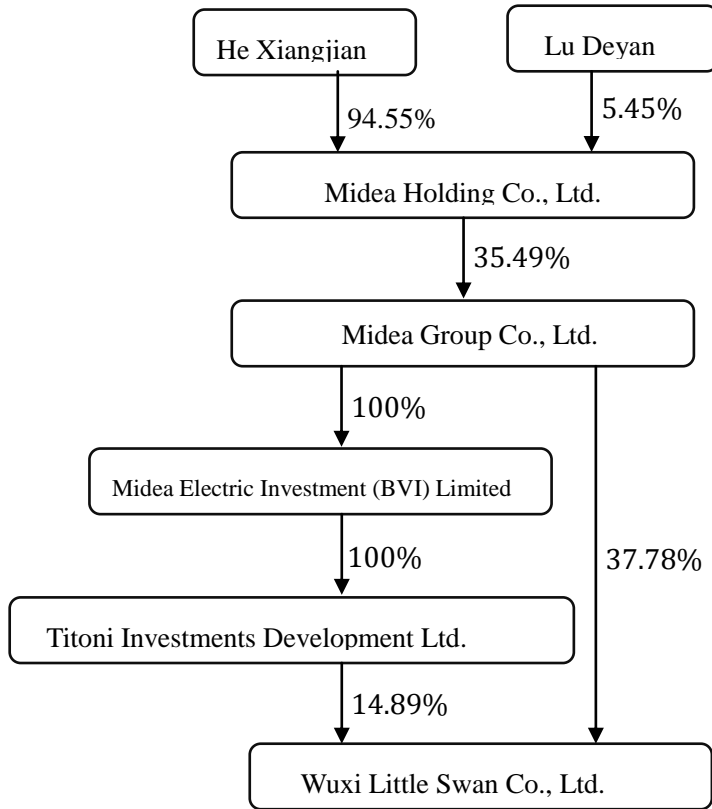
The controlling shareholder did not change during the reporting period

## 3. Particulars about the actual controller

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

The actual controller did not change during the reporting period

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



**4. Other Corporate Shareholder with a shareholding percentage over 10%**

Name of institutional shareholder	Legal representative/responsible person of the unit	Date of establishment	Code of organization	Registered capital	Main business or management activity
TITONI	Xiao Mingguang	7 Feb. 2007	/	USD 50,000	As share holding company hold share equity of Little Swan

**IV. Particulars on shareholding increase scheme during the reporting period proposed or implemented by the shareholders and act-in-concert persons**

Name of the shareholder / act-in-concert person	Number	Proportion	Actual number	Actual proportion	Initial disclosure date	Disclosure date of end of implementation
Midea Group Co., Ltd. and TITONI	126,497,553	20.00%	79,639,774	12.59%	9 Jun. 2014	8 Aug. 2014

For further improve the business synergistic effect between Midea Group and Little Swan, strengthen the core competition power of the washing machine industry of Little Swan, Midea Group planed to associate with its wholly owned and controlled foreign company TITONI to execute partly tender offer of Share A and Share B of Little Swan, in order to strengthen the control power of Little Swan. The tender offer has been completed, Midea Group, directly and indirectly holds 52.67% shares of the Company, is still the controlling shareholder of the Company.

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

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

Name	Office title	Tenure status	Sex	Age	Start date	Ending date	Shares held at the year-begin (share)	Amount of shares increased at the reporting period (share)	Amount of shares decreased at the reporting period (share)	Amount of shares held at the period-end (share)
Fang Hongbo	Chairman of the Board	Current	Male	47	21 Aug. 2012	20 Aug. 2015	0	0	0	0
Chai Xinjian	Vice Director ,	Current	Male	51	20 Aug. 2013	20 Aug. 2015	0	0	0	0
Yin Bitong	Director , General Manage	Current	Male	46	20 Aug. 2013	20 Aug. 2015	0	0	0	0
Xiao Mingguang	Director	Current	Male	44	21 Aug. 2012	20 Aug. 2015	0	0	0	0
Zhang Zhaofeng	Director, CFO	Current	Male	39	2 Nov. 2012	20 Aug. 2015	0	0	0	0
Zhou Sixiu	Director, Secretary to the Board	Current	Female	41	21 Aug. 2012	20 Aug. 2015	0	0	0	0
Yu Lihui	Independent director	Current	Female	49	21 Aug. 2012	20 Aug. 2015	0	0	0	0
Jiang Qingyun	Independent director	Current	Male	50	22 Aug. 2014	20 Aug. 2015	0	0	0	0
Liu Chunlin	Independent director	Current	Male	44	22 Aug. 2014	20 Aug. 2015	0	0	0	0
Liang Pengfei	Chairman of the Supervisory Committee	Current	Male	44	22 Aug. 2014	20 Aug. 2015	0	0	0	0
Wang Shouhu	Supervisor	Current	Male	44	22 Aug. 2014	20 Aug. 2015	0	0	0	0
Xu Pengcheng	Staff representative supervisor	Current	Male	45	5 Au. 2014	20 Aug. 2015	0	0	0	0

Fu Wei	Deputy GM	Current	Male	38	21 Aug. 2012	20 Aug. 2015	0	0	0	0
Mao Zhiliang	Deputy GM	Current	Male	57	21 Aug. 2012	20 Aug. 2015	0	0	0	0
Sun Yunan	CFO	Current	Male	36	24 Nov. 2014	20 Aug. 2015	0	0	0	0
Hu Ziqiang	Deputy GM	Former	Male	57	21 Aug. 2012	21 Apr. 2014	0	0	0	0
Zhao Shuming	Independent director	Former	Male	62	21 Aug. 2012	22 Aug. 2014	0	0	0	0
Ye Yongfu	Independent director	Former	Male	67	21 Aug. 2012	22 Aug. 2014	0	0	0	0
Jiang Huafang	Chairman of the Supervisory Committee	Former	Male	38	21 Aug. 2012	22 Aug. 2014	0	0	0	0
Chen Jianwu	Supervisor	Former	Male	36	16 Apr. 2014	22 Aug. 2014	0	0	0	0
Ye Dexin	Staff representative supervisor	Former	Male	42	21 Aug. 2012	5 Aug. 2014	0	0	0	0
Yang Xiaowen	Supervisor	Former	Male	48	21 Aug. 2012	16 Apr. 2014	4,000	0	0	0
Total	--	--	--	--	--	--	4,000	0	0	0

## II. Resumes of important personnel

Main working experience of current directors, supervisors and senior management staff over the past five years:

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

(2) Mr. Chai Xinjian, was born in Oct. 1963, doctor degree, Now he acts as Vice President of the Company, Deputy General Manager of the International Business of Midea Group . He ever took the posts of General Manager in Wuxi Little Swan Company Limited, etc.

(3) Mr. Yin Bitong, was born in Dec. 1968, master degree. He now acts as Director and General Manager of the Company. He ever served as Assistant General Manager, Marketing Chief in Midea Air-conditioner Marketing Company in China, Marketing General Manager in China in Midea (Guangzhou) Hualing Air Conditioner Equipment Co., Ltd. Domestic Marketing General Manager of Hefei Midea Washing Equipment Manufacturing Co., Ltd. ,etc.

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

Co., Ltd. ,etc.

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

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

(7) Ms. Yu Lihui, was born in Oct. 1965, master degree and CPA. She now serves as Independent Director of the Company and acts as the associate professor in the School of Business of East China University of Science and Technology, Senior Lecturer of Ourui Management Consultant Co., Ltd. at present. She ever served as Training Specialist of AMA,etc.

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

(9) Liu Chunlin, was born in Apr. 2014,D.E. and Professor, He now serves as Independent Director of the Company, Associate Professor of School of Management of Nanjing University. He ever acted as Associate Professor of NUBS, Dean and professor of Industrial and Commercial Management Department of NUBS, meanwhile, Independent Director of JIANGSU LIANFA TEXTILE CO.,LTD ,etc.

(10) Liang Pengfei, was born in Aug. 1977, bachelor, He now serves as Chairman of the Board of Supervisor, Director of Operating and Human Resources. He ever acted as Manager of Marketing Center Compressor Dept., Manager of Supply Chain Management Dept. Minister of Manufacturing Management Dept. and Director of Operating management of Midea Group etc.

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

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

(13) Mr. Fu Wei, was born in Aug. 1976, bachelor degree. Now he serves as the Deputy GM and GM of Overseas Sales Company in the Company. He ever acted as Area Manager of Air-conditioner Overseas Division in GD Midea Holding Co., Ltd., Senior Manager of Electrolux Operation Center of Air-conditioner Overseas Division and GM of Washing Machine Operation Department of International Division in GD Midea Holding Co., Ltd., etc.

(14) Mr. Mao Zhiliang, was born in Jun. 1957, master degree. He now acts as Deputy GM of the Company the GM of Wuxi Little Swan General Appliance Co., Ltd. He ever served as Director of Lean Manufacturing and GM of the Drum Washing Machine Company in the Company, etc.

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



## Post-holding in shareholder units

Name of the person holding any post in any shareholder unit	Name of the shareholder unit	Position in the shareholder unit	Beginning date of office term	Ending date of office term	Receives payment from the shareholder unit?
Fang Hongbo	Midea Group	Chairman of the Board & CEO	25 Aug. 2012	24 Aug. 2015	Yes
Chai Xinjian	Midea Group	Deputy GM of International business	1 <sup>st</sup> Dec. 2013		Yes
Xiao Mingguang	Midea Group	Director of Business Management Department	18 Nov. 2014		Yes
	TITONI	Director	23 Dec. 2013		No
Zhang Zhaofeng	Midea Group	Deputy director of financial management	18 Nov. 2014		Yes

## Post-holding in other units

Name of the person holding any post in other units	Name of other unit	Position in other unit	Beginning date of office term	Ending date of office term	Receives payment from other unit?
Jiang Qingyun	School of Management Fudan University	Professor, Marketing Director	1 Aug. 1999		Yes
Liu Chunlin	School of Management of Nanjing University	Associate President, Professor	1 Dec. 2007		Yes
Yu Lihui	School of Business of East China University of Science and Technology	Associate professor	1 Jul. 1991		Yes

### III. Remuneration for directors, supervisors and senior management

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

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

(2) Determining basis for the remuneration of directors, supervisors and senior management: The remuneration of directors, supervisors and senior management receiving remuneration from the Company consist of the basic annual salary and performance annual salary. The basic annual salary is decided according to the duties, risks, pressure and other factors born by the directors, supervisors and senior management, and it stays unchanged; while the performance annual salary is linked with the profit completion rate and the appraisal results of target responsibility system of the Company. The remuneration system of the directors, supervisors and senior management of the Company serves for its operating strategy, which is adjusted according to the changes of operation situation of the Company so as to adapt to the needs of the further development of the Company. The adjustment basis for the remuneration of directors, supervisors and senior management of the Company is as follows: (1) the increase level of remuneration in the same industry; (2) the earnings of the Company; (3) the adjustment of organization structure; (4) adjustment on positions. The allowance for independent directors

approved by the Board of Directors is RMB 80,000 per year, and the expenses occurred to execute their responsibilities are born by the Company.

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

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

Unit: RMB Ten thousand Yuan

Name	Position	Sex	Age	Tenure status	Total remuneration gained from the Company	Total remuneration gained from shareholder's unit	Total remuneration gained at the period-end (note 1)	Actual remuneration gained at the period-end (note 2)
Fang Hongbo	Chairman of the Board	Male	47	Current		713.39	713.39	425.83
Chai Xinjian	Vice Director ,	Male	51	Current		410.75	410.75	256.74
Yin Bitong	Director , General Manage	Male	46	Current	304.24		304.24	184.59
Xiao Mingguang	Director	Male	44	Current		181.44	181.44	113.04
Zhang Zhaofeng	Director, CFO	Male	39	Current	39.74	132.70	172.44	104.49
Zhou Sixiu	Director, Secretary to the Board	Female	41	Current	124.24		124.24	83.46
Yu Lihui	Independent director	Female	49	Current	8.00		8.00	6.72
Jiang Qingyun	Independent director	Male	50	Current	2.67		2.67	2.23
Liu Chunlin	Independent director	Male	44	Current	2.67		2.67	2.23
Liang Pengfei	Chairman of the Supervisory Committee	Male	37	Current	65.35	11.52	76.87	55.89
Wang Shouhu	Supervisor	Male	33	Current	31.75	4.32	36.07	27.08
Xu Pengcheng	Staff representative supervisor	Male	45	Current	119.55		119.55	81.17
Fu Wei	Deputy GM	Male	38	Current	284.54		284.54	167.48

Mao Zhiliang	Deputy GM	Male	57	Current	141.77		141.77	96.67
Sun Yunan	CFO	Male	36	Current	29.18	21.61	50.80	38.65
Hu Ziqiang	Deputy GM	Male	57	Former	118.69	356.61	475.30	280.19
Zhao Shuming	Independent director	Male	62	Former	6.00		6.00	5.04
Ye Yongfu	Independent director	Male	67	Former	6.00		6.00	5.04
Jiang Huafang	Chairman of the Supervisory Committee	Male	38	Former	16.64	121.87	138.52	94.30
Chen Jianwu	Supervisor	Male	36	Former	8.02	37.87	45.89	34.73
Ye Dexin	Staff representative supervisor	Male	42	Former	75.64		75.64	53.71
Yang Xiaowen	Supervisor	Male	48	Former	6.83		6.83	5.19
Total	--	--	--	--	1,391.52	1,992.08	3,383.60	2,124.47

Note 1: Total remuneration gained at the period-end was Pre-tax remuneration.

Note 2: Actual remuneration gained at the period-end was after-tax remuneration.

#### IV. Changes in engagement and dismissal of Directors, Supervisors and Senior Management Staffs within the reporting period

Name	Position	Type	Date	Reason
Yang Xiaowen	Supervisor	Former	16 Apr. 2014	Personal reason
Chen Jianwu	Supervisor	Elected	16 Apr. 2014	By-election supervisor
Hu Ziqiang	Deputy GM	Former	21 Apr. 2014	Job changes
Ye Dexin	Staff representative supervisor	Former	5 Aug. 2014	Personal reason
Xu Pengcheng	Staff representative supervisor	Elected	5 Aug. 2014	By-election staff representative supervisor
Zhao Shuming	Independent director	Left as the service term expired	22 Aug. 2014	Expiration of the serve term
Ye Yongfu	Independent director	Left as the service term expired	22 Aug. 2014	Expiration of the serve term
Jiang Huafang	Chairman of the Supervisory Committee	Former	22 Aug. 2014	Job changes

Chen Jianwu	Supervisor	Former	22 Aug. 2014	Job changes
Jiang Qingyun	Independent director	Elected	22 Aug. 2014	By-election independent director
Liu Chunlin	Independent director	Elected	22 Aug. 2014	By-election independent director
Liang Pengfei	Chairman of the Supervisory Committee	Elected	22 Aug. 2014	By-election supervisor
Wang Shouhu	Supervisor	Elected	22 Aug. 2014	By-election supervisor
Zhang Zhaofeng	Director, CFO	Former	24 Nov. 2014	Job changes
Sun Yunan	CFO	Elected	24 Nov. 2014	By-election CFO

## V. Particulars about changes in core technical team or key technicians during the reporting period (not directors, supervisors or senior management)

There was no change in core technical team or key technicians (not directors, supervisors or senior management) and other persons who have significant influence on the Company's core competitiveness during the reporting period, which has no influence on the Company's operation.

## VI. About employees

Employee's remuneration policy and training plan

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

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

As of 31 Dec. 2014, on-job employees 8497, retired staff of need to bear the cost were 442, and the structure was as followed:

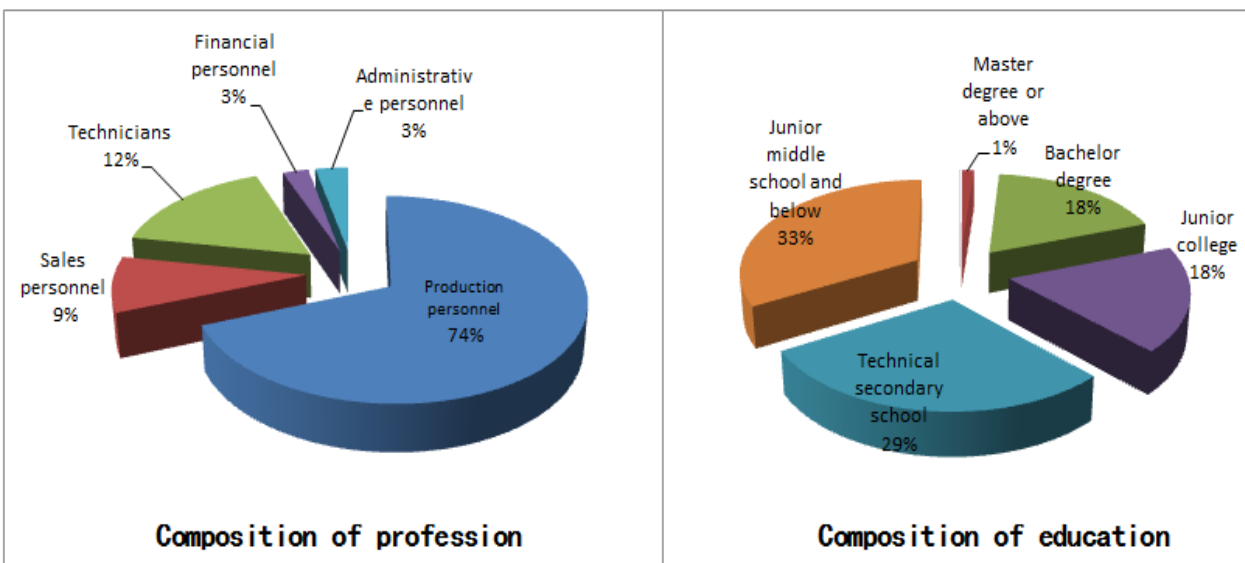
### (1) Composition of profession

Category	Number	Porportion (%)
Production personnel	6273	74%
Sales personnel	759	9%
Technicians	981	12%
Financial personnel	214	3%
Administrative personnel	270	3%

### (2) Composition of education

Category	Number	Porportion (%)
Doctor	4	0%
Master degree or above	107	1%
Bachelor degree	1539	18%
Junior college	1544	18%
Technical secondary school	2486	29%

Junior middle school and below	2817	33%
--------------------------------	------	-----



## Section VIII. Corporate Governance

### I. Basic information of corporate governance

The Company continuously perfected its corporate governance; promote the improvement of its operation in accordance with the requirements of relevant laws and rules such as Company Law, Securities Law issued by CSRC. The actual situation of the Company's corporate governance is in accordance with the requirements of Administrative Rule for Listed Companies issued by CSRC

The Company set up Rules of Procedure for the operation of Board of Directors, Supervisory Board and Shareholders' General Meeting, Rules of Procedure, The Disclosure of Information Management System, Raise Money Management System, Related Transaction Management System, Information Source Insider Registration Management System, Internal Report System for the Major Issues, System of Accountability for Management etc files of standard management for the Special Committee of the Board. During the reporting period, the Company held the First Special Shareholders' General Meeting on 22 Aug. 2014, the meeting reviewed and approved the Revision of Articles of Association, which further improve the Company's profit allocation mechanism.

The Company's shareholder meeting, board of directors, board of supervisors and management are in liability trenchant, cooperatively and effectively check and balance, scientifically making decision, coordinately operating, lay a solid foundation for the company's sustained, stable and healthy development.

Whether it exists any difference between the corporate governance and the Company Law and relevant rules of CSRC or not?

Yes  No

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

Progress of corporate governance activities, promulgation and implementation of Registration System for Information Insiders

During the year, the Company did well the confidential work for inside information in strict accordance with the newly revised Registration System for Information Insiders of Wuxi Little Swan Company Limited (published on <http://www.cninfo.com.cn>) and Regulations of CSRC for Listed Companies on Establishing Registration System for Information Insiders as well as other relevant regulations, and did well the registration work for information insiders. Upon self-examination, no information insider was found to manipulate insider information for trading the Company's shares before the Company disclosed significant and sensitive information that might affect its share price. And the Company received no monitoring & inspection measures or administrative punishments from regulators due to its execution of the Information Insider Registration Mechanism or insider trading. During the reporting period, directors, supervisors and senior management of the Company were not involved in any illegal trading of the Company's shares.

### II. Particulars about annual shareholders' general meeting and special shareholders' general meeting held during the reporting period

#### 1. Particulars about annual shareholders' general meeting held during the reporting period

Session	Convening date	Name of proposal	Resolution	Disclosure date	Disclosure index

2013 Annual Shareholders' General Meeting	16 Apr. 2014	1. Annual Financial Statement Report 2013; 2. Annual Profit Distribution Plan 2013; 3. Annual Work Report of the Board 2013; 4. Annual Work Report of the Supervisory Board 2013; 5. Annual Report and Its Abstract 2013; 6. Proposal on Engaging the Audit Firm for the 2014 Annual Financial Report; 7. Proposal on Engaging the Audit Firm for the 2014 Annual Internal Control; 8. Proposal on Prediction of the Line of Routine Related Transaction of the Company for 2014; 9. Proposal on Providing cumulative guarantee limit for subsidiary; 10 Proposal on newly increased forward foreign exchange transaction limit of 2014; 11. Proposal on by-election supervisor of the Company.	All the proposals are approved at the session	16 Apr. 2014	(Announcement No.: 2014-14) was published on www.cninfo.com.cn
---	--------------	---	---	--------------	--

## 2. Particulars about special shareholders' general meeting held during the reporting period

Session	Convening date	Name of proposal	Resolution	Disclosure date	Disclosure index
The First Special Shareholders' General Meeting for 2014	22Aug. 2014	1. Proposal on Revision of Articles of Association of Wuxi Little Swan Co., Ltd; 2. Proposal on Change Independent Director of the Company; 3. Proposal on Change Supervisor of the Company.	All the proposals are approved at the session	22Aug. 2014	(Announcement No.: 2014-44) was published on www.cninfo.com.cn

## III. Duty performance of independent directors in the reporting period

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

Particulars about the independent directors attending the board sessions						
Name of independent directors	Due presence (times)	Presence in person (times)	Presence by telecommunication (times)	Entrusted presence (times)	Absence (times)	Failing to attend in person for two consecutive sessions or not
Zhao Shuming	4	2	2	0	0	No
Ye Yongfu	4	2	2	0	0	No
Yu Lihui	6	1	4	1	0	No
Jiang Qingyun	3	1	2	0	0	No
Liu Chunlin	3	1	2	0	0	No
Presence of independent directors in						2

shareholders' general meeting (times)	
---------------------------------------	--

## 2. Particulars about independent directors proposing objection on relevant events

Whether independent directors propose objection on relevant events or not?

Yes  No

## 3. Other explanation on performance of independent directors

Whether the advices of independent directors for the Company were adopted or not?

Yes  No

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

## IV. Duty performance of the Special Committees under the Board during the reporting period

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

1. The Audit Committee under the Board convened two sessions, at which reviewed and approved the Annual Financial Statement Report 2013, Annual Report and Its Abstract 2013, Summary Report of the Audit Committee on the 2013 Annual Audit Work, Proposal on Engaging the Audit Firm for the 2014 Annual Financial Report, Proposal on Engaging the Audit Firm for the 2014 Annual Internal Control, Proposal on the Change of Accounting Estimation and 2014 Semi-annual Report and Its Abstract;
2. The strategy Committee under the Board convened one session, at which reviewed and approved the proposal on Mid-term Development Plan of the Company;
3. The Remuneration and Appraisal Committee under the Board convened one session, at which reviewed and approved the Proposal on Paying the 2013 Annual Remuneration to the Senior Management;
4. The Nomination Committee under the Board convened two session, at which reviewed and approved the Proposal on the Change of Independent Directors of the Company and Proposal on the Appointment of CFO of the Company.

## V. Duty performance of the Supervisory Committee

Whether the Supervisory Committee finds the Company existing risks or not in the supervisory activities during the reporting period?

Yes  No

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

## VI. Particulars about the Company's independence from the controlling shareholder in respect of business, personnel, assets, organization and finance

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



1. In respect of business, the Company owned independent and integrated system of R&D, purchasing, production and sales. Main business of the Company is washing machine that there isn't any horizontal competition between the Company and the controlling shareholder. The Company was completely separated from the controlling shareholder in business.
2. In respect of personnel, in terms of labor, personnel and salary management, the Company and the controlling shareholder were independent each other, there existed no mixed operation and management between the Company and the controlling shareholder. Such senior management staff as General Manager, Deputy General Managers, CFO and Secretary to the Board did not take any post other than Director in Shareholding Companies respectively.
3. In respect of assets, the Company's assets were complete, and there was the clear property right relationship between the Company and the controlling shareholder.
4. In respect of organization, the Company has set up the organization that was independent from the controlling shareholder completely, the Board of Directors, the Supervisory Committee and internal organization could operate independently.
5. In respect of financing, the Company owned independent financial department, established independent accounting system and financial management system, opened independent bank account, paid tax in line with laws.

## **VII. Particulars about horizontal competition**

Applicable  Inapplicable

## **VIII. Performance appraisal and incentive mechanism for senior management staff**

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

## Section IX. Internal Control

### I. Improvement of internal control of the Company

Strictly in line with laws and regulations stipulated in Company Law, Securities Law as well as Corporate Governance Principle for Listed Company promulgated by CSRC, the Company standardized corporate operation, continuing established and perfected corporate governance, drafted relevant internal control system, enforced and improved internal control work, made prevention to control company risk and safeguarded lawful rights and interests of the Company and shareholders.

According to regulations of Company Law, Articles of Association and relevant laws, the Company set up relatively completed frame system of organizational control, established rules for procedure for the Board of Directors, Supervisory Board and Shareholders' General Meeting and corporate governance. The Board of the Company worked out proposals of Shareholders' General Meeting, shouldered significant decisions of the Company and was responsible for Shareholders' General Meeting. The Company installed general manager pursuant to the law, presided daily production, operation and management of the Company, gathered and formulated proposals of the Board as well as responsible for the Board. Supervisory Board was supervision union of the Company, which was responsible for supervision of behavior of directors, general manager and finance of the Company. The Board divided into strategic committee, remuneration and evaluation committee, and audit committee. The strategic committee, remuneration and evaluation committee, and audit committee formed a system of internal control as they accounted for separate responsibility, cooperated with each other while restricted each other at the same time.

According to requirements stipulated in Company Law, Securities Law and relevant laws and regulations of CSRC etc., the Company established and perfected Articles of Association, Rules of Procedure for Shareholders' General Meeting, Rules of Procedure for Supervisory Board, System of Independent Director, Management System of Investor Relations, Management System of Information Disclosure, Internal Reporting System of Significant Information etc., standardized and perfected corporate governance of the Company.

### II. Statement of the Board about internal control responsibilities

It is the responsibility of the Board of the Company to establish, to perfect as well as to effective conduct internal control. Since the implement of internal control, framework of internal control is more perfect, system of internal control is more proper and adapting to changes in operation and development of the Company. The internal control system is running well and the risk of operation is in control.

The Board of the Company and all directors guaranteed that the Self-appraise Report of Internal Control for 2011 does not contain any false or misleading statements or omit any material facts and hereby accept, individually and collectively, responsibility for the truth, accuracy and completeness of the contents of this report.

### III. Basis on which the financial reporting internal control is established

The internal control for financial report is decided according to the Basic Rules for Enterprise Internal Control and Supporting Guidelines for Enterprise Internal Control jointly issued by the five ministries of PRC, such as the Ministry of Finance.

### IV. Self-appraisal report on internal control

Particulars about significant defects of internal control found during the r	
In accordance with the recognition standards for the deficits of internal control, it doesn't find any significant deficits during the process of appraising internal control relevant to the financial report.	
Disclosure date of the Self-appraisal Report on Internal Control	20 Mar. 2015
Disclosure index of the Self-appraisal Report on Internal	For details about the Self-appraisal Report on the 2014 Annual Internal Control, please refer to <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> , which is the information disclosure website designated by Shenzhen Stock Exchange.

Control	
---------	--

## V. Audit report on internal control

Audit opinion paragraphs in the Audit Report on Internal Control	
The audit firm for internal control believes that the Company makes valid internal control on financial report in all significant aspects on 31 Dec. 2014 according to the Basic Rules on Enterprise Internal Control and other relevant stipulations.	
Disclosure date of the Audit Report on Internal Control	20 Mar. 2015
Disclosure index of the Audit Report on Internal Control	For details about the Self-appraisal Report on the 2014 Annual Internal Control, please refer to <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> , which is the information disclosure website designated by Shenzhen Stock Exchange.

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

Yes  No

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

Yes  No

## VI. Establishment and execution of rules of accountability for significant mistakes in annual report information disclosure

The Company already formulated Rules of Accountability for Significant Mistakes in Annual Report Information Disclosure in Chapter XI., Section I of Management System for Information Disclosure. In the reporting period, there isn't any amendment of significant accounting false, complement of significant information omit or adjustment in prediction of performance etc.

## Section X. Financial Report

### Notel Audit Report

Types of auditing opinion	qualified opinion without reservation
Signing date of the report	Mar. 18th, 2015
Accountant firm	Jiangsu Gongzheng Tianye Certified Public Accountants, SGP
Number of the audit report	WCPA [2015] NO.A173

## Auditor's Report

WCPA [2015] NO.A173

### TO THE SHAREHOLDERS OF WUXI LITTLE SWAN CO., LTD.

We have audited the accompanying financial statements of Wuxi Little Swan Co., Ltd. (“Wuxi Little Swan”), which comprise the consolidated and company Balance sheet as of December 31, 2014, and the consolidated and company Income statement, the consolidated and company Cash flow statement and the consolidated and company Statement of changes in equity for the year then ended, and notes to the financial statements.

#### I. Management's Responsibilities on the Statements

The Company's management is responsible for the preparation and fair presentation of these financial statements. This responsibility includes: ( i ) preparing and fairly presenting financial statements in accordance with Accounting Standards for Business Enterprises; ( ii ) designing, implementing and maintaining necessary internal control in order that financial statements are free from material misstatement, whether due to fraud or error.

#### II. Auditor's Responsibilities

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

about whether the financial statements are free from material misstatement.

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

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

### **III. Auditor's Opinions**

In our opinion, the accompanying financial statements of Wuxi Little Swan present fairly, in all material respects, the consolidated and company financial position of Wuxi Little Swan as of 31 December 2014, and the consolidated and company results of operations and cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises

Jiangsu Gongzheng Tianye Certified Public Accountants, SGP

Chinese Certified Public Accountant

Chinese Certified Public Accountant

Wuxi · China

Mar. 18th, 2015

## Note II Financial Report

The monetary unit used in notes to the financial statements is yuan of rmb

### 1. CONSOLIDATED BALANCE SHEET

Prepared by: WUXI LITTLE SWAN CO., LTD.

Unit: RMB yuan

Item	2014-12-31	2013-12-31
<b>Current Assets</b>		
Monetary capital	3,059,914,956.21	1,617,373,088.50
Deposit reservation for balance		
Due from placements with banks and other financial Institutions		
Financial assets measured at fair value with changes included in current profits and losses	248,907.75	15,016,740.00
Derivative financial assets		
Notes receivable	3,147,153,535.61	2,449,770,225.41
Accounts receivable	856,343,229.70	777,744,132.32
Prepayments	142,977,522.28	140,841,924.06
Insurances receivable		
Reinsurances receivable		
Provisions of reinsurance contracts receivable		
Interests receivable		
Dividends receivable		
Other accounts receivable	34,611,969.22	26,163,524.13
Redemptory financial assets for Sale		
Inventories	605,616,993.25	798,141,838.58
Current assets classified as held for sale		
Non-current assets due within one year		
Other current assets	1,947,972,214.72	1,791,288,539.62
<b>Total current assets</b>	<b>9,794,839,328.74</b>	<b>7,616,340,012.62</b>
<b>Non-Current Assets</b>		
Loans and advances due from institutions		
Financial asset available for sale	200,000.00	1,722,816.00
Held-to-maturity investments		
Long-term accounts receivable		
Long-term equity investment	2,850,040.45	3,169,148.88
Investment properties	73,229,177.52	9,466,777.10

Fixed assets	1,065,820,898.65	1,194,244,286.86
Construction in progress		
Construction materials		
Disposal of fixed assets		
Productive biological assets		
Oil-and-gas assets		
Intangible assets	202,760,577.70	219,445,532.87
Development expenditures		
Goodwill		
Long-term deferred expenses	1,851,978.15	7,147,835.74
Deferred tax assets	235,241,927.50	170,990,970.67
Other non-current assets		
<b>Total non-current assets</b>	<b>1,581,954,599.97</b>	<b>1,606,187,368.12</b>
<b>Total assets</b>	<b>11,376,793,928.71</b>	<b>9,222,527,380.74</b>
<b>Current Liabilities</b>		
Short-term loans		
Borrowings from central bank		
Placements due to banks and other financial institutions		
Borrowings from banks and other financial institutions		
Financial liabilities measured at fair value with changes included in current profits and losses		
Derivative financial liabilities		
Notes payable	1,173,851,127.31	385,673,110.34
Accounts payable	3,614,077,813.37	2,768,046,095.46
Advances from customers	851,592,826.03	1,057,952,597.52
Financial assets sold for repurchase		
Fees and commissions payable		
Payroll Payable	250,377,809.92	207,323,619.92
Taxes payable	273,648,854.64	199,203,856.56
Interests payable		
Dividends payable	4,088,128.36	3,740,152.33
Other accounts payable	48,540,416.84	50,021,093.66
Reinsurance fee payable		
Insurance contract provision		
Receivings from vicariously traded securities		
Receivings from vicariously sold Securities		

Current liabilities classified as held for sale		
Non-current liabilities due within one year		
Other current liabilities		
<b>Total current liabilities</b>	6,216,176,976.47	4,671,960,525.79
<b>Non-current Liabilities</b>		
Long-term loans		
Bonds payable		
Including: Preferred shares		
Perpetual capital securities		
Long-term accounts payable		
Long-term payroll payable		
Special accounts payable	2,073,957.30	2,073,957.30
Expected liabilities	9,960,830.74	11,310,523.59
Deferred income	3,848,733.33	568,600.00
Deferred tax liabilities	37,336.16	2,284,388.40
Other non-current liabilities		
<b>Total non-current liabilities</b>	15,920,857.53	16,237,469.29
<b>Total liabilities</b>	6,232,097,834.00	4,688,197,995.08
<b>Shareholders' Equity</b>		
Share capital	632,487,764.00	632,487,764.00
Other equity instruments		
Including: Preferred shares		
Perpetual capital securities		
Capital reserve	1,139,956,336.03	1,129,250,666.31
Less: Treasury share		
Other comprehensive income	-3,449,689.57	-3,379,075.16
Special reserves		
Surplus reserves	332,594,722.29	290,958,368.49
Generic risk reserve		
Undistributed profit	2,326,392,979.58	1,859,579,931.10
<b>Total shareholders' equity attributable to parent company</b>	4,427,982,112.33	3,908,897,654.74
Minority interest	716,713,982.38	625,431,730.92
<b>Total shareholders' equity</b>	5,144,696,094.71	4,534,329,385.66
<b>Total liabilities &amp; shareholders' equity</b>	11,376,793,928.71	9,222,527,380.74

Legal  
representative: Mr. Fang Hongbo

Person in charge  
of accounting: Mr. Sun Yunan

Accounting  
Department leader: Zhong Fangliu



## 2. PARENT COMPANY BALANCE SHEET

Prepared by: WUXI LITTLE SWAN CO., LTD.

Unit: RMB yuan

Item	2014-12-31	2013-12-31
<b>Current Assets</b>		
Monetary capital	1,911,559,698.48	910,325,739.17
Financial assets measured at fair value with changes included in current profits and losses	169,471.35	8,727,740.00
Derivative financial assets		
Notes receivable	1,995,701,371.99	1,541,082,811.22
Accounts receivable	599,080,895.73	731,446,199.69
Prepayments	82,118,815.39	56,620,106.39
Interests receivable		
Dividends receivable		
Other accounts receivable	16,162,292.29	18,752,200.83
Inventories	391,600,972.50	543,401,541.27
Current assets classified as held for sale		
Non-current assets due within one year		
Other current assets	1,024,148,072.06	939,664,538.10
<b>Total current assets</b>	<b>6,020,541,589.79</b>	<b>4,750,020,876.67</b>
<b>Non-Current Assets</b>		
Loans and advances due from institutions	150,000.00	1,672,816.00
Financial asset available for sale		
Held-to-maturity investments		
Long-term accounts receivable	1,342,544,532.02	1,600,363,640.45
Long-term equity investment	9,112,459.48	9,466,777.10
Investment properties	536,196,976.55	568,924,123.24
Fixed assets		
Construction in progress		
Construction materials		
Disposal of fixed assets		
Productive biological assets		
Oil-and-gas assets	97,971,768.25	101,069,007.28

Intangible assets		
Development expenditures		
Goodwill	1,525,311.48	6,781,326.79
Long-term deferred expenses	156,000,386.72	119,667,809.75
Deferred tax assets		
Other non-current assets	2,143,501,434.50	2,407,945,500.61
<b>Total assets</b>	<b>8,164,043,024.29</b>	<b>7,157,966,377.28</b>
<b>Current Liabilities</b>		
Short-term loans		
Financial liabilities measured at fair value with changes included in current profits and losses		
Derivative financial liabilities		
Notes payable	584,317,575.73	273,399,760.34
Accounts payable	2,548,193,911.40	1,766,585,288.21
Advances from customers	536,032,679.79	724,228,146.67
Payroll Payable	156,971,021.63	118,237,120.06
Taxes payable	178,868,538.14	156,722,107.53
Interests payable		
Dividends payable	4,088,128.36	3,740,152.33
Other accounts payable	15,256,765.11	208,682,591.14
Current liabilities classified as held for sale		
Non-current liabilities due within one year		
Other current liabilities		
<b>Total current liabilities</b>	<b>4,023,728,620.16</b>	<b>3,251,595,166.28</b>
<b>Non-current Liabilities</b>		
Long-term loans		
Bonds payable		
Including: Preferred shares		
Perpetual capital securities		
Long-term accounts payable		
Long-term payroll payable		
Special accounts payable		
Expected liabilities		

Deferred income		
Deferred tax liabilities	25,420.70	1,341,038.40
Other non-current liabilities		
<b>Total non-current liabilities</b>	25,420.70	1,341,038.40
<b>Total liabilities</b>	4,023,754,040.86	3,252,936,204.68
<b>Shareholders' Equity</b>		
Share capital	632,487,764.00	632,487,764.00
Other equity instruments		
Including: Preferred shares		
Perpetual capital securities		
Capital reserve	1,300,124,962.20	1,291,302,721.54
Less: Treasury share		
Other comprehensive income		180,638.60
Special reserves		
Surplus reserves	319,944,578.39	278,308,224.59
Undistributed profit	1,887,731,678.84	1,702,750,823.87
<b>Total shareholders' equity</b>	4,140,288,983.43	3,905,030,172.60
<b>Total liabilities &amp; shareholders' equity</b>	8,164,043,024.29	7,157,966,377.28

### 3. CONSOLIDATED INCOME STATEMENT

Prepared by: WUXI LITTLE SWAN CO., LTD.

Unit: RMB yuan

Item	2014	2013
<b>I. Total Operating income</b>	10,804,217,288.60	8,727,956,044.37
Including: Operating income	10,804,217,288.60	8,727,956,044.37
Interests income		
Premium Income		
Commission Income		
<b>II. Total Operating Costs</b>	10,059,005,739.13	8,337,167,801.38
Including: Operating costs	8,007,492,218.69	6,549,621,939.90
Interest expenses		
Commission expenses		
Surrender value in cost		
Compensation expenses-net amount		

Provision for insurance contract-net amount		
Insurance bonus charge		
Reinsurance Expenses		
Business tax and surcharges	67,429,778.79	53,002,629.99
Selling expenses	1,519,482,348.76	1,267,118,417.20
General and administrative expenses	441,240,435.76	393,481,200.80
Financial expenses	-14,860,124.49	24,609,694.16
Asset impairment losses	38,221,081.62	49,333,919.33
Add: gain/(loss) from change in fair value (loss presented as "-")	-14,767,832.25	13,792,150.00
Investment income (loss presented as "-")	177,965,089.26	116,861,930.20
Including: Income from investment in associates and joint ventures	-319,108.43	-116,701.92
Foreign exchange income (loss presented as "-")		
<b>III. Operating profit (loss presented as "-")</b>	<b>908,408,806.48</b>	<b>521,442,323.19</b>
Add: non-operation income	39,803,014.02	40,374,853.39
Including: Gain from disposal of non-current assets	2,789,994.04	2,883,982.52
Less: non-operation expenses	14,209,147.21	13,195,868.57
Including: Loss from disposal of non-current assets	6,272,775.07	3,962,772.35
<b>IV. Total profit (loss presented as "-")</b>	<b>934,002,673.29</b>	<b>548,621,308.01</b>
Less: income tax expenses	143,176,568.98	73,863,608.22
<b>IV. Net profit (loss presented as "-")</b>	<b>790,826,104.31</b>	<b>474,757,699.79</b>
Net Profit attributable to parent Company	698,195,731.48	413,350,079.54
Minority interest	92,630,372.83	61,407,620.25
<b>VI. After-tax net of other comprehensive incomes</b>	<b>-70,614.41</b>	<b>-916,591.47</b>
<b>After-tax net of other comprehensive incomes attributable to parent company</b>	<b>-70,614.41</b>	<b>-916,591.47</b>
<b>(I) Other comprehensive incomes that cannot be classified into profit and loss in the future</b>		
1.Re-measurement of changes in net liabilities or net assets in defined benefit plan		
2.Share in other comprehensive incomes that cannot be reclassified into profit and loss in investee by equity method		
<b>(II) Other comprehensive incomes that would be classified into profit and loss in the future</b>	<b>-70,614.41</b>	<b>-916,591.47</b>

1.Shares in other comprehensive incomes that can be reclassified into profit and loss in investee by equity method in the future		
2.Loss and profit of change in fair value of available-for-sale financial assets	-180,638.60	21,991.20
3.Loss and profit of available-for-sale financial assets of held-to-maturity investments		
4.Effective part of hedge profit and loss of cash flow		
5.Translation difference in the foreign currency financial statement	110,024.19	-938,582.67
6.Others		
Net amount in other comprehensive income attributable to minority shareholders		
<b>VII. Total comprehensive income/loss</b>	790,755,489.90	473,841,108.32
Total comprehensive income/loss attributable to parent company	698,125,117.07	412,433,488.07
Total comprehensive income/loss attributable to minority shareholders	92,630,372.83	61,407,620.25
<b>VIII. Earnings per share</b>		
(I) basic earnings per share	1.10	0.65
(II) diluted earnings per share	1.10	0.65

Legal representative:Mr.Fang Hongbo

Person in charge of accounting: Mr. Sun Yunan

Accounting Department leader:Zhong Fangliu

#### 4. PARENT COMPANY INCOME STATEMENT

Prepared by:WUXI LITTLE SWAN CO., LTD.

Unit: RMB yuan

Item	2014	2013
<b>I. Total Operating income</b>	7,916,825,870.36	6,342,297,557.91
less: Cost of goods sold	5,946,187,059.49	4,842,224,381.25
Business tax and surcharges	47,038,494.76	38,666,878.02
Selling expenses	1,132,598,650.92	940,158,466.34
General and administrative expenses	299,648,027.37	254,025,133.09
Financial expenses	-4,529,436.09	10,450,667.44
Asset impairment losses	72,545,358.11	96,662,671.60
Add: gain/(loss) from change in fair value (loss presented as "-")	-8,558,268.65	7,723,870.00
Investment income (loss presented as "-")	83,294,245.14	76,201,988.21
Including: Income from investment in associates and joint ventures	-319,108.43	-116,701.92

<b>III. Operating profit (loss presented as "-")</b>	498,073,692.29	244,035,218.38
Add: non-operation income	16,433,978.91	16,563,125.26
Including: Gain from disposal of non-current assets	2,305,062.47	581,207.00
Less: non-operation expenses	10,639,169.83	8,414,234.79
Including: Loss from disposal of non-current assets	4,046,903.42	548,024.58
<b>IV. Total profit (loss presented as "-")</b>	503,868,501.37	252,184,108.85
Less: income tax expenses	87,504,963.40	48,772,913.21
<b>IV. Net profit (loss presented as "-")</b>	416,363,537.97	203,411,195.64
<b>VI. After-tax net of other comprehensive incomes</b>	-180,638.60	21,991.20
<b>After-tax net of other comprehensive incomes attributable to parent company</b>		
<b>(I) Other comprehensive incomes that cannot be classified into profit and loss in the future</b>		
1.Re-measurement of changes in net liabilities or net assets in defined benefit plan		
2.Share in other comprehensive incomes that cannot be reclassified into profit and loss in investee by equity method	-180,638.60	21,991.20
<b>(II) Other comprehensive incomes that would be classified into profit and loss in the future</b>		
1.Shares in other comprehensive incomes that can be reclassified into profit and loss in investee by equity method in the future	-180,638.60	21,991.20
2.Loss and profit of change in fair value of available-for-sale financial assets		
3.Loss and profit of available-for-sale financial assets of held-to-maturity investments		
4.Effective part of hedge profit and loss of cash flow		
5.Translation difference in the foreign currency financial statement		
<b>VII. Total comprehensive income/loss</b>	416,182,899.37	203,433,186.84
<b>VIII. Earnings per share</b>		
(I) basic earnings per share	0.66	0.32
(II) diluted earnings per share	0.66	0.32

## 5. CONSOLIDATED STATEMENT OF CASH FLOWS

Prepared by: WUXI LITTLE SWAN CO., LTD.

Unit: RMB yuan

Item	2014	2013
<b>I. Cash flow from operating activities</b>		

Cash received from sales of goods or rendering of services	8,798,376,928.14	7,152,993,865.17
Taxes and expense return	33,025,802.90	108,549,026.13
Other Cash received from operating activities	59,695,461.20	51,806,677.27
<b>Subtotal of cash inflows from operating activities</b>	<b>8,891,098,192.24</b>	<b>7,313,349,568.57</b>
Cash paid for goods and services	4,594,554,278.14	4,150,047,174.80
Cash paid to and on behalf of employees	708,166,899.31	626,533,856.58
Taxes and expense paid	608,666,666.17	416,449,377.95
Other cash payment relating to operating activities	1,322,596,031.29	1,215,437,058.23
<b>Subtotal of cash outflows from operating activities</b>	<b>7,233,983,874.91</b>	<b>6,408,467,467.56</b>
<b>Net cash flows from operating activities</b>	<b>1,657,114,317.33</b>	<b>904,882,101.01</b>
<b>II. Cash Flows from Investing Activities</b>		
Cash received from return of investment	10,101,899,999.97	11,187,730,000.00
Cash received from investments	170,532,691.69	116,670,162.53
Net cash received from disposal of fixed assets, intangible assets, and other long-term assets	7,650,553.51	100,768,702.18
Net cash received from disposal of subsidiaries or other business units		
Other Cash Received from investing Activities		
<b>Subtotal of cash inflows from investing Activities</b>	<b>10,280,083,245.17</b>	<b>11,405,168,864.71</b>
Cash paid to acquire fixed assets, intangible assets and other long-term assets	78,485,490.25	59,527,350.44
Cash paid to acquire investments	11,706,999,999.97	11,794,790,000.00
Net cash paid to acquire subsidiaries and other business units		
Other cash payment relating to investing activities		
<b>Subtotal of cash outflows from investing activities</b>	<b>11,785,485,490.22</b>	<b>11,854,317,350.44</b>
<b>Net cash flows from investing activities</b>	<b>-1,505,402,245.05</b>	<b>-449,148,485.73</b>
<b>III. Cash Flows from Financing Activities</b>		
Cash received from investments		
Cash received from loans	100,360,740.00	
Other cash received from financing activities	3,500,000.00	
<b>Subtotal of cash inflows from financing activities</b>	<b>103,860,740.00</b>	
Cash payment for repayments of loans	100,360,740.00	
Cash payments for distribution of dividends, profits or interest	194,602,667.45	189,716,383.08
Other cash payments relating to financing activities	2,184,490.69	

<b>Subtotal cash outflow from financing activities</b>	297,147,898.14	189,716,383.08
<b>Net cash flows from financing activities</b>	-193,287,158.14	-189,716,383.08
<b>IV. Effect of foreign currency exchange rate changes on cash and cash equivalents</b>	110,024.19	-938,582.67
V. Net Increase/(Decrease) of Cash and Cash Equivalents	-41,465,061.67	265,078,649.53
Add: Opening Balance of Cash and Cash equivalents	1,558,204,866.53	1,293,126,217.00
<b>VI. Cash and cash equivalents at the end of year</b>	1,516,739,804.86	1,558,204,866.53

## 6. PARENT COMPANY STATEMENT OF CASH FLOWS

Prepared by: WUXI LITTLE SWAN CO., LTD.

Unit: RMB yuan

Item	2014	2013
<b>I. Cash flow from operating activities</b>		
Cash received from sales of goods or rendering of services	5,576,570,283.92	3,790,868,852.78
Taxes and expense return		29,881,889.63
Other Cash received from operating activities	28,571,367.48	25,210,647.68
<b>Subtotal of cash inflows from operating activities</b>	5,605,141,651.40	3,845,961,390.09
Cash paid for goods and services	2,482,442,035.78	1,785,821,502.14
Cash paid to and on behalf of employees	443,649,148.78	393,084,196.18
Taxes and expense paid	532,166,355.14	295,325,601.66
Other cash payment relating to operating activities	1,125,528,055.81	757,102,720.81
<b>Subtotal of cash outflows from operating activities</b>	4,583,785,595.51	3,231,334,020.79
<b>Net cash flows from operating activities</b>	1,021,356,055.89	614,627,369.30
<b>II. Cash Flows from Investing Activities</b>		
Cash received from return of investment	5,380,000,000.00	5,987,000,000.00
Cash received from investments	84,477,225.22	70,536,370.52
Net cash received from disposal of fixed assets, intangible assets, and other long-term assets	4,087,145.88	1,641,069.42
Net cash received from disposal of subsidiaries or other business units	191,485,872.35	10,282,319.61
Other Cash Received from investing Activities		
<b>Subtotal of cash inflows from investing Activities</b>	5,660,050,243.45	6,069,459,759.55



Cash paid to acquire fixed assets, intangible assets and other long-term assets	39,089,960.84	34,215,273.55
Cash paid to acquire investments	6,735,100,000.00	6,426,000,000.00
Net cash paid to acquire subsidiaries and other business units		
Other cash payment relating to investing activities		
<b>Subtotal of cash outflows from investing activities</b>	6,774,189,960.84	6,460,215,273.55
<b>Net cash flows from investing activities</b>	-1,114,139,717.39	-390,755,514.00
<b>III. Cash Flows from Financing Activities</b>		
Cash received from investments		
Cash received from loans		
Other cash received from financing activities		
<b>Subtotal of cash inflows from financing activities</b>		
Cash payment for repayments of loans		
Cash payments for distribution of dividends, profits or interest	189,398,353.17	189,716,383.08
Other cash payments relating to financing activities		
<b>Subtotal cash outflow from financing activities</b>	189,398,353.17	189,716,383.08
<b>Net cash flows from financing activities</b>	-189,398,353.17	-189,716,383.08
<b>IV. Effect of foreign currency exchange rate changes on cash and cash equivalents</b>		
<b>V. Net Increase/(Decrease) of Cash and Cash Equivalents</b>	-282,182,014.67	34,155,472.22
Add: Opening Balance of Cash and Cash equivalents	882,413,120.18	848,257,647.96
<b>VI. Cash and cash equivalents at the end of year</b>	600,231,105.51	882,413,120.18

## 7. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Prepared by: WUXI LITTLE SWAN CO., LTD.

Unit: RMB yuan

Items	Year 2014								
	Equity attributable to parent company							Minority equity	Total shareholders' equity
	Share capital	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserve	Undistributed profit		
<b>I . Balance at the end of last reporting period</b>	632,487,764.00	1,129,250,666.31		-3,379,075.16		290,958,368.49	1,859,579,931.10	625,431,730.92	4,534,329,385.66
Add: 1. Effect of changes in accounting policy									
2. Effect of error correction of past periods									
3. Enterprise combine under the same control									
4. Others									
<b>II. Balance at the beginning of this year</b>	632,487,764.00	1,129,250,666.31		-3,379,075.16		290,958,368.49	1,859,579,931.10	625,431,730.92	4,534,329,385.66
<b>III. Changes in the current year (decrease presented as "-")</b>		10,705,669.72		-70,614.41		41,636,353.80	466,813,048.48	91,282,251.46	610,366,709.05
(I) Total comprehensive income				-70,614.41			698,195,731.48	92,630,372.83	790,755,489.90
(II) Increase/(decrease) in owner's capital		10,705,669.72						-1,348,121.37	9,357,548.35
1. Common shares invested by shareholders									
2. Capital invested by other equity instruments holders									
3. Amounts of share-based payments recognized in shareholders' equity		10,805,421.89						836,369.32	11,641,791.21
4. Others		-99,752.17						-2,184,490.69	-2,284,242.86

(III) Profit distribution						41,636,353.80	-231,382,683.00		-189,746,329.20
1. Appropriation of surplus reserves						41,636,353.80	-41,636,353.80		
2. Appropriation of General risk reserve									
3. Attribution to the owners (or shareholders)							-189,746,329.20		-189,746,329.20
4. Others									
(IV) Transfers within shareholders' equity									
1. Transfer from capital reserve to capital (or share capital)									
2. Transfer from surplus reserve to capital (or share capital)									
3. Transfer from surplus reserve to cover losses									
4. Others									
(V) Special reserves									
1. Appropriation of this year									
2. Used this year									
(VI). Others									
<b>IV. Balance at the end of the report period</b>	632,487,764.00	1,139,956,336.03		-3,449,689.57		332,594,722.29	2,326,392,979.58	716,713,982.38	5,144,696,094.71

Legal representative: Mr. Fang Hongbo

Person in charge of accounting: Mr. Sun Yunan

Accounting Department leader: Zhong Fangliu

Items	Year 2013								
	Equity attributable to parent company							Minority equity	Total shareholders' equity
	Share capital	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserve	Undistributed profit		
<b>I. Balance at the end of last reporting period</b>	632,487,764.00	1,129,250,666.31		-2,462,483.69		270,617,248.93	1,656,317,300.32	564,332,580.26	4,250,543,076.13
Add: 1. Effect of changes in accounting policy									
2. Effect of error correction of past periods									
3. Enterprise combine under the same control									
4. Others									
<b>II. Balance at the beginning of this year</b>	632,487,764.00	1,129,250,666.31		-2,462,483.69		270,617,248.93	1,656,317,300.32	564,332,580.26	4,250,543,076.13
<b>III. Changes in the current year (decrease presented as "-")</b>				-916,591.47		20,341,119.56	203,262,630.78	61,099,150.66	283,786,309.53
(I) Total comprehensive income				-916,591.47			413,350,079.54	61,407,620.25	473,841,108.32
(II) Increase/(decrease) in owner's capital								-308,469.59	-308,469.59
1. Common shares invested by shareholders									
2. Capital invested by other equity instruments holders									
3. Amounts of share-based payments recognized in shareholders' equity									
4. Others								-308,469.59	-308,469.59
(III) Profit distribution						20,341,119.56	-210,087,448.76		-189,746,329.20

1. Appropriation of surplus reserves						20,341,119.56	-20,341,119.56		
2. Appropriation of General risk reserve									
3. Attribution to the owners (or shareholders)							-189,746,329.20		-189,746,329.20
4. Others									
(IV) Transfers within shareholders' equity									
1. Transfer from capital reserve to capital (or share capital)									
2. Transfer from surplus reserve to capital (or share capital)									
3. Transfer from surplus reserve to cover losses									
4. Others									
(V) Special reserves									
1. Appropriation of this year									
2. Used this year									
(VI). Others									
<b>IV. Balance at the end of the report period</b>	632,487,764.00	1,129,250,666.31		-3,379,075.16		290,958,368.49	1,859,579,931.10	625,431,730.92	4,534,329,385.66

Legal representative: Mr. Fang Hongbo

Person in charge of accounting: Mr. Sun Yunan

Accounting Department leader: Zhong Fangliu

**8. PARENT STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

Prepared by: WUXI LITTLE SWAN CO., LTD.

Unit: RMB yuan

Items	Year 2014						
	Capital paid in (or share capital)	Capital reserve	Less: Treasury stock	Other comprehensive income	Surplus reserve	Undistributed profit	Total of shareholders' equity
<b>I . Balance at the end of last reporting period</b>	632,487,764.00	1,291,302,721.54		180,638.60	278,308,224.59	1,702,750,823.87	3,905,030,172.60
Add: 1. Effect of changes in accounting policy							
2. Effect of error correction of past periods							
3. Others							
<b>II. Balance at the beginning of this year</b>	632,487,764.00	1,291,302,721.54		180,638.60	278,308,224.59	1,702,750,823.87	3,905,030,172.60
<b>III. Changes in the current year (decrease presented as "-")</b>		8,822,240.66		-180,638.60	41,636,353.80	184,980,854.97	235,258,810.83
(I) Total comprehensive income				-180,638.60		416,363,537.97	416,182,899.37
(II) Increase/(decrease) in owner's capital		8,822,240.66					8,822,240.66
1. Common shares invested by shareholders							
2. Capital invested by other equity instruments holders							
3. Amounts of share-based payments recognized in shareholders' equity		8,820,742.83					8,820,742.83
4. Others		1,497.83					1,497.83
(III) Profit distribution					41,636,353.80	-231,382,683.00	-189,746,329.20
1. Appropriation of surplus reserves					41,636,353.80	-41,636,353.80	

2. Attribution to the owners (or shareholders)						-189,746,329.20	-189,746,329.20
3. Others							
(IV) Transfers within shareholders' equity							
1. Transfer from capital reserve to capital (or share capital)							
2. Transfer from surplus reserve to capital (or share capital)							
3. Transfer from surplus reserve to cover losses							
4. Others							
(V) Special reserves							
1. Appropriation of this year							
2. Used this year							
(VI). Others							
<b>IV. Balance at the end of the report period</b>	632,487,764.00	1,300,124,962.20				319,944,578.39	1,887,731,678.84
							4,140,288,983.43

Legal representative:Mr.Fang Hongbo

Person in charge of accounting: Mr. Sun Yunan

Accounting Department leader:Zhong Fangliu

Items	Year 2013						
	Share capital	Capital reserve	Less: Treasury stock	Other comprehensive income	Surplus reserve	Undistributed profit	Total of shareholders' equity
<b>I . Balance at the end of last reporting period</b>	632,487,764.00	1,291,302,721.54		158,647.40	257,967,105.03	1,709,427,076.99	3,891,343,314.96
Add: 1. Effect of changes in accounting policy							
2. Effect of error correction of past periods							
3. Others							
<b>II. Balance at the beginning of this year</b>	632,487,764.00	1,291,302,721.54		158,647.40	257,967,105.03	1,709,427,076.99	3,891,343,314.96
<b>III. Changes in the current year (decrease presented as "-")</b>				21,991.20	20,341,119.56	-6,676,253.12	13,686,857.64
(I) Total comprehensive income				21,991.20		203,411,195.64	203,433,186.84
(II) Increase/(decrease) in owner's capital							
1. Common shares invested by shareholders							
2. Capital invested by other equity instruments holders							
3. Amounts of share-based payments recognized in shareholders' equity							
4. Others							
(III) Profit distribution					20,341,119.56	-210,087,448.76	-189,746,329.20
1. Appropriation of surplus reserves					20,341,119.56	-20,341,119.56	
2. Attribution to the owners (or shareholders)						-189,746,329.20	-189,746,329.20
3. Others							



(IV) Transfers within shareholders' equity							
1. Transfer from capital reserve to capital (or share capital)							
2. Transfer from surplus reserve to capital (or share capital)							
3. Transfer from surplus reserve to cover losses							
4. Others							
(V) Special reserves							
1. Appropriation of this year							
2. Used this year							
(VI). Others							
<b>IV. Balance at the end of the report period</b>	632,487,764.00	1,291,302,721.54		180,638.60	278,308,224.59	1,702,750,823.87	3,905,030,172.60

Legal representative:Mr.Fang Hongbo

Person in charge of accounting: Mr. Sun Yunan

Accounting Department leader:Zhong Fangliu

**NOTEIII: General information**

Wuxi Little Swan Co., Ltd. (hereinafter “the Company”) was formerly a SOE founded and reorganized as a private placement limited liability company by the approval of Jiangsu Provincial Commission for Economic Restructuring (SuTiGaiSheng (1993) No.253 document).

As approved by Jiangsu Provincial Government ((1996) No.52 document), Securities Regulatory Commission under State Council (ZhengWeiFa (1996) No.14 document), Shenzhen Securities and Exchange Commission (ShenZhengBanhan (1996) No.4 document), the company issued 70 million listed foreign investment shares (B-shares) and reorganized into a public company. The public offering raised 310 million yuan and the above-mentioned B-shares were listed at Shenzhen Stock Exchange in July, 1996 for trading. The abbreviation for B-shares of the company is “Little Swan B”. B-share code is 200418.

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

The company regulated its shareholder structure on August 7, 2006: the tradable A-share shareholders recorded on the registration date of solution are granted 2.5 non-tradable shares from non-tradable shareholders for every 10 tradable shares. The total consideration consisted of 18 million non-tradable shares, through which non-tradable shareholders were granted tradable shares.

In accordance to the resolution of shareholder meeting, 2007, capital added were 182.55192 million RMB yuan, consisting of 182.55192 million shares value at 1 RMB yuan per share transferred from capital reserves. The transference was based on 365.10384 million shares at the end of year 2007: 5 new shares were added to every 10 original shares.

In accordance to resolution of the 4th session of the 6th board meeting and the 1st temporary

shareholder meeting in 2010, as approved by China Securities Regulatory Commission (ZhengJianXuKe [2010] No.1577 document), the company offer a private share placement totalled 84,832,004 A shares for 69.47% of the shares of Hefei Midea Washing Machine Limited (formerly as Hefei Royal star Washing Machine Manufacture Limited.) held by Guangdong Midea Electric Appliances Co., Ltd.. For par value of 1 RMB yuan per share, issuing price of 8.63 RMB yuan per share, this issuance increased the company's share capital by 84.832004 million RMB yuan.

As approved by China Securities Regulatory Commission (ZhengJianXuKe (2013) No.1014 document), Midea Group Co., Ltd. combined Guangdong Midea Electric Appliances Co., Ltd. through shares exchanges. Midea Group thus hold shares of the company. Relevant procedures for shares transfer had completed by 31 Dec, 2013.

As of Dec. 31, 2014, the registered capital of the company is 632.487764 million shares, 0.583% of which are 3.68989 million tradable A-shares with limitation terms, 69.213% of which are 437.762002 million tradable A-shares with no limitation terms, 30.204% of which are 191.035872 million B-shares with no limitation terms.

### **Company profile**

Place of Registration: No. 18 Changjiang South Road, National High-tech Industrial Development Zone, Wuxi

Business Address: No. 18, Changjiang South Road, Wuxi, Jiangsu Province

Form of Organization: Limited Liability Company (Co., Ltd.)

### **Operations and business scope of the Company**

Business scope: manufacture, sales and after-sales service of household electrical appliances, industrial ceramic products, environmental-friendly dry cleaning equipment, washing apparatus for typical machines, processing equipment and fittings. The company provides laundry service, machining; exports and imports, or be agent for a variety of products and technologies (excluding unauthorized or forbidden products and technologies for operation according to state regulations for enterprises). It also provides appliance technical services, certified outsourcing services.

**Name of the holding company**

The parent company of the company: Midea Group Co., Ltd.

The Ultimate Controller of the company: He Xiangjian.

**Authorization and date of issuing the financial statements**

The financial statements were approved and authorized for issuance by the board of directors on Mar. 18, 2015.

**Changes in scope of consolidated financial statements**

The consolidated statements consist of those of the Company and its seven consolidated subsidiaries. The number of subsidiaries of current reporting period is four fewer than that of last reporting period, which resulted from the termination of its four subsidiaries: Tianjin Little Swan Washing Machine Limited., Wuxi Little Swan Washing Machine Limited., Wuxi Meitian Refrigerator Marketing Limited. and Hefei Midea washing machine Manufacture Limited. Those four subsidiaries are thus not included in the consolidated financial statement (see NOTE VI: changes in consolidation scope; NOTE VII: Equity investments in other entities).

**NOTEVI: Basis of preparation for financial statements****I. Preparation of financial statements**

The financial statements are prepared in accordance with actual transactions in continuous operation on the basis of Enterprise Accounting Standards, guidelines, explanation of the accounting standards, other related stipulations and CSSRC's Listed Company with Public Securities Information Disclosure Coding Rules No. 15 – General Rules on Financial Report (revised in 2014).

The company prepares the financial statements based on accrual accounting in accordance with related stipulations of Enterprise Accounting Standards. Reporting items are measured at history cost other than some typical financial instruments. Impairment provision are made if evidence proving impairment shown on assets according to related stipulations of EAS.

## **II. Going concern basis**

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

## **NOTE V: Major accounting policies and accounting estimates**

Notes to accounting policies and accounting: Business scope for the company as well as its subsidiaries is manufacturing and selling of household appliances. Specific accounting estimates and policies are made based on actual patterns of operations in accordance with EAS, which are 1) accounting method for bad debt provision made on accounts receivable (NOTEV-X); 2) Inventory valuation methods (NOTEV-XI); 3) Depreciation Method of Fixed assets and intangible assets (NOTEV-XIV to XVII).

### **I. Declaration on abiding by the Enterprise Accounting Standards**

The Company follows the requirements of enterprise accounting standards in preparing 2014 financial statements, which authentically and completely reflect the consolidated and the Company's financial status on Dec. 31 of 2014 and the consolidated and the Company's operating result and cash flow during 2014.

### **II. Accounting period**

The company's accounting period is from 1st January to 31st December for each calendar year.

### **III. Operating period**

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

### **IV. Recording currency**

The recording currency of the company is RMB yuan.

### **V. Accounting method for business combination of entities under common control and different control**

#### **I. Business combinations under common control**

Combinations with entities involved in combinations under one controller or same controllers permanently before

and after merger are considered as business combination under common control.

Initial investment cost are the book value of equity of mergee on consolidated statements of the ultimate controlling party, whether the merger consideration is cash payment or transference of non-cash assets or debts. The difference between initial investment cost and the merger consideration paid are adjusted to the capital reserve. When capital reserve is not sufficient to compensate, retained earnings is thus adjusted.

Initial investment cost are the book value of equity of mergee on consolidated statements of the ultimate controlling party, whether the merger consideration is the issuance of equity securities. Equity securities are recognized at par value as share capital. The difference between initial investment cost and total value of share capital are adjusted to the capital reserve. When capital reserve is not sufficient to compensate, retained earnings is thus adjusted.

Direct expenses related to enterprise merger, including the expenses for audit, assessment and legal services, are booked into current profit and loss at the time of incurrence. Transaction expenses from issuing equity securities or liability securities for the purpose of enterprise merger are adjusted to equity securities premium. When equity securities premium is not sufficient to compensate, retained earnings is thus adjusted.

For merger under common control achieved through capital added or other procedures, equity investment before merger are adjusted by the movement in relevant P&L, other comprehensive income and other net asset for the period between the latter of acquaintance date and the date under common control and the merger date. The movement are adjusted to the opening balance of retained earnings as well as current profit and loss of comparative financial statements.

## **II. Business combinations not under common control**

The merger parties not be controlled by same controller or controllers are recognized as business combinations not under common control.

Merger consideration and net recognized assets acquired are measured at fair value on purchase day. The difference of the merger cost larger than fair value of the recognizable assets acquired on purchase day is confirmed as goodwill. The difference of the merger cost smaller than fair value of the recognizable assets

acquired on purchase day are booked into current profit and loss. Direct costs related to enterprise merger are booked into current profit and loss at the time of incurrence. Transaction expenses from issuing equity securities or liability securities for the purpose of enterprise merger are booked into initially recognized cost of equity securities or liability securities. Difference between fair value and book value of merger consideration are booked into current profit and loss. Purchase day refers to the date when the merger party obtained control over the other party.

For a business combination realized by two or more exchanges or transactions, the equity value before acquaintance date are measured at fair value of that date. Difference between fair value and book value are booked into current profit and loss. Other comprehensive income and other changes in equity other than changes in net profit and loss, other comprehensive income and profit distribution from equity investment under equity method are booked into investment return of current period, excluding those arising from remeasurement of net assets or liabilities of benefit plans.

## **VI. Preparation of consolidated financial statements**

Consolidation scope is determined by control: subsidiaries where control can be executed are included in consolidated financial statements.

The consolidated financial statements are prepared in accordance with stipulations and standards of No. 33 Enterprise Accounting Standards-consolidated financial statement. All significant accounts' balance, transaction and unrealized profit within the Group are off-set in preparation of the consolidated statements. Owners' equity of subsidiaries and that share of the current net profit and loss not attributable to the Company is shown under shareholders' equity and net profit in consolidated financial and current net profit and loss statements as minority interest and minority gains and losses. When minority interest is not sufficient for the share of loss in current period, minority interest are adjusted.

When there exists discrepancy between accounting policies or accounting period adopted by subsidiaries and the Company, statements of subsidiaries are adjusted according to the Company's policies upon consolidation.

Financial statement of the subsidiaries are adjusted on the basis of fair value of the net identifiable assets on

acquisition date not under the same control, while the opening balance and comparative number of consolidated financial statements shall not be adjusted. For subsidiaries acquired under the same control, it is regarded as if it is consistent with the reporting entity since the date of control by ultimate holding company. Consolidated financial statements are prepared by adjusting opening balance of consolidated statement and items in comparative statement.

Profit and loss as well as cash flow of subsidiaries disposed before disposal day are included in consolidated P&L statements and cash flow statements. For subsidiaries disposed in current period, opening balance of consolidated financial statements shall not be adjusted.

In case of loss of control over the original subsidiary due to disposal of partial equity investment or other reason, in the consolidated financial statements, the remaining equity is re-measured at fair value over the day of loss of control. The sum of consideration obtained by the disposal of equity and the fair value of the remaining equity, minus the net assets of the share enjoyed in the original subsidiary since the date of purchase, is booked as return on investment in the period when loss of control incurs. Other comprehensive income related with investments in the equity of the original subsidiaries, other than those arising from changes in net assets or liabilities of benefit plan, is reversed to current investment income at the incurrence of loss of control. The remaining equity are measured subsequently in accordance with relevant stipulations of Enterprise Accounting Standards: No.2 long-term equity investment or No. 22 Recognition and measurement of financial instruments.

For loss of control considered as package deal, all relevant transactions are considered as one transaction leading to disposal of subsidiary and loss of control. The transactions before loss of control, however, are recognized as other comprehensive income from difference between consideration acquired and share of net asset disposed, which are reversed to current investment income at the incurrence of loss of control.

For loss of control considered not as package deal, transactions are booked in accordance with accounting treatment as of not losing control. By the date of loss of control, transactions are accounted as disposal of subsidiaries.

Unrealised profit from selling of assets from the Company to its subsidiaries are off-set against the net profit attributable to shareholders of parent company. Unrealised profit from selling of assets from subsidiaries to the



Company are off-set against the net profit attributable to shareholders of parent company and minority interest according to the distribution rate of the Company to the subsidiary. Unrealised profit from selling of assets between subsidiaries are off-set against the net profit attributable to shareholders of parent company and minority interest according to the distribution rate of the Company to the selling subsidiary.

## **VII. Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, deposits readily available for the payment of and investment holdings of short-term, highly liquid and readily convertible to known amounts of cash, with an insignificant risk of changes in value.

## **VIII. Foreign currency translation**

### **I. Foreign currency transaction**

Transactions denominated in foreign currencies are translated into RMB by the sight rate quoted by People's Bank of China on the transaction day. Transactions involving currency exchanges are booked using contracted rate.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into RMB at the exchange rates at sight. The difference between translated amount and carrying amount is considered foreign exchange income or losses into current period. Exchange differences from special borrowing of foreign currency for the purpose of purchasing assets meeting qualifications for loan expenses capitalization are capitalized during the period of capitalization; exchange differences from preparation period are accounted into organizational cost; other exchange differences are directly booked into current P&L.

On balance sheet date, the foreign currency non-monetary items valued at history cost are translated using spot midpoint rate at the transaction date quoted by People's Bank of China; non-monetary items valued at fair value shall be translated using spot midpoint rate at the fair value determination date quoted by People's Bank of China, the foreign exchange gains or losses arise from which are accounted into current profit and loss.

### **II. Foreign currency financial statements translation**

For Assets/liabilities items in the Assets/liabilities statements for business operating abroad, exchange rate at sight

on the Assets/liabilities statements date is used for translation. In the shareholders' equity, except retained earnings items, other items are translated using the spot exchange rate at the time of incurrence. Difference of foreign currency statement translation mentioned above is shown as a separate item in the shareholders' equity. On disposal of business operating abroad, other comprehensive income of the disposed entity are booked into current P&L; partly disposal is dealt according to the part of disposal. Foreign currency cash flows and cash flows from overseas subsidiaries are translated at approximate exchange rate at the date of occurrence. The effect of exchange rate fluctuations on cash flows are shown separately in cash flow statement.

## **IX. Financial Instrument**

### **I. Classification on financial Instrument**

The Company define the classification of financial instruments on the basis of investment purpose and economic substance: financial asset valued through profit and loss, available-for-sale financial assets, accounts receivable and investment held to maturity.

The Company classify financial liabilities into two categories: financial liability valued at fair value through profit and loss, financial liability valued at amortization cost.

### **II. Recognition and measurement of financial instruments**

Financial asset valued through profit and loss are measured at fair value, and changes of which are booked into current P&L.

Available-for-sale financial assets are measured at fair value, and changes of which are booked into shareholders' equity.

Accounts Receivable and Investment held to maturity are measured at amortization cost.

### **III. Recognition and measurement of finance asset transferred**

The term 'transfer of a financial asset' refers to the company's (the transferor's) transferring or assignment of a financial asset to a party other than the issuer (the transferee). Transfer of a financial asset could be the whole asset or part of it. It includes the following two cases:

- a) The company transfers the right to receive cash flow of financial asset to another party, and;
- b) The company transfers the financial asset to another party yet maintains the right to receive the cash flow of the

financial asset and undertakes the obligation of the cash received to the final recipient.

If the company has transferred almost all, or part of the risks and rewards of ownership of the financial asset to the transferee, the financial asset or part of the asset, shall be derecognized. The difference arising from consideration received and the carrying amount of the asset shall be accounted into profit and loss. The accumulated unrealized profit or loss in equity shall be accounted into profit and loss. If the company keep nearly all of the risks and rewards related to the ownership of the financial asset, the company shall continue to recognize the financial asset and consider the consideration received as financial liability.

For those financial asset, the company neither transfer nor maintain all the risk and rewards related to the ownership of the financial assets, and whose ownership is within the company's control, shall be recognized as financial asset and financial liability correspondingly according to the extent of continuous involvement.

#### **IV. Termination of recognition of financial liability**

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

#### **V. Confirmation of the fair value of financial instruments**

Where there is an active market for the financial instrument held or obliged by the company, it shall be valued using spot selling price on the market; the financial instrument which the company plans to acquire or take, shall be valued using prevailing market price. If no spot selling price or prevailing market price is available, quoted price, or adjusted quoted price of recent transactions is used under the circumstances that the quoted price is not at arm's length.

When there is no active market, fair value will be determined by evaluation techniques. Evaluation techniques include concerning market price of transaction between two parties familiar with market and do transaction on a willing basis, or the fair value of other similar financial instruments.

Equity investment that is not quoted on an active market and whose fair value cannot be measured reliably, over which no control, joint control or significant influence is held by the Company, shall be measured at cost as available for sale financial assets

**VI. Impairment test and accounting impairment provision on financial assets (excluding accounts receivable)**

At balance sheet date, the Company performs impairment test on the carrying amount of financial assets other than those valued by fair value through profit and losses. The impairment provision shall be accrued if sufficient objective evidence is gathered. Single material financial asset shall be tested separately and impairment loss shall be accounted into current profit and loss if objective evidence showing impairment has occurred. For financial asset items immaterial or showing no evidence of impairment when tested separately, impairment test shall be carried out on credit portfolio to recognize impairment loss according to credit rating of the client and the occurrence of bad debts in previous years.

The objective evidence for impairment loss on financial asset refers to the event occurred after the initial recognition of financial asset, having an effect on estimated future cash flow which can be measured reliably.

The objective evidence of Impairment loss on financial assets including:

A serious financial difficulty occurs to the issuer or debtor;

Default or overdue of debtor has occurred;

Creditor make a concession to debtor in serious financial difficulty due to financial or legal concerns;

The debtor are on the brink of insolvency or debt restructuring;

The Financial asset is unable to continue to trade on an active market due to serious financial difficulty occurred to issuer;

If cash flow from one financial asset from one portfolio is unidentifiable, but evidence showing amount of estimated future cash flow will reduce after overall assessment according to public data as if the payment capacity of the debtor deteriorate, the unemployment rate of the country has increased, or the price of collateral has fallen in debtor's area and industry itself suffered a recession, etc.;

Material adverse movement have occurred to the technical, market, economic or legal environment of the debtor, which may cause the equity instrument investors unable to recover their initial investment cost;

The fair value of equity instrument have suffered severe or permanent loss;

Other objective evidences prove impairment of financial assets.

Impairment loss shall be accounted with the difference between the carrying amount and the discounted value of future cash flow if impairment losses occurred to financial asset valued using amortization cost.

After impairment loss is recognized for financial assets measured using amortized cost, if objective evidence show that the value of the financial asset has recovered due to subsequent event occurred after the recognition, the impairment loss can be reversed into current profit and loss. A reversal of impairment loss is limited to the amortization cost of the financial asset that would have been determined had no impairment loss been recognized in prior years.

When relevant information show that the loss in fair value is severe or permanent, the available for sale equity instrument is therefore impaired. Specifically, it refers to 1) over 50% decrease in value comparing to initial investment cost; 2) fair value has dropped below initial investment cost for over 12 months (including 12months).

Unrealized loss due to fair value changes of financial asset held for sale accounted in other comprehensive income shall be recognized as current profit or loss immediately on impairment. The accumulated loss recognized in current P&L are calculated by initial cost of the asset less returned principal, current fair value and impairment recognized into P&L in previous accounting periods. If evidences show the recovery of value in financial assets, which is relevant to situations occurred after impairment, the recognized impairment can be reversed. The impairment loss of available for sale equity instruments shall be reversed into other comprehensive income. The impairment loss of available for sale debt instruments shall be reversed into current P&L.

## X. Accounts receivable

### I. Bad debt provision for accounts receivable which single amount is significant

Standards of single significant amount:	Accounts Receivable which single amount is significant refer to those account for over 10% (including 10%) of total amount of Accounts Receivable on balance sheet date or with the amount of over 10 million Yuan. Other receivables which single amount is significant refers to those account for over 10% (including 10%) of total amount of other receivables on balance sheet date or with the amount of over 5 million Yuan.
Accounting method for bad debt provision for receivable which single amount is significant	accounts Impairment test shall be carried out separately. Impairment loss shall be recognized and bad debt provision shall be accounted according to the

	difference between current value of future estimated cash flow and carrying amount of the receivables.
--	--

## II. Bad Debt provision accounted on a credit risk group basis

Credit risk groups are determined by the following criteria	
Group1: Group based on aging of receivables	For accounts receivable which single amount is insignificant, impairment test shall be carried out together with those accounts receivable without impairment when tested separately, the total amount shall be defined into different combinations according to the aging of receivables. Impairment loss and provision then shall be allocated among those accounts receivable according to the proportion of value at the end of accounting period.
Group2: Group based on accounts receivables in consolidation scope of consolidated financial Statements	Accounts receivables in consolidation scope of consolidated financial statements
Accounting method	
Group1: Group based on aging of receivables	Aging analysis
Group2: Group based on accounts receivables in consolidation scope of consolidated financial Statements	Impairment test shall be carried out separately and impairment provision shall be accounted according to the difference between present value of future cash flow and its book value.

### Group based on aging of receivables

Aging	Provision rate for accounts receivable (%)	Provision rate for other accounts receivable
(<=1 Year)	5	5
1-2 Years	10	10
2-3 Years	30	30
3-5 Years	50	50
Over 5 Years	100	100

## III. Accounts receivable which single amount is not significant yet provision made separately

Reason for bad debt provision separately made	Accounts receivable grouped by credit risk features whose risk is relatively high due to client's company in insolvency situation or in lawsuits, and those aging over 3 years (excluding accounts receivable which single amount is significant)
Accounting Method	Impairment loss shall be recognized and bad debt provision shall be accrued according to the difference between current value of future cash flow and book value. Impairment test shall be carried out separately.

## XI. Inventories

### I. Classification on inventories

Inventories refer to the products or finished goods, working-in-progress, raw materials for processing or service

provided in the possession of the Company. Inventory include raw materials, consumable supplies, working-in-progress, goods on hand, Materials for Consigned Processing, etc.

## **II. Valuation method of issuing inventories**

Inventory are valued at cost at initial recognition on acquisition date, including purchase cost, processing cost, and other costs. On the delivery of goods, inventory shall be valued on a weighted average basis.

## **III. Determination of net realizable value of inventory & accounting method of provision for inventory impairment**

On balance sheet date, inventory are valued at lower of cost and net realizable value. On the basis of overall stock-taking, impairment provision shall be accrued if cost higher than net realizable value due to obsolescence. Provision is accrued according to the difference between cost and net realizable value of single item. Net realizable value is determined on the estimated sale price after deducting estimated sales cost, related tax expense and processing cost needed to the completion of the product. If contract price is determined for part of the product, then the net realizable value of the product shall be defined separately. If the inventory can hardly be separated from other items of the categories of product sold and distributed in the same area, provision shall be accrued on aggregate basis. For inventories of large number and low value, provision shall be accrued based on categories of inventories.

## **IV. Inventory system**

The Company uses perpetual inventory system. Inventories are checked periodically and the gains and losses from inventory checking are accounted into current profit and loss.

## **V. Amortization method for perishables and packing materials**

### **I. Perishables**

Perishables are amortized at one time.

### **II. Packing materials**

Packing materials are amortized at one time.

## **XII. Long-term Equity Investment**

### **I. Determination of investment cost**

Investment cost of long-term equity investment of the Company shall be determined according to the acquisition method:

① Long-term equity investment acquired under common control shall be recognized according to the share of book value of equity on consolidated financial statements of the ultimate controlling party. Difference between acquisition cost and initial investment cost shall be adjusted to capital reserve. When capital reserve is insufficient, retained earnings shall be adjusted. Direct cost due to combination, such as audit fee charged for the acquisition, assessment cost and legal service fee, shall be recognized into current profit and loss directly. Whereas the commission or charges occurred due to issuing bonds or equity securities, shall be accounted into initial recognition cost of the relevant liability or equity items.

② Long term equity investment acquired under different control are recognized as fair value of the consideration offered such as asset, equity instrument, and liability that arisen due to the acquisition as initial investment cost at acquisition date. All identifiable net asset and liability (including contingent liability) are measured at fair value at the acquisition date. Minority interest is not under consideration under this circumstances. The difference between the fair value acquired of net identifiable asset and the acquisition cost is recognized as Goodwill or loss recognized in the consolidated financial statement immediately, yet commission and charges due to issuing equity securities and bonds are recognized into initial cost of corresponding equity or liability. Direct cost due to combination, such as audit fee charged for the acquisition, assessment cost and legal service fee, shall be recognized into current profit and loss directly.

③ Long-term equity investment acquired in other ways:

A. Initial Investment cost shall be recognized with purchase cost actually paid as for long-term equity investment obtained in cash.

B. Long-term equity investment are recognized as fair value of the equity security issued as initial investment cost for investment acquired through issuance of equity securities.

C. Long-term equity investment acquired by non-monetary asset transfer are recognized as fair value of the



consideration paid if qualified for features of commercial substance. Otherwise the carrying value of consideration shall be recognized as initial investment cost.

D. Long-term equity investment acquired by debt reconstruction shall be recognized as fair value of the investment as initial cost.

## **II. Subsequent measurement and recognition of profit & loss**

### ① Investment in subsidiaries shall be measured using cost model

Subsidiaries refer to the investee companies under control of the company. If the company hold share of the invested entity over 50% or possess substantial control over the investee companies, then the investee companies shall be the subsidiaries of the company.

### ② Investment in associates or joint-venture shall be measured using equity method

Joint venture refers to the equity investment over which joint control is exerted with other joint company. Associates refer to equity investment held by the company over which significant influence can be exerted. If the share of the investee companies is between 20% and 50% and no substantial control existed, or share of equity below 20% and over which significant influence existed, the investee companies shall be recognized as associates or joint venture.

Return on investment and other comprehensive income shall be recognized according to share of net profit and other comprehensive income of the investee companies. The carrying amount of long-term equity investment shall be adjusted. Profit distributed or share of cash dividends received shall decrease book value of long-term equity investment. Other changes in equity of the investee companies shall be accounted into equity of shareholders and adjust book value of long-term equity investment.

The proportion of share in net profit of the investee companies are accounted on fair value of the investee companies upon merger. Net profit of the investee companies shall therefore also be adjusted on that basis.

Gain or loss on equity investment shall be adjusted to be in consistent with accounting policy and accounting period of the company. Return on investments and other comprehensive income are recognized accordingly.

Unrealised gains/losses from internal transactions between the Company, associates and joints enjoyed by the

Company, where assets sold or invested cannot be operated independently, according to proportion of share-holding are confirmed as investment gains/losses after setoff is made. When loss from internal transactions between the Company and the investee belongs to asset impairment loss, the loss is fully confirmed, unrealized gains/losses from which will not be setoff.

Losses shall be confirmed according to proportion of share-holding by orders as follows: Book value of long-term equity investment shall be adjusted first; when book value of long-term equity investment is insufficient to compensate, loss shall be confirmed to the limit of book value of long-term accounts receivable to investee companies which substantially constitute net investment to the investee companies; Whereas when the Group bears extra liability for loss and when the extra liability meets requirements for stipulated probable events or investment contract, investment loss and expected liability is further confirmed for current period. For net profit realized subsequent to current period, net profit shall be recognized after compensating share of unrealized loss according to shareholding of investee companies.

For the partial long-term investment purchased from minority equity from subsidiaries, difference between added long-term equity investment due to purchase of minority equity and the net asset share continuously calculated from purchase day or merger day enjoyed in the subsidiary in proportion of the added share holding shall adjust capital reserve, when capital reserve is not sufficient to compensate, retained earnings are adjusted. Disposal of long-term equity investment without loss of control, difference from consideration receipt and net assets enjoyed by the Company in proportion of share holding shall be booked into shareholders' equity.

For long-term equity investments other than above cases, difference between book value and consideration received shall be booked into current P&L.

For the remaining long-term equity investments after disposal still accounted in equity method, other comprehensive income formerly recognized into shareholders' equity according to the shareholding enjoyed by the Company shall be consistent with the basis of as if investee companies directly dispose relevant assets and liabilities. Other changes in movements in equity shall be booked into current P&L according to the shareholding enjoyed by the Company.

For the remaining long-term equity investments after disposal still accounted in cost method, other comprehensive

income recognized from equity method accounting or recognition and measurement of financial instruments before control over subsidiaries shall be consistent with the basis of as if investee companies directly dispose relevant assets and liabilities. Gain/loss shall be recognized in proportion to the disposed shareholdings into current P&L. Other changes in movements in equity in equity method recognized, other than net profit, other comprehensive income and profit distribution, shall be be recognized in proportion to the disposed shareholdings into current P&L.

Where loss of control occurs on disposal of partial equity in investee companies, equity method shall be used if the remaining interests can exercise joint control or significant impact on investee companies; the remaining equity is adjusted as if it is accounted continuously in equity method from purchase day. Loss of control other than the above case shall be treated using relevant stipulation in recognition and measurement of financial assets. Difference from fair value on the day of loss of control and book value is booked into current profit and loss. For a long-term equity investment accounted using equity method or according to financial instruments stipulations, for which control cannot be exercised by the Company, other comprehensive income previously recognized shall be accounted for on the same basis as would have been required if the investee companies had directly disposed of the related assets or liabilities on a pro rata basis on the disposal of the equity investment. Other changes in movements in equity recognized using equity method, other than net profit, other comprehensive income and profit distribution, shall be be recognized into current P&L. Specifically, for the remaining equity investment subsequently accounted using equity method, other comprehensive income and other changes in movements in equity shall be be recognized in proportion to the disposed shareholdings into current P&L. Otherwise, other comprehensive income and other changes in movements in equity shall be booked into current P&L in all.

When the Company can no longer exercise joint control of, or significant impact over the investee, the Company shall subsequently measure the remaining equity instruments using stipulations of financial instrument recognition and measurement, and the difference between fair value and book value at the date of loss of control shall be booked into current P&L. other comprehensive income previously recognized using equity method shall be accounted for on the same basis as would have been required if the investee companies had directly disposed of the related assets or liabilities on a pro rata basis at the date when equity method is no longer used. Other changes

in movements in equity recognized using equity method, other than net profit, other comprehensive income and profit distribution, shall be all recognized into current P&L at the date when equity method is no longer used.

### **III. Basis of determining joint-control and significant influence over investee**

Joint control over investees with joint partners refers to the control due to contract agreement, only under consensus of both parties between which significant financial and operational control is shared.

Significant Influence refers to the power to participate in financial and operational decision-making process, yet not have power to determine strategies.

### **IV. Impairment test and impairment provision for long-term investment**

See NOTE V. XVIII: Impairment of long-term assets

### **XIII. Investment Property**

Investment property are recognized at cost. Investment property acquired through purchasing shall be recognized at cost consisting of purchase price, related tax expenses and other cost directly attributed to it. Cost of self-constructed investment property shall be formed by the necessary expenses incurred for bringing the asset to the expected conditions for use. Investment property invested by investors shall be recognized as contract price except the contract price is not at an arm's length, then it shall be recognized at fair value.

The company use cost model to the subsequent measurement of investment property. The asset is depreciated at estimated useful life using straight-line method. Buildings are depreciated ranging from 20 years to 35 years (lower of statutory useful life and estimated useful life). Lands are depreciated at 50 years (statutory useful life).

Accrual of impairment provision of Investment property is in accordance with impairment provision method of fixed asset.

### **XIV. Fixed assets**

#### **I. Determination of fixed assets**

Fixed asset refers to tangible asset which cost can be reliably valued and economic interests related to this asset are likely to flow into the company, fixed asset are the assets held by the company for more than one accounting

year for the purpose of manufacture, service rendering, rent or operation.

Other than fixed asset fully depreciated, all fixed asset of the company shall be depreciated on straight-line method.

## II. Fixed assets depreciation method

Categories s	Depreciation period	Expected residual value rate (%)	Annual Depreciation Rate (%)
Plant and Buildings	20-35 years	5%	2.71-4.75%
Machinery equipment	10-15 years	5%	6.33-9.50%
Electric equipment	3-5 years	5%	19-31.67%
Transportation vehicles	5 years	5%	19%
Others	5 years	5%	19%

## III. Recognition and valuation of fixed asset under financial lease.

Fixed assets shall be recognized as under financial lease if one or more following circumstances are met:

- ① The ownership of the asset will be transferred to the company at the expiry date.
- ② The Company have the option to the purchase of the asset where the contract price is far below the fair value of the asset if option executed. So a bear market for option will be determined at the start of the leasing period under reasonable assurance.
- ③ The leasing period takes up most of the useful life of the asset without transference of ownership.
- ④ The present value of minimum lease payment at the start of leasing period approximately equals to the fair value of the asset leased at the point.
- ⑤ The property is for the company use only if no significant transformation applied.

Fixed asset under financing lease shall be recognized as the lower of fair value and present value of minimum lease payment. Present value of minimum lease payment shall be recognized as long-term payables and the difference arisen shall be accounted as unrecognized financial cost. The commission, legal cost, travel cost and stamp tax directly attributed to the leasing arisen from negotiation and contract shall be accounted into the value of the leased asset. Unrecognized financial cost shall be amortized using effective interest method.

The accounting method of depreciation on Financing Lease asset is in accordance with self-owned fixed asset. If it is reasonable to be certain that the lessee will obtain the ownership of the leased asset when the lease term expires, the leased asset shall be fully depreciated over its useful life. If the ownership transference is uncertain, then the leased asset shall be depreciated at the shorter of lease term and useful life of the asset.

## **XV. Construction-in-progress**

### **I. Classification on construction-in-progress**

Construction-in-progress is classified by launched project and measured at actual cost. Self-operating projects are measured at direct material cost, direct labor cost and direct construction cost. Outsourcing projects are measured at contract price payables. Equipment installation project are measured at the value of equipment installed, the installation payments and commissioning cost, etc. The cost also includes capitalized borrowing cost, loss and gain on exchange.

### **II. The criteria and timing of transference of construction-in-progress into fixed asset**

Fixed asset constructed by the company is transferred to fixed assets when the assets are ready for their intended use at estimated cost considering construction budget, price and actual cost. The fixed asset shall be depreciated since the month that followed. After completion of the construction, the original cost of the fixed asset shall be adjusted if any difference rises.

### **III. Impairment test and impairment provision for construction-in-progress**

See NOTE III. XVIII: Impairment of long-term assets

## **XVI. Borrowing Costs**

### **I. Capitalization of borrowing costs**

Borrowing costs refers to interest cost, discount or premium amortized, auxiliary expenses, loss of exchange incurred by loan.

The borrowings costs that arisen from special loan or ordinary loan borrowed for the use of the acquisition or construction of fixed asset, investment property and inventories for more than 1 year (including 1 year) shall be

capitalized into cost of the asset. Other borrowing costs must be expensed.

Capitalization shall be recognized depending on the following three criteria:

- ① Cost for the asset have taken place;
- ② Borrowing cost have occurred;
- ③ Necessary construction activities for the intended use have taken place.

## **II. Capitalization period**

Borrowing cost for the construction or acquisition of fixed asset, investment property and inventories qualified for the criteria above before the asset ready for its intended use or sale. Capitalization is suspended if active development is abnormally interrupted for over three month. And the borrowing cost occurred during that period shall be expensed into current profit and loss until the active development continues. Capitalization ceases when physical construction of the asset is completed to get to its intended use or sale. Borrowing costs occurred after that shall be expensed as financial cost into profit and loss.

## **III. Accounting treatment for capitalization of borrowing cost**

Special loan borrowed for the purpose of construction or developing qualifying asset, amount of borrowing costs available for capitalization is actual borrowing costs incurred less any investment income, such as interest income from used capital deposit in bank or investment income from temporary investment of those borrowings.

For borrowings obtained generally for the acquisition or development of the qualifying asset, apply the capitalization rate (weighted average borrowing cost of borrowings obtained generally) to the expenditure on the asset other than the amount of special loan borrowed for the qualifying asset. Capitalization rate is determined as weighted average borrowing cost of borrowings obtained generally.

## **XVII. Intangible Assets**

### **I. Valuation of intangible assets**

Intangible assets of the company includes land use rights, patent technology, non-patent technology and software, etc.

Intangible assets acquired shall be recognized use actual payment and other relevant expenditure as initial cost.

Intangible assets invested by investors shall be price of contract or through arrangement except for the fact that the contract or arrangement value is not at arm's length, then fair value shall be used.

Intangible assets obtained through non-monetary assets transactions with commercial nature shall be recognized as fair value of assets offered, unless solid evidence showing fair value of assets obtained is more reliable. If exchange transaction lacks commercial nature, it shall be recognized as book value of assets offered, along with relevant taxes payable.

Intangible assets acquired through debt reconstruction shall be recognized as fair value. Difference between book value of reconstructed debt and fair value intangible compensated for debts shall be booked into current P&L.

## II. Expected useful life of Intangible assets with finite useful lives

Items	Expected years for use	Amortization method
Land-use rights	Years of land use	Straight-line method
non-patented technology	Contractual years or shorter of years of use and statutory years	Straight-line method

## III. Impairment of intangible assets

See NOTE III. XVIII: Impairment of long-term assets

## IV. Classification of research and development

Research refers to the creative activities carried out for the acquisition and learning of new technology or knowledge.

Development refers to the activities to apply the research work to the one plan or design before commercial production for new or improved materials, devices or products.

## V. Measurement of Research and Development

Research costs shall be written off as an expense as they are incurred. Development costs may qualify for recognition as intangible assets provided that the following criteria can be demonstrated:

- ① The technical feasibility of completing the intangible asset so that it will be available for use or sale



- ② Its intention to complete the intangible asset and use or sell it;
- ③ The way the intangible asset generating probable future economic benefits shall prove its usefulness.  
Among other things, the entity could demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
- ④ Sufficient technical, financial and other resources are available for the completion of development. The entity has the ability to use or sell the asset.;
- ⑤ Its ability to measure the expenditure attributable to the intangible asset during its development phase reliably.

Development costs previously recognized into profit and loss shall not be recognized as asset subsequently. Development costs capitalized shall be presented as development costs on the statement of financial position and transferred into intangible asset if asset ready for its intended use.

#### **XVIII. Impairment of long-term assets**

Long-term assets including long-term equity investments, investment properties measured using cost method, fixed assets, construction-in-progress, intangible assets shall be inspected at the end of the accounting period for impairment loss when signs of impairment exist on balance sheet da. If recoverable amount of the assets are lower than carrying amount shown by impairment test, the difference shall be accounted into impairment loss and impairment provision accordingly. Recoverable amount refers to the higher of net realizable value (fair value less disposal cost) and present value of expected future cash flow. Impairment provision shall be calculated and confirmed by individual piece of asset. In case collectible amount of individual asset is difficult to value, collectible amount of asset group to which the said individual asset belongs is confirmed. Asset group refers to the minimum asset portfolio which independently generates cash in-flow.enerates cash in-flow.

For goodwill, intangible assets with infinite useful lives and intangible assets not ready for their intend use, impairment test shall be carried out annually.

For goodwill individually reported in the financial statements, in the impairment test, the book value of the

goodwill is amortized into the asset group or asset portfolio beneficiary from the concord effect at enterprise consolidation day. The lower part of the collectable amount of the asset group or portfolio in which goodwill is enclosed over the book value, as shown by the test result, is confirmed as impairment loss. The loss is firstly to compensate the book value of the goodwill amortized in the asset group or portfolio, and then to compensate the book value of other assets in the proportion of the book value of other assets except for the goodwill in the asset group or portfolio.

Once asset impairment provision mentioned above is made, it shall not be transferred back.

### **XIX. Long-term deferred expenses**

Long-term deferred expenses of the company refers to the expenses already taken place with period of rights over 1 year (excluding 1 year), including mould, technical introduction expenditures, etc. Long-term deferred expenses have definite period of rights or useful lives shall be amortized using period of rights or useful lives. Long-term deferred expenses with indefinite period of right or useful lives shall be amortized using straight-line method over 5 years.

### **XX. Employee remuneration**

Employee's remuneration refers to all forms of consideration or compensations given by the Company in exchange for service rendered by employees or for the termination of employment relationship. Employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits. Benefits provided to an employee's spouse, children, dependants, family members of deceased employees, or other beneficiaries are also employee benefits.

#### **I. Short-term employee benefits**

The Company recognizes, in the accounting period in which an employee provides service, actually occurred short-term employee benefits as a liability, with a corresponding charge to the profit or loss for the current period, unless another Accounting Standard requires or permits the inclusion of the benefits in the cost of an asset. The Company charges the occurred employee benefits to the profit or loss for the current period or included the

benefits in the cost of relevant assets based on the actually incurred amount. Employee benefits which are non-monetary benefits shall be measured at fair value. Payments made by the Company of social security contributions for employees, such as

premiums or contributions on medical insurance, pensions, work injury insurance and maternity insurance, payments of housing funds, and union running costs and employee education costs provided in accordance with relevant requirements shall, in the accounting period in which employees provide services, be calculated according to prescribed bases and percentages of provision in determining the amount of employee benefits and recognize relevant liabilities, with a corresponding charge to the profit or loss for the current period or the cost of a relevant asset.

## **II. Post-employment benefits**

Post-employment benefits of the Company are defined benefit plans: payments made by the Company of social security contributions for employees as basic pensions and unemployment insurances are calculated according to prescribed bases and percentages of provision in determining the amount of employee benefits and recognize relevant liabilities, with a corresponding charge to the profit or loss for the current period or the cost of a relevant asset.

## **III. Termination Benefits**

The Company recognizes an employee benefits liability for termination benefit, with a corresponding charge to the profit or loss for the current period, as the company will not be able to withdraw the benefits offered for the termination of employment itself, or recognize and make payments related to termination benefits into current period as expenses or cost. The recognition date shall be the earlier date of the two mentioned above.

## **XXI. Expected liabilities**

### **I. Determination of expected liabilities**

Obligation of the Company related to contingencies shall be recognized as expected liabilities if following criteria are met:

- ① The obligation is the present obligation of the Company;
- ② The fulfillment of present obligation may possibly cause outflow of financial interest of the Company;
- ③ The obligation amount can be reliably valued.

## **II. Measurement of expected liabilities**

Expected liabilities are initially valued by the best estimates to be spent on fulfillment of related present obligation, combining risks and uncertainty with probabilities and time value of currency. In case currency's time value is significant, best estimate is made by discounted future cash flow-out thus related. The book value of expected liabilities is inspected and thus adjusted by the Company as of B/S day to reflect present best estimates.

## **XXII. Share-based payments and equity instruments**

### **I. Classification on share-based payments**

Share-based payments are classified as share-based payments settled in equities and share-based payments settled in cash.

### **II. Fair value of share-based payments**

When there is an active market for the equity instruments granted by the Company, it shall be valued using spot selling price on the market.

When there is no active market, fair value will be determined by evaluation techniques. Evaluation techniques include concerning market price of transaction between two parties familiar with market and do transaction on a willing basis, or the fair value, net present value or option pricing model of other similar financial instrument.

### **III. Best estimate of equity instruments with vesting conditions**

During the vesting period, the number of share options that is expected to vest is reviewed for best estimate number of options granted according to latest information on balance sheet date. On vesting date, the number of options expected to vest shall equal to the actual number of options vested.

## **IV. Implement, revision and termination of share-base payments**

### **I. Share-based payments settled in equities**

Share-based payments settled in equity available for exercising immediately after granted shall be recognized into relevant costs or expenses as fair value of equity instruments on grant day and adjust capital reserve accordingly.

Share-based payments settled in equity with specified performances as the vesting condition valued at fair value on the basis of best estimate of number of option exercised and cost or expenses shall be recognized as consideration of service received on each balance sheet date during vesting period. Capital reserve shall be adjusted accordingly.

Share-based payments settled in equity in exchange for service of another party shall be measured at fair value on the date of service accepted if fair value of the service can be measured reliably. If the fair value of the service cannot be measured reliably, cost or expenses shall be recognized by the fair value of equity instruments and adjust shareholders' equity accordingly.

### **II. Share-based payments settled in cash**

Share-based payments available for exercising immediately after granted settled in cash for employee services shall be valued at fair value at grant date, cost or expenses shall be recognized and liability shall be recognized accordingly.

Share-based payments settled in cash with specified performances as the vesting condition valued at fair value on the basis of best estimate of number of option exercised and cost or expenses shall be recognized as consideration of service received on each balance sheet date during vesting period. Liability shall be recognized accordingly.

### **III. Revision and termination of share-based payments**

If the revision causes increase in fair value or the quantity of equity instruments granted, the Company recognize the increase in service received accordingly. If the vesting condition is revised for the benefit of employee, the revised condition shall be considered as vesting condition.

If the revision causes decrease in fair value in equity investments granted, the Company shall recognize the value of service received accordingly with no adjustment to the fair value of equity instruments. If the revision causes decrease in quantity in equity investments granted, the Company shall treat the equity instrument as if cancelled.

If the vesting condition is revised damaging the benefit of employee, the revised condition shall not be considered as vesting condition.

If the company terminated or settle the equity instruments granted (excluding those failed to meet vesting conditions), the action shall be treated as if it is settled accelerately. The remaining instrument shall be recognized immediately.

## **XXIII. Revenue**

### **I. Criteria and method for revenue recognition**

Revenue arising from the sale of goods should be recognized as the contract payment received to or to be received from customers when all of the following criteria have been satisfied:

- ① The seller has transferred to the buyer the significant risks and rewards of ownership;
- ② the seller retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- ③ the amount of revenue can be measured reliably;
- ④ it is probable that the economic benefits associated with the transaction will flow to the seller;
- ⑤ the costs incurred or to be incurred in respect of the transaction can be measured reliably;
- ⑥ contract using deferred payments, where lies a financing nature shall be recognized as fair value of

receivables or the contract.

### **II. Sale of properties**

For the Company, revenue arising from the sale of properties is recognized as the amount of economic benefits flowing to the entity related to the sale of properties can be reliably measured.

### **III. Rendering of services**

For revenue arising from the rendering of services, revenue should be recognized when the amount of revenue can be reliably measured and the economic benefits will probably flow to the seller, the stage of completion at the balance sheet date can be measured reliably, the costs incurred, or to be incurred, in respect of the transaction can

be measured reliably.

#### **IV. Stage of completion of the transaction at the balance sheet date (the percentage-of-completion method) for rendering service and construction**

Revenue arising from the rendering of services shall be recognized at the completion of service rendering if service is within one financial year. If the completion of service is in different financial year from initial rendering, revenue should be recognized by reference to the stage of completion of the transaction at the balance sheet date if the stage of completion at the balance sheet date can be measured reliably. The company defines the stage of completion (% of completion) to the proportion that costs incurred to date compared to the estimated total cost.

#### **XXIV. Government Grants**

##### **I. Classification**

Government Grants refers to the monetary and non-monetary assets of the company granted from the government, this shall not include government capital invested as investor. Government Grants are presented as grants that compensate the Company for expenses, and Grants that compensate the Company for the cost of an asset

##### **II. Accounting treatments**

Government grants acquired by the company for the use of acquisition, construction or other way to obtain long-term asset shall be recognized as Grants that compensate the Company for the cost of an asset. Other grants shall be recognized as grants that compensate the Company for expenses.

Grants that compensate the Company for the cost of an asset shall be recognized as deferred income and realize during the useful life of relevant asset into profit and loss.

Grants that compensate the Company for expenses shall be recognized differently according to the following circumstances:

- ① Grants that compensate the Company for future related costs shall be presented as deferred income and recognized into profit and loss of that period.
- ② A grant receivable as compensation for costs already incurred or for immediate financial support, with no future related costs, should be recognized as income in the period in which it is receivable.

Government grants shall be recognized and measured using actual amount received, only if evidence shown that the grant is paid on fixed amount of relevant standard or qualifying for relevant regulations and funds for government financial support are likely to be received, then government grants shall be recognized and measured as the amount receivables.

## **XXV. Deferred tax assets and deferred tax liabilities**

### **I. Recognition of Deferred tax assets**

Deferred tax assets rise from differences between the carrying amount of an asset or liability in the statement of financial position and its tax bases and measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

Deferred tax asset shall be recognized to the extent that taxable profit will be available against which the deductible temporary differences can be utilized. On balance sheet date, a deferred tax asset is recognized for evidence shown that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

The carrying amount of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized. Any such reduction is subsequently reversed to the extent that it becomes probable that sufficient taxable profit will be available.

### **II. Recognition of Deferred tax liabilities**

Deferred tax assets and liabilities rise from differences between the carrying amount of an asset or liability in the statement of financial position and its tax bases and measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

Under circumstances such as initial recognition of Goodwill, other transaction or events that will neither affect profit nor taxable income (or deductible loss) other than business combination, deferred tax liabilities and assets shall not be recognized.



**XXVI. Lease****I. Operating lease**

If the Company is the lessee, leasing payments shall be recognized into relevant cost of assets or into profit and loss in straight-line method over leasing period. Contingent rents shall be booked into profit and loss at occurrence.

If the Company is the lessor, leasing receipts shall be recognized into intocurrent profit and loss in straight-line method over leasing period. Initial direct cost other than significant amount capitalized and amortised over useful lives shall be accounted into current profit and loss.

**II. Financial lease**

For assets under financing lease, the value of which shall be recognized as the lower of fair value and present value of minimum lease payment. Present value of minimum lease payment shall be recognized as long-term payables and the difference arisen shall be accounted as unrecognized financial cost. Unrecognized financial cost shall be amortized using effective interest method. Direct initial cost shall be accounted into the value of the leased asset.

For assets transferred to other parties under financial leasing, the difference from financial lease receivable along with unguaranteed residual value and present value as unrealized financing income, which shall be deferred over the leasing period. Direct initial cost shall be booked into initial measurement of financial lease receivable and deferred leasing income shall be reduced accordingly.

**XXVII. Other significant accounting estimate and accounting policy changes**

A Hedging instrument is a designated derivative whose fair value or cash flows are expected to offset changes in fair value or cash flows of a designated hedged item and a non-derivative financial asset or liability designated for hedging the risk of changes in foreign currency exchange rates.

Hedged item is an item that exposes the entity to risk of changes in fair value or future cash flows and is designated as being hedged.

Hedging relationship qualifying for hedge accounting if all of the following conditions must be met:

- (1) The hedging relationship must be designated at its inception. There must be formal documentation for

the explanation about the hedging relationship and hedging strategy of risk management.

(2) The hedge is expected to be highly effective based on the entity's risk management objective and strategy at its inception.

(3) For cash flow hedges, a forecast transaction that is subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit and loss

(4) The effectiveness of the hedge can be measured reliably.

(5) The hedge has been effective during the reporting period where designated as hedging relationship.

For the inherent uncertainties of operating activities, the Company need to make judgements, estimates and hypothesis upon items that cannot be measured reliably on applying accounting policies of the Company. These judgements, estimates and hypothesis are made based on historical experience of company management and other related factors, which will affect the value of income, expense, assets and liabilities presented and the disclosure of contingent liabilities. The operating result from the uncertainties of estimates, however, may differ from the expected amount by the Company management. In that case, carrying amount of relevant assets or liabilities that will be affected in future shall be significantly adjusted.

The Company shall review the judgements, estimates and hypothesis on regular basis. For impact of estimate changes, the affected amount shall be recognized at occurrence. If the change affect both current and future period, the effect shall be recognized accordingly.

The major issues concerning judgements, estimates and hypothesis by the Company at balance sheet day are as follows:

#### I. Bad debt provision

Impairment loss shall be calculated using allowance method in accordance with Accounting policy of the Company. The impairments are based on the estimate of collectivity of accounts receivable, which depends on judgement and estimate of the management. Difference from actual operation result and expected value will have an impact on the accounting or reversion of bad debt provision expected in affected period.

#### II. Inventory impairment provision

Inventories shall be measured at lower of cost and net realizable value in accordance with accounting policy

of inventory. When stock cost higher than net realizable value or inventories are obsolete, the part less than the net realizable value is provided as impairment provision. The valuation of inventory shall be reduced to the amount of net realizable value, which is based on the estimate of the selling of the inventories as well as their net realizable value. The impairment of inventories are based on evidence obtained, intention for the use of inventories and events after balance sheet day. Difference from actual operation result and expected value will have an impact on the accounting or reversion of impairment provision in affected period.

### III. Held-to-maturity Investment

The Company classifies non-derivative assets with fixed reimbursement amount and fixed expiring date, for which the Company has specific intention and capability to hold to maturity as held-to-maturity investment. Determination of held-to-maturity investment needs judgements through which capability and willingness to hold the investment will be valued. Except for certain conditions such as investment with insignificant amount close to maturity date, investments failing to be held to maturity shall be reclassified to available for sale financial assets. Once the change is made, it shall not be reclassified to held-to-maturity investment in current and future two accounting periods. Circumstances as mentioned above may have significant impact on value of relevant financial assets on financial statements and financial instrument strategy on risk management.

### IV. Impairment of held-to-maturity investment

Impairment of held-to-maturity investment is largely depends on the judgement of management of the Company. Objective evidence of impairment including severe financial problems of issuer, preventing the financial instrument from continuing to be trading on active markets, or disabling the issuer to fulfill contract such as failing to pay interests or capital. Objective evidences are need to evaluate the impact on future cash flow of the investment.

### V. Impairment of available-for-sale financial assets

Impairment of available-for-sale financial assets is largely depends on the judgement and hypothesis of management of the Company, through which impairment loss may be recognized in current period. In this process, the Company should consider the extent to which fair value is below the cost, lasting period of decrease in fair value, financial position of investees, and short-term business expectations including industries, technical reforms,

credit ratings, default rate and risk from opponents.

#### VI. Impairment of non-financial non-current assets

Impairment signs are tested on non-current assets other than financial assets by the Company on balance sheet day. For intangible assets with indefinite useful lives, impairment test shall be carried out where impairment signs exist, along with annual impairment tests. Other non-current assets other than financial assets shall be tested for impairment when evidence showing the carrying amount of which is irrecoverable.

When carrying amount of assets or asset group are higher than recoverable amount, which refers to the higher of net value calculated by fair value deducting disposal expenses and net present value of future cash flow, impairment occurs.

Net recoverable amount use sales of similar assets contract price at an arm's length or observable market price for reference, and less incremental cost directly attributable to the disposal of assets.

On determining net present value of future cash flow, major judgement shall be made concerning productivity, sales price, relevant operating costs and discount rate for present value, etc. Recoverable value is estimated using all available materials including expectations on productivity, sales price, relevant operating costs.

Goodwill shall be tested for impairment at least once a year by the Company, which requires estimate of present value of future cash flow from asset group or groups over which goodwill are distributed. Appropriate discount rates are also needed in determining present value of future cash flow.

#### VII. Appreciation and amortisation

Depreciation of investment properties, fixed assets and intangible assets is made in average year method and is accrued by deducting expected net residual value from purchase value within the expected years for use. Expected years for use are reviewed regularly by the Company to decide the depreciation and amortization cost booked into each reporting period. Expected years for use are estimated considering experience of similar assets and expected technology development. If significant changes occur on the estimated depreciation and amortization cost shall be adjusted in future affected periods.

#### VIII. Corporate income tax expenses

Some certain transactions of the Company may cause uncertainty from final tax treatment and calculation in

operating activities. It is with the approval of tax authorities that certain items be deductible or presented before tax. Difference from estimates and actual treatment will affect corporate income tax expenses and deferred income taxes of that period.

## XXVIII. Significant accounting estimate and accounting policy changes

### I. Significant accounting policy changes

State ministry of finance issued the revised version of Enterprise Accounting Standards in 2014 as follows: Accounting Standard for Business Enterprises—Basic standards; Accounting Standard for Business Enterprises No.2—Long-term equity Investments (revised); Accounting Standard for Business Enterprises No.9—Employee Benefits (revised); Accounting Standard for Business Enterprises No.30—Presentation of financial statements (revised); Accounting Standard for Business Enterprises No.33—Consolidated financial statements(revised); Accounting Standard for Business Enterprises No.37—Presentation of financial instrument (revised); Accounting Standard for Business Enterprises No.39—Fair value measurement (revised); Accounting Standard for Business Enterprises No.40—Joint arrangements (revised); Accounting Standard for Business Enterprises No.41—Disclosure of interests in other entities (revised), etc. All standards shall be put into effect since Jul. 1, 2014 other than Accounting Standard for Business Enterprises No.37—Presentation of financial instrument (revised), which shall be put into practice for financial statements as of year 2014.

The Company adjust company's accounting policies according to the revised Enterprise Accounting Standards.

The accumulative retroactive adjustments are listed as follows:

Changes in accounting policy and reasons	Approved by	Affected items	Dec. 31, 2013 Year 2013	Jan. 1, 2013 Year 2012
Reclassification of investment into Available-for-sale financial assets if following criteria are met: 1. the investment has no quoted price in an active market 2. its fair value cannot be measured reliably 3. the Company doesn't have significant influence over the investee	Board of directors	Available-for-sale financial assets	1,410,000.00	2,410,000.00
		Long-term equity investments	-1,410,000.00	-2,410,000.00
Reclassification of financial statement items according to Accounting Standard for Business	Board of directors	Deferred income	568,600.00	1,271,800.00
		Other non-current liabilities	-568,600.00	-1,271,800.00

Enterprises No.30—Presentation of financial statements (revised) and its application notes	Capital reserve\	-180,638.60	-158,647.40
	Other comprehensive income	-3,379,075.16	-2,462,483.69
	Foreign currency statements translation difference	3,559,713.76	2,621,131.09
	Non-operating income Including: Gain from disposal of non-current assets	2,883,982.52	10,850,074.46

## II. Significant accounting estimate changes

In order to be consistent with accounting policies and estimates of the share-holding companies, as well as to enhance risk resistance capacity, the Company changed its accounting estimates in bad debt provision rate and depreciation years of fixed assets from Jan. 1, 2014 in accordance with relevant Enterprise Accounting Standards.

Changes in accounting estimates have been discussed and approved by eighth session of the seventh board meeting.

Changes in accounting estimates and reasons	Approved by	Start from	Affected items	Accumulated affected amount
Changes in bad debt provision	Board of directors	Jan. 1, 2014	Accounts receivable	-4,082.83
	Board of directors	Jan. 1, 2014	Other receivable	269,981.19
	Board of directors	Jan. 1, 2014	Impairment loss of assets	-265,898.36
Changes in depreciation years of fixed assets	Board of directors	Jan. 1, 2014	Fixed assets	-6,539,274.57
	Board of directors	Jan. 1, 2014	General and administrative expenses	6,539,274.57
Bad debt provision rate & changes in appreciation period	Board of directors	Jan. 1, 2014	Gross profit	-6,273,376.21
	Board of directors	Jan. 1, 2014	Net profit	-5,292,485.02

## NOTE VI. Taxes

### I. Main tax type and tax rate applied

Tax type	Tax basis	Tax rate
Value-added tax	Output tax of taxable Income less deductible input VAT	17%
Business tax	Taxable income	5%
Urban maintenance and construction tax	Turnover tax payables	7%

Educational surcharges	Turnover tax payables	5%
Corporate income tax	Taxable income	25% or 15%
Flood control security fund	Operating income	0.1% or 0.06%
Dyke maintenance fund	Turnover tax payables	2%

## II. Tax benefits and corresponding official documents

In November 2008, The Company and its subsidiary Wuxi Little Swan GE Limited., Wuxi Filin Electronics Limited., Hefei Midea Washing Machine Limited. gained the certificate of 'High-tech Enterprises'. The Certificate Numbers are GR200932000077, GR200932000078, GR200932000397 and GR201434000147. The certification dates respectively are Mar 2009, Mar 2009, May 2009 and July 2014.

Term of validity for this Certificate is three years. The Company and its subsidiaries, Wuxi Little Swan GE Limited. and Wuxi Filin Electronics Limited. have been through the review on the expiry date. The Company obtained the reviewed certificate with the number of GF201232000096 in June 2012; Wuxi Little Swan GE Limited. obtained its reviewed certificate with the number of GF201232000077 in May 2012, and Wuxi Filin Electronics Limited. obtained the reviewed certificate as GF201232000673 in August 2012.

According to Document guoshuifa [2008] 111 of 'State Administration of Taxation: Notification of Corporate Tax Relief and Exemption' and guoshuihan [2008] 985 of 'State Administration of Taxation: Notification of Corporate Tax Payment by High-Tech Enterprises of financial Year 2008' issued by State Administration of Taxation, for the Company and its three subsidiaries, Hefei Washing Machine Limited, Wuxi Little Swan GE Limited, Wuxi Filin Electronics Limited., the applicable corporate income tax rate is 15%.

**NOTE VII. Notes to the items of consolidated financial statements (In RMB yuan except for otherwise specified)**

**I. Monetary capital**

I. Categories

Items	Closing Balance	Opening Balance
Cash	8,158.18	21,277.15
Cash in bank	2,996,731,646.68	1,558,183,589.38
Other monetary capital	63,175,151.35	59,168,221.97
<b>Total</b>	<b>3,059,914,956.21</b>	<b>1,617,373,088.50</b>
Including: Deposits abroad	30,358,441.79	30,280,320.92

Closing balance of monetary capital with limited use as of Dec. 31, 2014 totals 1,543,175,151.35 RMB yuan: which includes guarantee deposits for issuing bank acceptance bills of 60,837,430.56 RMB yuan, guarantee deposits for issuing letters of credits of 2,337,720.79 RMB yuan and structured deposits of 1,480,000,000.00 RMB yuan.

**II. Financial assets measured at fair value through profit and loss**

I. Categories

Items	Fair value at the end of the period	Fair value at the beginning of period
Derivatives- currency forward contract	248,907.75	15,016,740.00
<b>Total</b>	<b>248,907.75</b>	<b>15,016,740.00</b>

II. Further information

Closing balance of derivatives are fair value changes of unsettled currency forward contracts.

**III. Bills receivable**

I. Categories

Categories	Closing Balance	Opening Balance
Bank's acceptance notes	3,147,153,535.61	2,449,770,225.41
<b>Total</b>	<b>3,147,153,535.61</b>	<b>2,449,770,225.41</b>



**IV. Accounts receivable**

## I. Disclosure of accounts receivable by categories

Categories	Closing balance				
	Book balance		Bad debt provisions		Book Value
	Amount	(%)	Amount	(%)	
Individually significant account receivable on which the bad debt provisions are provided individually	—	—	—	—	—
Accounts receivable grouped by credit risk features for which bad debt provisions are provided for the group	901,464,563.21	98.68	45,121,333.51	5.01	856,343,229.70
Accounts receivable which are not individually significant, but still the bad debt provisions are provided individually	12,059,452.56	1.32	12,059,452.56	100.00	—
<b>Total</b>	<b>913,524,015.77</b>	<b>100.00</b>	<b>57,180,786.07</b>	<b>6.26</b>	<b>856,343,229.70</b>

Categories	Opening Balance				
	Book balance		Bad debt provisions		Book Value
	Amount	(%)	Amount	(%)	
Individually significant account receivable on which the bad debt provisions are provided individually	—	—	—	—	—
Accounts receivable grouped by credit risk features for which bad debt provisions are provided for the group	819,724,441.69	97.94	41,980,309.37	5.12	777,744,132.32
Accounts receivable grouped by credit risk features for which bad debt provisions are provided for the group	17,241,527.92	2.06	17,241,527.92	100	—
<b>Total</b>	<b>836,965,969.61</b>	<b>100.00</b>	<b>59,221,837.29</b>	<b>7.08</b>	<b>777,744,132.32</b>

Bad debt provision provided on Aging Analysis

Aging	Closing Balance		
	Accounts receivable	Bad Debt Provision	(%)
Within 1 Year	900,665,783.73	45,033,289.19	5.00
1-2 Years	757,948.36	75,794.84	10.00
2-3 Years	40,830.40	12,249.12	30.00
3-4 Years	0.36	0.18	50.00
4-5 Years	0.36	0.18	50.00
<b>Total</b>	<b>901,464,563.21</b>	<b>45,121,333.51</b>	<b>5.01</b>

#### II. Bad debt provision provided, recovered or reserved in current reporting period

bad debt provision increased totals -1688543.94 RMB yuan and bad debt provision recovered or reversed totals 0 RMB yuan

#### III. Written-off accounts receivable in current reporting period

Items	Written off value
Accounts receivable written-off	352,507.28

Including: accounts receivable written-off significant in value

Due from	Nature	Amount	Reason	Approved by	Whether due from related party transactions
Jinmao (Shenzhen) Hotel Investment Limited.	Payment for goods	108,900.00	Expected uncollectable item	General manager meeting	No
Hunan Huatian Grand Hotel Co., Ltd.	Payment for goods	60,000.00	Expected uncollectable item	General manager meeting	No
<b>Total</b>	--	168,900.00	--		--

#### IV. Illustration of Top 5 Accounts receivable significant in value at the end of reporting period

Due from	Nature	Book value closing Balance	Aging	Proportion in total (%)	Bad debt provision closing balance
Midea (Singapore) Trading Limited.	Payment for goods	229,629,569.18	Within 1 year	25.14	11,481,478.46
Suning Procurement Centre of Suning Commerce Group Co., Ltd.	Payment for goods	227,530,795.54	Within 1 year	24.91	11,376,539.78
GEA PRODUCTS,L.P.	Payment	29,040,750.61	Within 1	3.18	1,452,037.53

	for goods		year		
HOME RETAIL GROUP	Payment for goods	16,580,905.42	Within 1 year	1.81	829,045.27
Beijing large and medium-sized household appliance retail Limited.	Payment for goods	13,607,964.16	Within 1 year	1.49	680,398.21
<b>Total</b>	--	<b>516,389,984.91</b>	--	<b>56.53</b>	<b>25,819,499.25</b>

## V. Prepayment

### I. Categorised by Aging

Aging	Closing Balance		Opening Balance	
	Amount	(%)	Amount	(%)
Within 1 year	139,582,987.93	97.63	130,792,399.39	92.86
1-2 years	2,448,887.67	1.71	5,434,937.53	3.86
2-3 years	925,646.68	0.65	4,614,587.14	3.28
Over 3 years	20,000.00	0.01	—	—
<b>Total</b>	<b>142,977,522.28</b>	<b>100</b>	<b>140,841,924.06</b>	<b>100</b>

Prepayments aging over 1 year are mainly prepayments for purchase of materials. Those prepayments cannot be offset expected accounts payable

### II. Categorised by parties

Due from	Nature	Amount	Aging	Proportion in total (%)
Hefei Huitong Energy-efficient Materials Limited.	Prepayments for materials	26,907,863.68	Within 1 year	18.82
Ningbo Midea United Supplies Limited,	Prepayments for materials	18,549,101.34	Within 1 year	12.97
PetroChina East China Marketing Co., Ltd.	Prepayments for materials	16,695,246.15	Within 1 year	11.68
SINOPEC Yanshan Branch	Prepayments for materials	8,317,918.41	Within 1 year	5.82
Saudi Basic Industries (Shanghai) Trading Limited.	Prepayments for materials	7,956,988.77	Within 1 year	5.56
<b>Total</b>		<b>78,427,118.35</b>		<b>54.85</b>

**VI. Other accounts receivable**

## I. Categorized by features

Categories	Closing Balance				
	Carrying amount		Bad Debt Provision		Book value
	Amount	(%)	Amount	(%)	
Accounts receivable grouped by credit risk features for which bad debt provisions are provided for the group	39,207,573.92	100.00	4,595,604.70	11.72	34,611,969.22
<b>Total</b>	<b>39,207,573.92</b>	<b>100.00</b>	<b>4,595,604.70</b>	<b>11.72</b>	<b>34,611,969.22</b>

Other accounts receivable for which the bad debt provisions are provided on aging analysis

Aging	Closing Balance		
	Other accounts receivable	Bad debt provision	(%)
Within 1 year	21,759,863.60	1,087,993.18	5.00
1-2 years	13,338,817.10	1,333,881.71	10.00
2-3 years	487,714.50	146,314.35	30.00
3-4 years	2,358,630.21	1,179,315.11	50.00
4-5 years	828,896.32	414,448.16	50.00
Over 5 years	433,652.19	433,652.19	100.00
合计	<b>39,207,573.92</b>	<b>4,595,604.70</b>	<b>11.72</b>

## II. Bad debt provision provided, recovered or reserved in current reporting period

Bad debt provisions of 1,653,689 are made in current period.

No bad debt provisions have been recovered in current period.

## III. Other accounts receivable categorized by nature

Nature	Closing Balance	Opening Balance
Guarantee and deposits	1,198,434.12	2,106,094.12
Advance payments	6,422,274.77	3,618,130.19
Energy efficiency rebates	12,609,841.10	13,162,521.10
Overdue bills receivable	3,502,643.00	5,764,822.24
Loans due from employees	4,513,767.48	4,453,872.18
Export rebates	10,960,613.45	—
<b>Total</b>	<b>39,207,573.92</b>	<b>29,105,439.83</b>

## IV. Other accounts receivable categorized by due-from parties

Due from	Nature	Closing Balance	Aging	Proportion in total (%)	Bad debt provision as of Dec. 31,2014
Ministry of Industry and Information	Energy efficiency rebates	12,609,841.10	1-2 years	32.16	1,260,984.11
States tax bureau of Hefei Hi-Tech development zone	Export rebates	10,960,613.45	Within 1 year	27.96	548,030.67
Wuxi China Resources Gas Limited.	Advanced payments for gas & guarantee deposits	1,360,961.80	Within 4 years	3.47	193,848.09
Hefei Hualing Co., Ltd.	Rental charges	972,294.80	Within 1 year	2.48	48,614.74
Leshan New Century Advertising & Marketing Limited.	Marketing charged	941,595.85	3-4 years	2.40	470,797.93
<b>Total</b>	--	<b>26,845,307.00</b>	--	<b>68.47</b>	<b>2,522,275.54</b>

## VII. Inventories

## I. Categories

Items	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Materials	34,295,334.89	3,831,331.14	30,464,003.75	43,399,847.13	3,610,554.47	39,789,292.66
Working in process	11,071,881.49	—	11,071,881.49	10,469,267.54	—	10,469,267.54
Finished goods	604,929,570.05	40,848,462.04	564,081,108.01	785,045,416.69	37,162,138.31	747,883,278.38
<b>Total</b>	<b>650,296,786.43</b>	<b>44,679,793.18</b>	<b>605,616,993.25</b>	<b>838,914,531.36</b>	<b>40,772,692.78</b>	<b>798,141,838.58</b>

## II. Inventory impairment provision

Items	Opening Balance	Increase in the reporting period		Decrease in the reporting period		Closing balance
		Added	Others	Reversed or written-off	Others	

Material	3,610,554.47	1,703,135.79	—	1,482,359.12	—	3,831,331.14
Finished Goods	37,162,138.31	23,585,533.70	—	19,899,209.97	—	40,848,462.04
<b>Total</b>	<b>40,772,692.78</b>	<b>25,288,669.49</b>	<b>—</b>	<b>21,381,569.09</b>	<b>—</b>	<b>44,679,793.18</b>

### VIII. Other current assets

Items	Closing Balance	Opening Balance
Financial Product in Bank	1,905,100,000.00	1,780,000,000.00
Deferred expenses-mould	17,166,993.73	11,288,539.62
Prepaid taxes	25,705,220.99	—
<b>Total</b>	<b>1,947,972,214.72</b>	<b>1,791,288,539.62</b>

Other Current Assets- Financial Product in Bank are financial products acquired by idle funds of the company.

Deferred expenses refers to mould items whose useful life is within 1 year.

### VIX. Available-for-sale financial assets

#### I. Details of Available-for-sale financial assets

Items	Closing balance			Opening balance		
	Carrying amount	Impairment provision	Book value	Carrying amount	Impairment provision	Book value
Available for sale debt instrument:	—	—	—	—	—	—
Available for sale equity instrument:	300,300.00	100,300.00	200,000.00	1,722,816.00	—	1,722,816.00
including: measured at fair value	100,300.00	100,300.00	—	312,816.00	—	312,816.00
measured at historical cost	200,000.00	—	200,000.00	1,410,000.00	—	1,410,000.00
<b>Total</b>	<b>300,300.00</b>	<b>100,300.00</b>	<b>200,000.00</b>	<b>1,722,816.00</b>	<b>—</b>	<b>1,722,816.00</b>

#### II. Available-for-sale financial assets measured at fair value at end of the reporting period

Categories	Cost /Amortised cost	Fair value	Accumulative fair value change into other comprehensive income	Impairment provision
Available for sale equity instrument	100,300.00	—		100,300.00
<b>Total</b>	<b>100,300.00</b>	<b>—</b>		<b>100,300.00</b>

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

Investee companies	Carrying amount				Impairment loss				Proportion in total (%)	Cash dividends received
	Opening Balance	Increase	Decrease	Closing Balance	Opening Balance	Increase	Decrease	Closing Balance		
Suzhou People's Shopping Centre Co., Ltd.	150,000.00	—	—	150,000.00	—	—	—	—	0.25	50,000.00
Inner-Mongolia Baotou Department Store Co., Ltd.	50,000.00	—	—	50,000.00	—	—	—	—	0.04	6,630.80
<b>Total</b>	<b>200,000.00</b>	—	—	<b>200,000.00</b>	—	—	—	—	--	<b>56,630.80</b>

## IV. Changes in impairment of available-for-sale financial assets in reporting period

Categories	Opening balance	Increase	Including: from other comprehensive income	Decrease	Including: reverse from fair value increase	Closing Balance
Available for sale equity instrument		100,300.00				100,300.00
Total		100,300.00				100,300.00

## V. Further information

The Company has made full value of provision for shareholding of Wuhan Huaxin High technology Co., Ltd. (400038) for difficulty in continuous operation. NEEQ has suspended transference of shares of 400038 and Wuhan Huaxin is currently undergoing bankruptcy restructuring by local court.

## X. Long-term equity investment

Investee companies	Opening balance	Increase/Decrease				
		Increase	Decrease	Investment income	Adjustments of other	Changes in other

					comprehensive income	equity
I. Associates						
Guangzhou Antaida Logistics Corporation	3,169,148.88	—	—	-319,108.43	—	—
Subtotal	<b>3,169,148.88</b>	—	—	<b>-319,108.43</b>	—	—
<b>Total</b>	<b>3,169,148.88</b>	—	—	<b>-319,108.43</b>	—	—

## Long-term equity investment (Continued)

Investee companies	Increase/Decrease			Closing Balance	Impairment provision as of Dec. 31, 2014
	Declaration of cash dividends or profit distribution	Impairment provision	Others		
I. Associates					
Guangzhou Antaida Logistics Corporation	—	—	—	2,850,040.45	—
Subtotal	—	—	—	<b>2,850,040.45</b>	—
<b>Total</b>	—	—	—	<b>2,850,040.45</b>	—

**XI. Investment Property**

## I. Investment property measured using cost method

Items	Plants& buildings	Land use right	Construction in progress	Total
I. Total Original Value				
1. Opening balance	19,949,691.20	10,987,028.95	—	30,936,720.15
2. Increase	68,277,819.66	11,962,930.12	—	80,240,749.78
(1) Increase through purchase	988,585.40	—	—	988,585.40
(2) Transfer from inventory\ fixed assets\ construction in progress\ intangible assets	67,289,234.26	11,962,930.12	—	79,252,164.38
(3) increase through merger	—	—	—	—
3. Decrease	—	—	—	—
(1) Decrease through disposal	—	—	—	—



(2) Other decrease	—	—	—	—
4. Closing Balance	88,227,510.86	22,949,959.07	—	111,177,469.93
II. Total accumulated depreciation and amortisation				
1. Opening balance	5,418,073.73	3,475,804.03	—	8,893,877.76
2. Increase	14,693,010.51	1,785,338.85	—	16,478,349.36
(1) Increase by depreciation or amortisation	1,667,718.29	424,170.84	—	2,091,889.13
(2) Transfer from inventory\ fixed assets\ construction in progress\ intangible assets	13,025,292.22	1,361,168.01	—	14,386,460.23
3. Decrease	—	—	—	—
(1) Decrease through disposal	—	—	—	—
(2) Other decrease	—	—	—	—
4. Closing balance	20,111,084.24	5,261,142.88	—	25,372,227.12
III. Impairment provision				
1. Opening Balance	12,576,065.29	—	—	12,576,065.29
2. Increase	—	—	—	—
(1) Provision added	—	—	—	—
(2) Transfer from inventory\ fixed assets\ construction in progress\ intangible assets	—	—	—	—
3. Decrease	—	—	—	—
(1) Decrease through disposal	—	—	—	—
(2) Other decrease	—	—	—	—
4. Closing balance	12,576,065.29	—	—	12,576,065.29
IV. Book value				
1. Closing balance	55,540,361.33	17,688,816.19	—	73,229,177.52
2. Opening Balance	1,955,552.18	7,511,224.92	—	9,466,777.10

**XII. Fixed assets****I. Illustration of fixed asset**

Items	Plants and building	Machinery equipment	Transportation vehicles	Electric equipment & others	Total
I. Total Original Value					
1. Opening balance	815,100,557.69	804,119,686.63	26,559,949.77	95,555,734.26	1,741,335,928.35
2. Increase	4,591,800.01	50,225,092.97	918,848.62	15,284,580.36	71,020,321.96
(1) Increase through purchase	4,591,800.01	44,075,309.00	918,848.62	15,284,580.36	64,870,537.99
(2) Transfer from construction in progress	—	6,149,783.97	—	—	6,149,783.97
3. Decrease	70,441,670.98	17,397,557.03	941,220.03	9,811,003.00	98,591,451.04
(1) Disposal or scrapped	3,152,436.72	17,397,557.03	941,220.03	9,811,003.00	31,302,216.78
(2) Transfer into investment property	67,289,234.26	—	—	—	67,289,234.26
4. Closing Balance	749,250,686.72	836,947,222.57	26,537,578.36	101,029,311.62	1,713,764,799.27
II. Accumulated appreciation					
1. Opening balance	140,533,670.34	315,766,343.75	14,408,730.42	67,098,185.75	537,806,930.26
2. Increase	33,324,220.57	70,318,999.93	6,913,200.92	15,080,999.21	125,637,420.63
(1) increase by depreciation	33,324,220.57	70,318,999.93	6,913,200.92	15,080,999.21	125,637,420.63
3. Decrease	14,503,620.38	8,869,447.57	640,135.61	8,919,430.53	32,932,634.09
(1) Disposal or scrapped	1,478,328.16	8,869,447.57	640,135.61	8,919,430.53	19,907,341.87
(2) Transfer into investment	13,025,292.22	—	—	—	13,025,292.22

property					
4.Closing Balance	159,354,270.53	377,215,896.11	20,681,795.73	73,259,754.43	630,511,716.80
III. Impairment provision					
1.Opening Balance	4,562,113.30	4,074,257.81	271,413.75	376,926.37	9,284,711.23
(1) increase by depreciation	—	12,801,376.23	4,105.44	61,485.40	12,866,967.07
(1) increase by provision	—	12,801,376.23	4,105.44	61,485.40	12,866,967.07
3.Decrease	643,660.83	3,674,848.02	247,062.25	153,923.38	4,719,494.48
(1) Disposal or scrapped	643,660.83	3,674,848.02	247,062.25	153,923.38	4,719,494.48
4.Closing balance	3,918,452.47	13,200,786.02	28,456.94	284,488.39	17,432,183.82
IV. Book value					
1. Closing balance	585,977,963.72	446,530,540.44	5,827,325.69	27,485,068.80	1,065,820,898.65
2. Opening balance	670,004,774.05	484,279,085.07	11,879,805.60	28,080,622.14	1,194,244,286.86

Total appreciation of current period is 125,637,420.63 RMB yuan.

Transference from condtruction in progress into fixed assets totals 6,923,422.17 RMB yuan.

### XIII. Construction in progress

#### I. Illustration of Construction in progress

Item	Closing balance			Opening balance		
	Book balance	Impairment Provision	Book value	Book balance	Impairment Provision	Book value
Illustration of Construction in progress	—	—	—	5,533,291.00	5,533,291.00	—
<b>Total</b>	—	—	—	<b>5,533,291.00</b>	<b>5,533,291.00</b>	—

**II. Change to major Construction in progress**

Project	Budget	Op eni ng Bal anc e	Increase during the reporintg period	Transferred into fixed asset	Othe r Decr ease duri ng the repo rintg peri od	Clo sing Bal anc e	Propo tion of cost incurr ed to total budg et (%)	Stage of Com pletio n	Stage of Com pletio n	Inclu ding : Amo unt of inter est Capit alise d of this perio d	Cpita lisati on rate of curre nt priad (%)	Capita l Resou rce
Renovation of tumbling SCOTT assembling line	6,389,000.00	—	5,460,683.97	5,460,683.97	—	—	85.47	100	—	—	—	Self-Fi nancin g
Installation of Injection molding machine	1,460,000.00	—	1,462,738.20	1,462,738.20	—	—	100	100	—	—	—	Self-Fi nancin g
<b>Total</b>			6,923,422.17	6,923,422.17			--	--				

**XIV. Intangible Assets****I. Illustration of Intangible Asset**

Items	Land Use Right	Non-patented Technology	Software and others	Total
<b>I. Total original value</b>				
1. Opening Balance	254,629,820.51	1,992,000.00	2,179,454.56	258,801,275.07
2. Increase	—	—	168,420.00	168,420.00
(1) Increase by purchase	—	—	168,420.00	168,420.00
(2) Increase by internal R&D	—	—	—	—

(3) Increase by merger	—	—	—	—
3.Decrease	11,962,930.12	—	952,860.00	12,915,790.12
(1) Decrease by disposal	—	—	952,860.00	952,860.00
(2) Decrease by transferring into investment property	11,962,930.12	—	—	11,962,930.12
4.Closing balance	242,666,890.39	1,992,000.00	1,395,014.56	246,053,904.95
II. Accumulated amortisation				-
1.Opening balance	35,908,646.36	1,992,000.00	1,455,095.84	39,355,742.20
2.Increase	5,358,834.34	—	194,942.72	5,553,777.06
(1) Increase by amortization	5,358,834.34	—	194,942.72	5,553,777.06
(1) Decrease by disposal	1,361,168.01	—	255,024.00	1,616,192.01
(2) Decrease by transferring into investment property	—	—	255,024.00	255,024.00
4.Closing balance	1,361,168.01	—	—	1,361,168.01
(1) Decrease by disposal	39,906,312.69	1,992,000.00	1,395,014.56	43,293,327.25
III. Impairment provisions				-
1.Opening balance	—	—	—	—
2.Increase	—	—	—	—
(1) increase from depreciation	—	—	—	—
3.Decrease	—	—	—	—
(1) Decrease from disposal	—	—	—	—
4.Closing balance	—	—	—	—
VI. Book value				-
1.Closing balance	202,760,577.70	—	—	202,760,577.70
2. Opening balance	218,721,174.15	—	724,358.72	219,445,532.87

**XV. Lone-term deferred expenses**

Items	Opening	Increase in	Amortisation in	Other decrease	Closing
-------	---------	-------------	-----------------	----------------	---------

	Balance	current period	current period		balance
Mould	4,796,970.60	13,675.51	1,331,657.40	2,989,601.16	489,387.55
IT consulting fee	2,048,522.86	920,000.00	1,605,932.26	—	1,362,590.60
Leasehold Improvement cost	302,342.28	—	302,342.28	—	—
<b>Total</b>	<b>7,147,835.74</b>	<b>933,675.51</b>	<b>3,239,931.94</b>	<b>2,989,601.16</b>	<b>1,851,978.15</b>

## XVI. Deferred tax assets and deferred tax liabilities

### I. Deferred Tax Assets before offset:

Items	Closing balance		Opening balance	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Assets impairment provision	111,660,322.99	16,749,048.47	109,219,874.55	16,382,981.18
Unrealized internal profit	47,563,017.07	7,134,452.56	69,678,700.46	10,451,805.07
Remuneration and dismissal cost unpaid	36,765,633.21	5,514,844.98	38,406,180.54	5,760,927.08
Accrued expenses	1,353,081,356.67	202,962,203.50	901,972,969.48	135,295,945.42
Estimated liabilities	9,960,830.74	1,494,124.61	11,310,523.59	1,696,578.54
Deferred income	465,400.00	69,810.00	568,600.00	85,290.00
Investment differences	8,782,955.88	1,317,443.38	8,782,955.88	1,317,443.38
<b>Total</b>	<b>1,568,279,516.56</b>	<b>235,241,927.50</b>	<b>1,139,939,804.50</b>	<b>170,990,970.67</b>

### II. Deferred Tax Liabilities before offset:

Items	Closing balance		Opening balance	
	Taxable temporary difference	Deferred tax liability	Taxable temporary difference	Deferred tax liability
Changes in fair value of available for sale financial asset	—	—	212,516.00	31,877.40
Estimated value of tradable financial asset held for trading	248,907.75	37,336.16	15,016,740.00	2,252,511.00
<b>Total</b>	<b>248,907.75</b>	<b>37,336.16</b>	<b>15,229,256.00</b>	<b>2,284,388.40</b>

## III. Unrecognised deferred tax assets:

Items	Closing balance	Opening balance
Deductible temporary difference	24,904,410.07	15,798,136.82
Deductible tax losses	70,854,758.45	40,943,413.58
<b>Total</b>	<b>95,759,168.52</b>	<b>56,741,550.40</b>

## IV. Decuctible difference for unrecognised deferred tax assets will expire in following years:

Expire Date	Closing Balance	Opening Balance
2014	—	17,117,279.34
2015	4,554,328.15	4,554,328.15
2016	287,136.58	290,226.58
2017	89,186.59	894,021.19
2018	16,303,166.71	18,087,558.32
2019	49,620,940.42	—
<b>Total</b>	<b>70,854,758.45</b>	<b>40,943,413.58</b>

## XVII. Bills payable

Categories	Close balance	Opening Balnce
Bank's acceptance bill	1,173,851,127.31	385,673,110.34
<b>Total</b>	<b>1,173,851,127.31</b>	<b>385,673,110.34</b>

Bills payable due in current period not paid totals 0.

## XVIII. Accounts payable

## I. Illustration of accounts payable

Items	Closing balance	Opening balance
Within 1 year	3,528,221,756.10	2,670,837,986.87
1-2 years	18,735,241.51	45,299,711.81
2-3 years	26,717,312.50	22,284,494.89
3-5 years	24,132,516.93	17,047,547.93
Over 5 years	16,270,986.33	12,576,353.96
<b>Total</b>	<b>3,614,077,813.37</b>	<b>2,768,046,095.46</b>

## II. Accounts payable aging over 1 year significant in value

Items	Closing balance	Reason for aging
Shanghai Xinwei Mould Manufacturing Limited.	4,241,186.00	Unsettled
Guangzhou Bochuang Machinery Limited.	2,658,243.33	Unsettled
Shanghai Yuhang International Transportation Limited.	2,608,732.10	Unsettled
Chuzhou Aide Mold Limited.	2,205,116.80	Unsettled
Changzhou Tiancheng Plant and Landscape Engineering	1,419,000.00	Unsettled
<b>Total</b>	<b>13,132,278.23</b>	--

## XIX. Advances from customers

## I. Illustration of Advance from customers

Item	Closing Balance	Opening Balance
Within 1 year	802,146,552.81	980,920,518.26
1-2 years	12,791,491.30	44,922,372.19
2-3 years	8,139,806.08	5,916,412.68
3-5 years	4,448,311.48	8,434,917.26
Over 5 years	24,066,664.36	17,758,377.13
<b>Total</b>	<b>851,592,826.03</b>	<b>1,057,952,597.52</b>

## II. Advance from customers aging over 1 year significant in value

Items	Closing balance	Reason for aging
Foshan Shunde Midea Heating & Air condition sales Limited.	2,291,178.05	Unsettled
Nanjing Midea Refrigeration Product Sales Limited.	1,980,307.83	Unsettled
Nanyang Jianye Hotel Limited.	1,369,500.00	Unsettled
Nantong Midea Refrigeration Product Sales Limited.	1,127,561.88	Unsettled
Zhejiang Midea Refrigeration Product Sales Limited.	947,965.74	Unsettled
<b>Total</b>	<b>7,716,513.50</b>	--



**XX. Payroll**

## I. Illustration of Payroll payable

Items	Opening Balance	Increase	Decrease	Closing Balance
I. Short-term benefits	158,751,347.05	659,290,813.21	610,989,083.51	207,053,076.75
II. Post-employment benefits: defined benefit plans	5,205,676.04	63,863,131.67	63,599,207.75	5,469,599.96
III. Termination benefits	43,366,596.83	28,067,144.43	33,578,608.05	37,855,133.21
<b>Total</b>	<b>207,323,619.92</b>	<b>751,221,089.31</b>	<b>708,166,899.31</b>	<b>250,377,809.92</b>

## II. Illustration of short-term benefits

Items	Opening Balance	Increase	Decrease	Closing Balance
1. Wage, bonus, allowance and subsidies	137,431,309.36	553,090,231.51	505,541,485.82	184,980,055.05
2. Employee benefits	8,043,769.84	40,704,744.63	40,307,544.13	8,440,970.34
3. Social Insurance	2,465,194.68	32,621,662.22	32,491,174.99	2,595,681.91
Including: Medical insurance	2,040,370.51	25,813,727.78	25,732,017.93	2,122,080.36
Labor Injuries insurance	262,677.30	4,889,145.67	4,851,144.72	300,678.25
Birth insurance	162,146.87	1,918,788.77	1,908,012.34	172,923.30
4. Housing fund	6,451,718.24	23,131,044.60	22,897,682.22	6,685,080.62
5. Labor union fund and employee education fund	4,359,354.93	9,743,130.25	9,751,196.35	4,351,288.83
<b>Total</b>	<b>158,751,347.05</b>	<b>659,290,813.21</b>	<b>610,989,083.51</b>	<b>207,053,076.75</b>

## III. Illustration of defined benefit plans:

Items	Opening Balance	Increase	Decrease	Closing Balance
1. Basic pension	4,831,265.67	59,042,002.09	58,798,186.04	5,075,081.72
2. Unemployment insurance	374,410.37	4,821,129.58	4,801,021.71	394,518.24
<b>Total</b>	<b>5,205,676.04</b>	<b>63,863,131.67</b>	<b>63,599,207.75</b>	<b>5,469,599.96</b>

Total payroll payable accounted as of Dec. 31, 2014 are paid off in Jan. and Feb. of 2015.

**XXI. Taxes payable**

Items	Closing balance	Opening balance
VAT	2,480,795.51	26,109,122.01
Business tax	925,318.28	360,000.00
Corporate Income tax	239,342,772.35	137,640,615.34
Individual income tax	2,176,903.49	649,936.36
House property tax	3,269,324.31	3,807,332.62
Land using tax	3,107,842.26	3,105,747.40
Stamp tax	397,990.84	599,259.73
Urban maintenance and construction tax	2,370,741.48	6,945,372.39
Education surtax	1,930,360.51	4,986,066.76
Household electrical appliances recycling fund	16,234,575.00	11,974,697.00
Other taxes	1,412,230.61	3,025,706.95
<b>Total</b>	<b>273,648,854.64</b>	<b>199,203,856.56</b>

**XXII. Dividends payable**

Items	Closing balance	Opening balance
Ordinary share dividends payable	4,088,128.36	3,740,152.33
<b>Total</b>	<b>4,088,128.36</b>	<b>3,740,152.33</b>

Further information:

Dividends payable aging over 1 year total 3,213,100.00 RMB yuan, which are unclaimed dividends payable.
---

**XXIII. Other accounts payable**

## I. Categorised by nature

Items	Closing balance	Opening balance
Guarantee & deposits	14,905,101.19	14,509,634.96
Prepayments	16,256,757.54	15,331,730.33
Intermediate business payable	4,648,736.95	3,362,990.12
Others	12,729,821.16	16,816,738.25
<b>Total</b>	<b>48,540,416.84</b>	<b>50,021,093.66</b>

## II. Other Accounts Payable aging over 1 year significant in value

Items	Closing balance	Reason for aging
Hefei Datong Gelan Plastic Industry Co., Ltd.	1,675,000.00	Guarantee deposits
Gao Shouqun	1,100,000.00	Due to purchase of buildings
Zhang Lei	1,100,000.00	Due to purchase of buildings
Anhui Hualong Plastic Limited.	665,000.00	Guarantee deposits
Anhui Qi Jing Machinery Limited.	440,000.00	Guarantee deposits
<b>Total</b>	<b>4,980,000.00</b>	--

By Conciliation of Jinan Huaiyin People's Court, Lessee Gao Shouqun, Zhang Leiha and the company have reached agreement to buy the house owned by the company which locating at Jingsanweiba Street, Huaiyin District, Jinan for the consideration of 4.4 million Yuan for total area of 893.51m<sup>2</sup>. 50% of contract price have been paid with 2.2 million unpaid due from the lessee. Relevant Property transfer procedures are under process

## XXIV. Special accounts payable

Item	Opening balance	Increase	Decrease	Closing balance	Reason
Compensation payments for demolition & relocation	2,073,957.30	—	—	2,073,957.30	Relocation unlaunched
<b>Total</b>	<b>2,073,957.30</b>	—	—	<b>2,073,957.30</b>	--

Special accounts payable as of Dec. 31, 2014 are due to Urban Planing requirement, Wuxi New District Xin'an Street Relocation Office and Wuxi Filin Electronics Limited have reached agreement of land transfer and compensation is settled for buildings on land, which the Closing balance rised.

## XXV. Expected liabilities

Item	Opening balance	Closing balance	Reason
Quality guarantee deposits	11,310,523.59	9,960,830.74	Compensation loss
<b>Total</b>	<b>11,310,523.59</b>	<b>9,960,830.74</b>	--

The washing machines produced by subsidiary of the company, Wuxi Little Swan General Electric Limited., are mainly sold to the United States and other foreign markets. Overseas sale of these washing machines involves the two kinds of compensation risks: 1) Risk arised where the compensation from insurance company not available

for cover the loss when the quality problems take place, and 2) Risk of liability for damages when the failure rate is higher than FCR stipulated in the contract with General Electric Company. As of December 31, 2014, the company has expected loss of 9,960,800.00 RMB yuan for the products sold.

#### XXVI. Deferred income

Item	Opening balance	Increase	Decrease	Closing balance	Reason
Government grant	568,600.00	3,500,000.00	219,866.67	3,848,733.33	Government grant
<b>Total</b>	<b>568,600.00</b>	<b>3,500,000.00</b>	<b>219,866.67</b>	<b>3,848,733.33</b>	--

Projects involved in government grant:

Items	Opening balance	Increase in grant	Increase in non-operating income	Other changes	Closing balance	Asset-related/income-related
Hefei Midea automation development of washing machine project	—	3,500,000.00	116,666.67	—	3,383,333.33	Asset-related
Subsidy for power substation renovation	277,400.00	—	50,400.00	—	227,000.00	Asset-related
Jiangsu modern service development special fund	291,200.00	—	52,800.00	—	238,400.00	Asset-related
<b>Total</b>	<b>568,600.00</b>	<b>3,500,000.00</b>	<b>219,866.67</b>	<b>—</b>	<b>3,848,733.33</b>	--

#### XXVII. Share capital

Items	Opening balance	Increase/Decrease (+、-)					Closing balance
		New shares issued	Bonus shares	Shares transferred from capital reserve	Released from limitation terms	Subtotal	
<b>Total shares</b>	<b>632,487,764.00</b>	—	—	—	—	—	<b>632,487,764.00</b>

#### XXVIII. Capital reserve

Item	Opening balance	Increase	Decrease	Closing balance
Share premium	1,055,182,718.57	—	—	1,055,182,718.57
Provision of equity investment	1,638,562.74	1,497.83	101,250.00	1,538,810.57

Share-based payments	33,250,000.00	10,805,421.89	—	44,055,421.89
Capital reserve transferred from accounting under original accounting system	39,179,385.00	—	—	39,179,385.00
<b>Total</b>	<b>1,129,250,666.31</b>	<b>10,806,919.72</b>	<b>101,250.00</b>	<b>1,139,956,336.03</b>

Capital reserve increased by 10,806,900.00 RMB yuan, which consists of 10,805,421.89 RMB yuan from share-based incentive plan of Midea Group, 1,497.83 RMB yuan from sale of shares from interest distribution or historical reason by China Securities Depository and Clearing Co., Ltd. Shenzhen Branch.

Capital reserve decreased by 101,250.00 are from derecognition of capital reserve recognized previously from termination of the Company's subsidiary Wuxi Little Swan washing machinert Limited.

### XXIX. Other comprehensive income

Items	Opening balance	2014					Closing balance
		Amount before income tax	Less: trrandfer into P&L	Less: inco me tax	Attributab le to the Company after tax	Attributab le to minority shareholde rs after tax	
II. Other comprehensive income can be reclassified into P&L	-3,379,075.16	110,024.19	180,638.60		-70,614.41		-3,449,689.57
Including: fair value changed of available-fo r-sale financial assets	180,638.60		180,638.60		-180,638.60		
Foreign currency statements translation difference	-3,559,713.76	110,024.19			110,024.19		-3,449,689.57
<b>Total</b>	-3,379,075.16	110,024.19	180,638.60		-70,614.41		-3,449,689.57

**XXX. Surplus reserve**

Item	Opening balance	Increase	Decrease	Closing balance
Statutory surplus reserve	290,958,368.49	41,636,353.80	—	332,594,722.29
<b>Total</b>	<b>290,958,368.49</b>	<b>41,636,353.80</b>	<b>—</b>	<b>332,594,722.29</b>

**XXXI. Undistributed profit**

Items	2014	2013
Undistributed profit at the end of last year Before adjustment	1,859,579,931.10	1,656,317,300.32
Adjusted retained earnings at the beginning of the year	1,859,579,931.10	1,656,317,300.32
Add: Net profit attributable to shareholders of parent company	698,195,731.48	413,350,079.54
Less: Legal reserve	41,636,353.80	20,341,119.56
Ordinary shares dividends payable	189,746,329.20	189,746,329.20
Undistributed profit at the end of the year	2,326,392,979.58	1,859,579,931.10

**XXXII. Operating income and operating expenses**

Items	2014		2013	
	Income	Expenses	Income	Expenses
Operating income	9,880,602,020.03	7,180,075,385.38	7,994,530,052.92	5,888,976,204.86
Other operating income	923,615,268.57	827,416,833.31	733,425,991.45	660,645,735.04
<b>Total</b>	<b>10,804,217,288.60</b>	<b>8,007,492,218.69</b>	<b>8,727,956,044.37</b>	<b>6,549,621,939.90</b>

**XXXIII. Business tax and surcharges**

Items	2014	2013
Business tax	1,523,903.96	16,844.56
City maintenance and construction tax	37,106,017.94	30,898,629.72
Education surcharges	28,799,856.89	22,087,155.71
<b>Total</b>	<b>67,429,778.79</b>	<b>53,002,629.99</b>

**XXXIV. Selling expenses**

Items	2014	2013
Wages	185,222,398.83	183,545,912.93
Shipping and handling expenses	375,403,799.61	311,473,920.77
Travelling expenses	31,254,478.29	31,187,832.09
Leasing expenses	36,060,520.04	54,754,176.97
Installation cost	102,594,504.73	97,296,711.96
Installation kit expenses	29,109,236.14	12,713,598.44
Maintenance costs	87,196,779.04	93,663,632.80
Advertising & promotion fees	610,556,148.50	433,534,282.80
Others	62,084,483.58	48,948,348.44
<b>Total</b>	<b>1,519,482,348.76</b>	<b>1,267,118,417.20</b>

**XXXV. General and administrative expenses**

Items	2014	2013
Wages	157,638,996.41	146,159,003.37
Depreciation	26,415,248.24	23,490,044.11
Water & electricity fees	10,579,165.24	8,167,655.43
Property tax	9,372,026.52	10,654,675.80
Inspection charges	8,130,444.13	6,525,760.20
Repairing costs	5,646,447.37	2,192,758.52
Land use tax	5,748,092.61	4,415,343.59
Quality loss	3,823,835.97	20,484,435.07
Product certification fee	3,449,694.11	4,989,452.10
Share-based payments	11,641,791.21	—
Others	198,794,693.95	166,402,072.61
<b>Total</b>	<b>441,240,435.76</b>	<b>393,481,200.80</b>

**XXXVI. Financial expenses**

Items	2014	2013
Interest expenses	13,417,678.56	5,169,679.70
Less: Interest income	29,881,510.21	17,642,421.68
Exchange losses	-1,235,973.90	34,546,399.18

Commission charge	2,839,681.06	2,536,036.96
<b>Total</b>	<b>-14,860,124.49</b>	<b>24,609,694.16</b>

**XXXVII. Impairment loss**

Items	2014	2013
I. Receivables loss due to bad debt provision	-34,854.94	17,718,421.45
II. Inventories impairment loss	25,288,669.49	25,447,265.45
III. Impairment loss of available-for-sale financial assets	100,300.00	—
IV. Impairment loss of fixed assets	12,866,967.07	6,168,232.43
<b>Total</b>	<b>38,221,081.62</b>	<b>49,333,919.33</b>

**XXXVIII. Gains from fair value movement**

From	2014	2013
Financial assets measured at fair value through profit and loss	-14,767,832.25	13,792,150.00
Including: Gains from fair value movement from derivatives	-14,767,832.25	13,792,150.00
<b>Total</b>	<b>-14,767,832.25</b>	<b>13,792,150.00</b>

**XXXIX. Investment Income**

Items	2014	2013
Long-term equity investment income measured at equity method	-319,108.43	-116,701.92
Investment Income from disposal of Long-term equity investment	101,250.00	308,469.59
Investment income from tradable financial asset held for trading	7,818,030.00	18,931,670.00
Investment income from accumulated return of available-for-sale financial assets	56,630.80	173,405.12
Income from disposal of available-for-sale financial assets	7,600,256.00	—
Investment income from Financial Product in Bank	162,708,030.89	97,565,087.41
<b>Total</b>	<b>177,965,089.26</b>	<b>116,861,930.20</b>



**XL. Non-operating income****I. Illustration of non-operating income**

Items	2014	2013	Amount accounted into non-recurring gain and loss of current period
Total Gains from disposal of non-current assets	2,789,994.04	2,883,982.52	2,789,994.04
including: Gains from disposal of fixed assets	2,789,994.04	2,883,982.52	2,789,994.04
Gains from debt restructuring	7,708,285.28	2,807,241.09	7,708,285.28
Penalty income	9,955,448.93	10,798,333.04	9,955,448.93
Government Grants	19,316,074.38	23,748,858.49	19,316,074.38
Others	33,211.39	136,438.25	33,211.39
<b>Total</b>	<b>39,803,014.02</b>	<b>40,374,853.39</b>	<b>39,803,014.02</b>

**II. Government Grant booked into current profit and loss**

Items	2014	2013	Asset-related/Income-related
VAT Rebate on collection	6,679,787.87	6,238,538.06	Income-related
Capital Support For foreign trade and economic development	3,706,500.00	693,000.00	Income-related
Subsidies for export credit insurance premiums	2,072,400.00	2,473,500.00	Income-related
Provincial special fund for prospective studies	800,000.00	—	Income-related
Container Development Reward in cash	579,005.00	25,400.00	Income-related
Hefei Post Allowance for enterprises in difficulties	490,000.00	3,838,680.00	Income-related
Charges For Tax Collection from finance Bureau	515,033.29	146,177.47	Income-related
Hefei new product reward	400,000.00	—	Income-related
Provincial fund for industrial and IT industry development special fund	400,000.00	—	Income-related
Provincial fund for patent application abroad	399,000.00	—	Income-related
Wuxi patent reward	410,500.00	—	Income-related

Fund for Technical Professional Training	356,000.00	742,000.00	Income-related
Support funds of promoting foreign trade	318,700.00	918,600.00	Income-related
Fund for provincial engineering and technological centre project	250,000.00	—	Income-related
Hefei self-renovation project fund	200,000.00	—	Income-related
Subsidies for development of Jiangsu international famous brand	200,000.00	—	Income-related
Fund for “Hexinou” Project	188,000.00	—	Income-related
Wuxi social insurance payment reward	125,786.55	—	Income-related
Subsidies for Hefei Midea automaion development project	116,666.67	—	Asset-related
Reward for development of businedd from Hefei Hi-tech zone	110,000.00	—	Income-related
Reward for Wuxi Taihu Industrial Design Excellence Award	80,000.00	100,000.00	Income-related
Subsidies for special guide of modern service industry	52,800.00	52,800.00	Asset-related
Government Grant for Development of substation	50,400.00	50,400.00	Asset-related
Wuxi Industrial Development Funds	43,000.00	215,000.00	Income-related
Hefei Key Project Fund	—	2,645,382.00	Income-related
Wuxi Capital Support For science and technology R&D (Designing) Institute	—	2,000,000.00	Income-related
Special Capital Support for Environmental Protection	—	1,060,000.00	Income-related
National Technology Center innovation capacity Funds	—	600,000.00	Income-related
Reward For Wuxi Industrial big seller	—	578,000.00	Income-related
Provincial Reward for R&D Institute	—	250,000.00	Income-related
Wuxi Scientific Development Funds	—	250,000.00	Income-related
Wuxi Scientific Development Funds	—	168,500.00	Income-related
Hefei self-innovation support fund	—	141,646.00	Income-related
Capital Support for Cleaner Production	—	110,000.00	Income-related
Others	772,495.00	451,234.96	Income-related
<b>Total</b>	<b>19,316,074.38</b>	<b>23,748,858.49</b>	

**XLI. Non-operating expenses**

Items	2014	2013	Amount accounted into non-recurring gain and loss of current period
Loss from disposal of non-current assets	6,272,775.07	3,962,772.35	6,272,775.07
Including: Loss from disposal of fixed assets	6,073,731.68	3,962,772.35	6,073,731.68
Loss from disposal of intangible assets	199,043.39	—	199,043.39
Penalties	168,430.99	398,961.70	168,430.99
Compensation costs	200,000.00	—	200,000.00
Donations	1,092,937.50	102,200.00	1,092,937.50
Local fees (Flood control & Security fund, etc.)	4,307,145.70	7,582,269.89	—
Others	2,167,857.95	1,149,664.63	705,755.26
<b>Total</b>	<b>14,209,147.21</b>	<b>13,195,868.57</b>	<b>8,439,898.82</b>

**XLII. Income tax expenses**

## I. Income tax expenses

Items	2014	2013
Current period corporate tax	209,674,578.05	142,476,837.54
Deferred corporate tax	-66,498,009.07	-68,613,229.32
<b>合计</b>	<b>143,176,568.98</b>	<b>73,863,608.22</b>

## II. Adjustment of accounting profit

Items	2014
Total profit	934,002,673.29
Corporate tax expenses calculated by applicable/statutory rate	140,100,400.99
Non-taxable income	47,866.26
Non-deductible cost, expenses and loss	1,389,884.52
Compensable loss of deferred corporate tax assets unconfirmed of prior period	-6,333,460.73
Compensable loss of deferred corporate tax assets unconfirmed current period	8,895,035.38
Addition and deduction of technological	-923,157.44

development expenses	
Corporate income tax expenses	143,176,568.98

**XLIII. Notes to cash flow statements****I. Cash Received from other operating activities**

Items	2014	2013
Interest income	29,881,510.21	17,642,421.68
Government Grant	19,096,207.71	23,045,658.49
Penalties	9,955,448.93	10,798,333.04
Others	762,294.35	320,264.06
<b>Total</b>	<b>59,695,461.20</b>	<b>51,806,677.27</b>

**II. Cash paid for other operating expenses**

Items	2014	2013
Selling Expenses	1,160,757,187.04	1,027,956,765.77
G&A Expenses	124,350,875.36	139,306,099.57
Commission Charges	2,839,681.06	2,536,036.96
Payables	31,807,392.79	35,089,516.78
Others	2,840,895.04	10,548,639.15
<b>Total</b>	<b>1,322,596,031.29</b>	<b>1,215,437,058.23</b>

**III. Cash received from other financing operations**

Items	2014	2013
Asset related government grant	3,500,000.00	—
<b>Total</b>	<b>3,500,000.00</b>	<b>—</b>

**VI. Cash paid for other financing activities**

Items	2014	2013
Liquidation settlement for minorityshareholders of 3 <sup>rd</sup> subsidiary: Hefei Midea washing machine manufacture Limited.	2,184,490.69	—

<b>Total</b>	<b>2,184,490.69</b>	—
--------------	---------------------	---

**XLIV. Appendix of Statement of Cash Flow**

## I. further information of cash flow statement

Items	2014	2013
1. Adjust Net Profit to Net Cash from Operating Activities:		
Net Profit	<b>790,826,104.31</b>	<b>474,757,699.79</b>
Add back: Asset impairment provision	38,221,081.62	49,333,919.33
Depreciation of fixed asset, oil and gas assets and productive biological assets	127,729,309.76	118,173,198.75
Amortization of intangible asset	5,553,777.06	5,680,896.86
Amortization of long-term deferred expense	3,239,931.94	22,648,837.35
Loss from disposal of fixed assets, intangible assets, and other long-term assets (“-“ for gains)	3,482,781.03	940,175.27
Loss from scrapped fixed asset (“-“ for gains)		138,614.56
Fair value loss (“-“ for gains)	14,767,832.25	-13,792,150.00
Financial expenses (“-“ for gains)	5,204,314.28	—
Investment loss (“-“ for gains)	-177,965,089.26	-116,861,930.20
Decrease in deferred tax asset (“-“ for increase)	-64,250,956.83	-70,682,051.81
Increase in deferred tax liabilities (“-“ for decrease)	-2,215,174.84	2,068,822.50
Decrease in inventory (“-“ for increase)	167,236,175.84	129,158,756.65
Decrease in operating receivables (“-“ for increase)	-3,846,361,785.76	-3,865,072,453.99
Increase in operating payables (“-“ for decrease)	4,580,004,224.72	4,168,389,765.95
Others	11,641,791.21	—
Net operating cash flows	<b>1,657,114,317.33</b>	<b>904,882,101.01</b>
2. Significant investment and financing activities not involving cash		
Capital converted from debt	—	—
Convertible corporate debt due within 1 Year	—	—
Financing Lease	—	—
3. Change of cash and cash equivalents :		
Closing balance of cash	1,516,739,804.86	1,558,204,866.53
Less: Opening balance of cash	1,558,204,866.53	1,293,126,217.00
Add: Closing balance of cash equivalent	—	—

Less: Opening balance of cash equivalent	—	—
<b>Net increase in cash and cash equivalents</b>	<b>-41,465,061.67</b>	<b>265,078,649.53</b>

## II. Illustration of acquisition or disposal of subsidiaries and other operating entities in current period

Items	2014
Consideration received from subsidiaries disposed	191,485,872.35
Including: Tianjin Little Swan Washing Maching Limited.	191,485,872.35
Less: Cash and Cash equivalents held by subsidiaries on the date of loss of control	191,485,872.35
Including: Tianjin Little Swan Washing Maching Limited	191,485,872.35
Add: Consideration received in current period from subsidiaries disposed in prior period	—
Net Cash received from the disposal of subsidiaries	—

## III. Component of cash and cash equivalents

Item	Closing Balance	Opening Balance
1、Cash	<b>1,516,739,804.86</b>	<b>1,558,204,866.53</b>
Including: Cash on Hand	8,158.18	21,277.15
Cash in Bank	1,516,731,646.68	1,558,183,589.38
Other monetary funds	—	—
Deposit in the central bank	—	—
Placements in other banks	—	—
Inter-Bank Borrowing	—	—
2、Cash equivalents	—	—
Including: Bond Investment due within 3 months	—	—
3、Closing Balance of cash and cash equivalents	<b>1,516,739,804.86</b>	<b>1,558,204,866.53</b>
Including: Cash and cash equivalents with limited use of the Company or subsidiaries of the Group	—	—

## XLV. Assets with limited use

Items	Closing book balance	Limitaiton details
Monetary fund	1,543,175,151.35	Guarantee deposits for bank acceptance bills total 60,837,430.56 RMB yuan Guarantee deposits for letter of credit total 2,337,720.7

		RMB yuan Structured deposits for financial products total 1,480,000,000.00 RMB yuan。
<b>Total</b>		--

**XLVI. Foreign currency monetary items**

## I. Foreign currency monetary items

Items	Closing balance in foreign currency	Exchange rate	Closing balance in RMB
Monetary fund			
including: USD	24,658,536.96	6.119	150,885,587.66
EUR	513,946.21	7.4556	3,831,777.36
JPY	15.00	0.051371	0.77
Accounta receivable			
including: USD	54,350,571.66	6.119	332,571,147.99
EUR	21,576.69	7.4556	160,867.17
Prepayments			
including: USD	501,982.95	6.119	3,071,633.67
EUR	34,116.00	7.4556	254,355.25
Accounts payable			
including: USD	5,613,479.01	6.119	34,348,878.06
EUR	112,102.87	7.4556	835,794.16
Advance from customers			
including: USD	1,423,672.96	6.119	8,711,454.84
EUR	329,784.61	7.4556	2,458,742.14
JPY	79,163.35	0.051371	4,066.70

## II. Oversea operating entity abroad

Company name	Location	Accounting currency	Change in accounting currency
Little Swan International (Singapore) Limited.	Singapore	USD	No

**NOTE VIII. Changes in consolidation scope****I. Changes in consolidation scope for other reason**

- ① Tianjin Little Swan Washing Machine Limited. subsidiary of the Company, was terminated in 2014 and thus shall not be included in consolidation scope of the Company since Jan. 28, 2014.
- ② Wuxi Little Swan Washing Machine Limited., subsidiary of the Company, was terminated in 2014 and thus shall not be included in consolidation scope of the Company since Nov. 12, 2014.
- ③ Wuxi Meitian Refrigerator Marketing Limited., subsidiary of the Company, was terminated in 2014 and thus shall not be included in consolidation scope of the Company since Dec. 12, 2014.

**NOTE XIX. Equity in other entities****I. Equity in subsidiaries**

## (1) Components of the consolidation scope:

Name of the Subsidiary	Business address	Registration Place	Business Nature	Proportion of shares Held by the Company (%)		Acquired by
				Direct	Indirect	
Wuxi Little Swan General Electric Appliances Co., Ltd.	Wuxi	Wuxi	Manufacture	70.00	—	Establishment or Investment
Wuxi Filin Electronics Co., Ltd.	Wuxi	Wuxi	Manufacture	73.00	—	Establishment or Investment
Jiangsu Little Swan Marketing and Sales Co., Ltd.	Wuxi	Wuxi	Marketing	99.535	0.093	Establishment or Investment
Wuxi Little Swan Import & Export Co., Ltd	Wuxi	Wuxi	Import and export	88.46	—	Establishment or Investment
Little Swan International (Singapore) Limited.	Singapore	Jinzhou	Investing	100.00	—	Establishment or Investment
Little Swan (Jing Zhou) Sanjin Electronic	Jinzhou	Hefei	Manufacture	100.00	—	Business merger under common control



Appliances Limited.						
Hefei Midea Washing Machine Limited.	Hefei	Hefei	Manufactur e	69.47	—	Business merger under common control

## (2) Significant non-wholly owned subsidiaries

Name of the Subsidiary	Proportion of Shares Held by minority shareholders (%)	P&L attributable to minority shareholders	Dividends declared to minority shareholders	Closing balance of minority interest
Wuxi Little Swan General Electric Appliances Co. , Ltd.	30.00	3,734,766.23	—	44,279,110.94
Wuxi Filin Electronics Co. , Ltd.	27.00	23,015,622.90	—	98,660,985.70
Hefei Midea Washing Machine Limited.	30.53	65,565,535.51	—	573,777,072.96

## (3) Important financial information of Significant non-wholly owned subsidiaries

Name of the Subsidiary	Closing balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Wuxi Little Swan General Electric Appliances Co. , Ltd.	213,881,740.87	19,098,217.86	232,979,958.73	56,406,735.98	9,960,830.74	66,367,566.72
Wuxi Filin Electronics Co. , Ltd.	444,295,306.60	57,312,842.84	501,608,149.44	133,657,734.01	2,539,357.30	136,197,091.31
Hefei Midea Washing Machine Limited.	3,680,238,070.60	660,915,331.43	4,341,153,402.03	2,458,370,426.54	3,395,248.79	2,461,765,675.33

(Continued.)

Name of the	Opening balance
-------------	-----------------

Subsidiary	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Wuxi Little Swan General Electric Appliances Co. , Ltd.	203,757,518.27	23,805,548.00	227,563,066.27	62,614,942.28	11,310,523.59	73,925,465.87
Wuxi Filin Electronics Co. , Ltd.	325,936,481.46	55,678,163.38	381,614,644.84	99,616,322.94	2,642,557.30	102,258,880.24
Hefei Midea Washing Machine Limited.	3,113,973,159.13	635,219,270.78	3,749,192,429.91	2,083,838,038.57	943,350.00	2,084,781,388.57

Name of the Subsidiary	2014				2013			
	Operating income	Net profit	Total comprehensive income	Net cash flow from operating activities	Operating income	Net profit	Total comprehensive income	Net cash flow from operating activities
Wuxi Little Swan General Electric Appliances Co. , Ltd.	222,124,975.98	12,776,126.23	12,776,126.23	29,805,507.30	194,573,778.71	3,018,178.95	3,018,178.95	5,259,378.42
Wuxi Filin Electronics Co. , Ltd.	414,703,697.10	85,379,831.24	85,379,831.24	-19,098,531.51	290,155,331.03	51,997,054.28	51,997,054.28	-67,899,719.10
Hefei Midea Washing Machine Limited.	4,901,655,746.41	215,203,815.71	215,203,815.71	451,999,981.20	3,907,398,767.06	152,076,742.39	152,076,742.39	435,784,205.30

## II. Equity in Associates and Joint Ventures of the Company

## (1) Significant Associates and Joint Ventures

Invested Entity	Business address	Invested Entity	Business Nature	Proportion of Share held by the company (%)		Accounting method
				Direct	Indirect	
Guangzhou Antaida Logistics Corporation	Guangzhou	Guangzhou	Logistics	20.00	—	Equity method

## (2) Important financial information of Significant Associates and Joint Ventures:

Items	Closing balance / 2014	Opening balance / 2013
	Guangzhou Antaida Logistics Corporation	Guangzhou Antaida Logistics Corporation
Current assets	14,842,601.50	21,105,316.90
Non-current assets	474,347.77	794,735.75
Total assets	15,316,949.27	21,900,052.65
Current liabilities	1,066,747.03	6,054,308.26
Non-current liabilities	—	—
Total liabilities	1,066,747.03	6,054,308.26
Minority interests	—	—
Equity attributable to parent company	14,250,202.24	15,845,744.39
Share of net assets according to shareholding	2,850,040.45	3,169,148.88
Adjustments	—	—
--Goodwill	—	—
--Unrealised internal profit	—	—
--Others	—	—
Book value of equity investment in associates and joint-ventures	2,850,040.45	3,169,148.88
Fair value of equity investment in associates and joint-ventures with quoted price	—	—
Operating income	16,421,160.15	8,782,971.75
Net profit	-1,595,542.15	-583,509.61

Net profit from termination of operation	—	—
Other comprehensive income	—	—
Total comprehensive income	-1,595,878.15	-583,509.61
Dividends received from associates and joint-ventures of current period	—	—

#### **NOTE X. Risk related to financial instrument**

Operation of the Company faces various financial risks: market risks (mainly foreign exchange risks and interest rate risks), credit risks and liquidity risks. The overall risk management policy and goal are set and be the responsibility of board of the Company. The risks mentioned above are managed and supervised by Company management to make sure appropriate procedures are taken to manage those risks timely and effectively.

The overall risk management goal of the Company is to minimize the potential impact on the financial result of the Company without causing major impact on competitiveness and resilience of the Company.

##### **I. Credit risk**

Credit risk referred to default risk from one party of financial contract not fulfilling obligation, causing financial loss of the other party. Credit risk of the Company mainly arises from credit sales. Credit risk shall be evaluated for new customers before signing new contract. Overall credit risk is controlled through credit rating and aging analysis of current customers.

##### **II. Market risk**

Market risk of financial instrument arises from changes in fair value or future cash flow of financial instruments affected by market price. Market risks includes foreign exchange risk, interest risk and other price risks.

##### **III. Liquidity risk**

Liquidity risk refers to fund shortage problems when fulfilling obligations settled in cash or other financial assets. The policy of the Company is to guarantee the sufficiency in cash to pay matured debts. Liquidity risks are undercontrol of company financial department, which is carried out by supervising balance of cash, securities and rolling forecasts on cash flows in next 12 months to guarantee the sufficiency in cash to pay matured debts.

**NOTE XI. Fair value disclosure****I. Closing balance of assets and liabilities measured at fair value**

Items	Closing balance measured at <b>fair value</b>			
	Fair value measured at level I	Fair value measured at level II	Fair value measured at level III	Total
<b>I. Assets measured at fair value on a continuous basis</b>				
Financial assets measured at fair value through profit and loss				
1. Tradable financial assets				
(1) Derivative financial assets	248,907.75			248,907.75
<b>Total assets measured at fair value</b>	248,907.75			248,907.75

**II. Determination on whether measurement at level I and carried on a continuous basis**

In consideration of minimizing impact on exchange rate change on profit, the Company carried out forward exchange contract, whose fair value is determined by forward exchange rate published by Bank of China.

**NOTE XII. Related Parties and Related-party Transactions****I. The holding company**

Holding Company Name	Registration Place	Business Nature	Registered Capital	Proportion of Company Shares Held by parent company (%)	Proportion of voting right by parent company (%)
Midea Group Co., Ltd.	Foshan, Guangdong	Manufacture and sales of Household Appliances, Motor and fittings, along with after-sale service, etc.	4,215,808,472 RMB yuan	52.67	52.67

Ultimate controller of the Company: He Xiangjian

**II. Subsidiary of the Company**

See NOTE VIX.

**III. Associates and joint-venture of the Company**

See NOTE VIX.

**IV: Other related parties**

Name	Relationship to the Company
Midea Group Finance Limited.	Controlled by controlling shareholders of the Company
Hefei Midea Materials Supply Co. , Ltd.	Controlled by controlling shareholders of the Company
Hefei Midea Refrigerator Limited	Controlled by controlling shareholders of the Company
Hefei Hualing Co., Ltd.	Controlled by controlling shareholders of the Company
Guangdong Midea Heating Equipment Limited	Controlled by controlling shareholders of the Company
Midea (Singapore) Trading Limited.	Controlled by controlling shareholders of the Company
PT. Midea Planet Indonesia	Controlled by controlling shareholders of the Company
MIDEA SCOTT & ENGLISH SDN BHD	Controlled by controlling shareholders of the Company
MIDEA ITALIA S.R.L.	Controlled by controlling shareholders of the Company
Midea Household Equipment (Vietnam) Limited.	Controlled by controlling shareholders of the Company
Handan Midea Refrigeration Equipment Limited.	Controlled by controlling shareholders of the Company
Hefei Century Molding Technology Limited	Controlled by immediate family member of Ultimate controller of the company
Zhongshan Midea Environmental electrical engineering products Installation Services Limited.	Controlled by controlling shareholders of the Company
Foshan Shunde Century Technology Limited.	Controlled by controlling shareholders of the Company
Foshan Shunde Century Development Plastics	Controlled by controlling shareholders of the Company

Limited	Company
Ningbo Andhra Logistics Limited.	Controlled by controlling shareholders of the Company
Andhra Logistics Co., Ltd.	Controlled by controlling shareholders of the Company
Huai'an Weiling motor manufacture Limited.	Controlled by controlling shareholders of the Company
Hubei Midea refrigerator Limited.	Controlled by controlling shareholders of the Company
Wuhu Century Technology Development Limited.	Controlled by controlling shareholders of the Company
Wuhu Meizhi air conditioning equipment Limited	Controlled by controlling shareholders of the Company
Wuhu Midea Kitchen appliances Manufacture Limited	Controlled by controlling shareholders of the Company
Wuhu Midea household appliance Consulting Limited.	Controlled by controlling shareholders of the Company
Guangdong Midea Group Wuhu Refrigeration Equipment Limited.	Controlled by controlling shareholders of the Company
Guangdong Midea Refrigeration Equipment Limited.	Controlled by controlling shareholders of the Company
Ningbo Midea United Supply Limited.	Controlled by controlling shareholders of the Company
Guangdong Midea Environmental appliance manufacture Limited.	Controlled by controlling shareholders of the Company

## V. Related Party Transactions

### (1) Purchase or sales of goods, services with related-party

Details of purchase:

Related-party	Related-party Transactions	2014	2013
Huai'an Welling Motor Manufacturing Limited.	Electric engines and materials	418,762,030.04	427,047,526.03
Ningbo Midea United Supply Limited.	Materials purchase	383,401,808.32	—
Ningbo Andhra Logistics Limited.	Logistics	190,917,658.19	98,886,953.53

Hefei Midea Material supply Limited.	Materials purchase	78,832,389.58	376,568,034.51
Guangdong Midea Environmental appliance manufacture Limited.	Materials purchase	9,793,162.39	—
Wuhu Midea household Appliance Consulting Limited	Materials purchase	5,217,094.02	11,408,443.41
Hubei Midea Refrigerator Limited.	Materials purchase	770,148.67	9,236,027.91
Andhra Logistics Co., Ltd.	Logistics	88,989.25	963,854.49
Hefei Hualing Co., Ltd.	Material and refrigerator purchase	40,259.03	2,325,941.02
Hefei Century molding Development Limited.	Materials purchase	—	54,490,149.68
Hefei Midea Refrigerator Limited.	Materials purchase	—	46,115.38
<b>Total</b>		<b>1,087,823,539.49</b>	<b>980,973,045.96</b>

## Details of sales

Related-party	Related-party	2014	2013
Midea Appliance (Singapore) Trading Limited	Sales of washing machine and material	1,481,512,201.85	1,112,577,724.98
MIDEA SCOTT & ENGLISH SDN BHD	Sales of washing machine	23,455,055.29	23,385,473.81
PT. Midea Planet Indonesia	Sales of washing machine	14,841,646.18	11,489,166.47
Hefei Hualing Co., Ltd.	Rents	4,861,474.00	—
Midea Household Equipment (Vietnam) Limited	Sales of washing machine	4,471,283.40	2,561,882.76
Huai'an Welling Motor Manufacturing Limited.	Sales of material	51,192.77	198,468.28
Hefei Century Molding Development Limited	Sales of material	—	20,550,778.14
Hefei Hualing Co., Ltd.	Sales of material	—	331,865.92
Hefei Midea Royalstar Washing Machine Manufacture Limited.	Sales of material	—	28,879.20
<b>Total</b>		<b>1,529,192,853.49</b>	<b>1,171,124,239.56</b>



## (2) Asset Transfer and Debt Reconstruction with related parties

Related-party	Related-party Transactions	2014	2013
Hubei Midea Refrigerator Limited	Related-party Transactions	94,627.32	—
Foshan Shunde Century Technology Limited.	Related-party Transactions	—	3,249,127.47
Wuhu Century Technology Development Limited.	Related-party Transactions	—	2,293,061.07
Foshan Shunde Century Technology Limited.	Related-party Transactions	—	2,240,656.53
Wuhu Midea Kitchen appliances Manufacture Limited.	Related-party Transactions	—	1,218,032.59
Handan Midea Refrigerating equipment Limited.	Related-party Transactions	—	840,577.60
Guangdong GANEY Precision Machinery Limited	Acquisition of Equipment	—	208,310.26
Foshan Shunde Century Technology Limited.	Acquisition of Equipment	—	29,914.53
Hefei Hualing Co., Ltd.	Acquisition of Equipment	—	28,888.89
Wuhu Meizhi Air-conditioning Equipment Limited	Acquisition of Equipment	—	22,478.63
<b>Total</b>		<b>94,627.32</b>	<b>10,131,047.57</b>

## (3) Executive compensation

Items	2014	2013
Executive compensation	13,915,200.08	19,336,175.00

## (4) Other Transactions with Related Parties:

Related-party	Related-party transaction	2014	2013
Guangdong Midea Refrigeration equipment Limited.	Trademark Royalty charges	2,472,238.03	138,308.22
Hubei Midea Refrigerator Limited.	Trademark Royalty charges	1,365,053.13	332,226.54

Guangdong Midea Group Wuhu Refrigeration Equipment Limited.	Trademark Royalty charges	—	1,230,743.90
Midea group Co., Ltd.	Trademark Royalty payable	5,576,397.45	2,315,938.74

## VI. Accounts Receivable and Accounts Payable with related parties

### (1) Accounts Receivable and Accounts Payable with related parties

Items	Related parties	Closing Balance		Opening Balance	
		Book Value	Book Value	Book Value	Bad Debt Provision
Accounts Receivable	Midea (Singapore) Trading Limited.	229,629,569.18	11,481,478.46	216,980,362.32	10,802,299.01
Accounts Receivable	MIDEA SCOTT & ENGLISH SDN BHD	6,096,576.22	304,828.81	10,020,687.97	125,393.20
Accounts Receivable	PT. Midea Planet Indonesia	4,378,064.95	218,903.25	2,507,863.97	501,034.40
Accounts Receivable	Guangdong Midea Refrigeration equipment Limited.	2,472,238.03	123,611.90	—	—
Accounts Receivable	Midea Household Equipment (Vietnam) Limited.	1,763,032.11	88,151.61	4,651.08	232.55
Accounts Receivable	Hefei Midea Refrigerator Limited.	—	—	1,788.06	357.61
Accounts Receivable	Ningbo Andhra Logistics Limited.	1,531,491.60	76,574.58	—	—
Accounts Receivable	Hubei Midea Refrigerator Limited.	1,365,053.13	68,252.66	—	—
	<b>Total</b>	<b>247,236,025.22</b>	<b>12,361,801.27</b>	<b>229,515,353.40</b>	<b>11,429,316.77</b>
Other accounts receivable	Hefei Hualing Co., Ltd.	972,294.80	48,614.74	—	—
	<b>Total</b>	<b>972,294.80</b>	<b>48,614.74</b>	—	—
Prepayments	Ningbo Midea United Supply Limited.	18,549,101.34	—	—	—
Prepayments	Hefei Midea Materials Supply Limited.	—	—	3,074,917.50	—
Prepayments	Ningbo Andhra Logistics Limited.	—	—	16,406.87	—
	<b>Total</b>	<b>18,549,101.34</b>	—	<b>3,091,324.37</b>	—

## (2) Accounts Payable due to related parties

Items	Related parties	Closing Balance	Opening Balance
Accounts Payable	Huai'an Weiling motor manufacture Limited	67,504,962.19	39,169,018.59
Accounts Payable	Ningbo Midea United Supply Limited.	16,775,725.20	—
Accounts Payable	Midea Group Co., Ltd.	5,576,397.45	—
Accounts Payable	Ningbo Andhra Logistics Limited.	137,839.53	144,787.50
Accounts Payable	Andhra Logistics Co., Ltd.	90,630.06	90,630.06
Accounts Payable	Foshan Shunde Century Technology Limited.	8,800.00	276,400.00
Accounts Payable	Ningbo Midea Materials Supply Limited.	22,735.18	60,510,586.85
Accounts Payable	Hefei Hualing Co., Ltd.	—	510,238.62
Accounts Payable	Hubei Midea Refrigerator Limited.	—	291,120.87
Accounts Payable	Hefei Century Molding Development Limited.	880.73	172,082.75
	<b>Total</b>	<b>90,117,970.34</b>	<b>101,164,865.24</b>
Advance from customers	Midea (Singapore) Trading Limited.	1,017,226.44	56,655,613.54
Advance from customers	Midea Household Equipment (Vietnam) Limited.	1,812.14	—
Advance from customers	MIDEA SCOTT & ENGLISH SDN BHD	—	30,931.47
	<b>Total</b>	<b>1,019,038.58</b>	<b>56,686,545.01</b>
Other Accounts Payable	Midea Group Co., Ltd.	—	390,636.00
	<b>Total</b>	<b>—</b>	<b>390,636.00</b>

**NOTE XIII. share-based payments****I. General information**

Share option benefit plan are granted to middle and senior management personnel as well as key technical staff of group and its subsidiaries by Midea Group Co., Ltd. The option benefit plan contains 40,602,000.00 share options. According to announcement by Midea Group as of May. 27, 2014 and Feb. 19, 2014, 12 of benefit employees quit before exercising the options. 657,000.00 share options are therefore terminated and cancelled. The total number of share options adjusted is now 39,945,000.00. Midea Group declared dividends of 20 RMB yuan in cash for every 10 shares to all shareholders and issued 15 shares for every original shares from capital reserve. The equity distribution plan has been settled at Apr. 30, 2014. According to “Company share option benefit plan (Draft)”, share option number after equity distribution is adjusted to 99,862,500.00.

As of Dec. 31, 2014, the number of benefit employees involved in the benefit plan mentioned above is 45, and the number of share options granted is 6,592,500.00.

**NOTE XIV. Commitment issues and Contingency****I. Commitment issues**

By the date of 31 Dec, 2014, no significant commitment issues shall be disclosed.

**II. Contingency**

By the date of 31 Dec, 2014, no significant contingency shall be disclosed.

**III. Others**

(1) Due to operating capital requirement and development need, the Company offer guarantee over 321,600.00 RMB yuan bank's acceptance bill of Hefei Midea Refrigerator Limited.

(2) The Company pledged 4,225,400.00 RMB yuan of guarantee deposit in Bank of China Co., Ltd. Wuxi Branch to obtain bank's acceptance bill.

(3) The Company pledged 48,200.00 RMB yuan of guarantee deposit in China Everbright Bank Corporation Hefei Funan Branch to obtain bank's acceptance bill.

(4) The Company pledged 56,563,800.00 RMB yuan of guarantee deposit in Midea Group Finan Limited. to obtain acceptance bill.

**NOTE XV .Events after balance sheet date****I. Illustration of Profit Distribution after Balance Sheet Date**

The profits or dividends to be distributed	284,619,493.80
Amount of profits or dividends declared to be distributed on deliberation and approval under the profit distribution plan	284,619,493.80

**NOTE XVI. Other Significant Issues****I. Segment Information**

The Company, along with its parent company and subsidiaries are mainly operating through manufacture and sales of household appliances. In that case, company management see companies as a whole to management and evaluate results. The financial statements thus does not present segment Information

**II. Other significant transactions and issues affecting investors' decisions**

To the date of issue date of financial statements of current period, the Company, along with its subsidiaries, haven't settled Corporate tax report of year 2014.

**NOTE XVII. Notes to the financial statements of parent Company****I. Accounts Receivable**

(1) Accounts Receivable disclosed by Categories:

Categories	Closing balance				
	Book balance		Bad debt provision		Book value
	Amount	(%)	Amount	(%)	
Accounts receivable grouped by credit risks	621,923,990.31	98.21	22,843,094.58	3.67	599,080,895.73
Accounts receivable which are not individually significant yet bad debt provisions are provided individually	11,347,358.13	1.79	11,347,358.13	100.00	—
<b>Total</b>	<b>633,271,348.44</b>	<b>100.00</b>	<b>34,190,452.71</b>	<b>5.40</b>	<b>599,080,895.73</b>

Categories	Opening balance				
	Book balance		Bad debt provision		Book value
	Amount	(%)	Amount	(%)	
Accounts receivable grouped by credit risks	751,795,019.76	97.76	20,348,820.07	2.71	731,446,199.69
Accounts receivable which are not individually	17,241,527.92	2.24	17,241,527.92	100.00	—

significant yet bad debt provisions are provided individually					
<b>Total</b>	<b>769,036,547.68</b>	<b>100</b>	<b>37,590,347.99</b>	<b>4.89</b>	<b>731,446,199.69</b>

**Aging Analysis**

Aging	Closing balance		
	Accounts receivable	Bad debt provision	(%)
Within 1 year	456,259,118.58	22,812,955.93	5.00
1-2 years	178,891.77	17,889.18	10.00
2-3 years	40,830.36	12,249.11	30.00
3-4 years	0.36	0.18	50.00
4-5 years	0.36	0.18	50.00
<b>Total</b>	<b>456,478,841.43</b>	<b>22,843,094.58</b>	<b>5.00</b>

For determination of groups, see NOTE III. X

(2) Bad debt provision increase, reversed or recovered:

bad debt provision increased totals -3,399,893.74 RMB yuan and bad debt provision recovered or reversed totals 0 RMB yuan

(3) Written-off Accounts Receivable in current reporting period:

Items	Written-off amount
Accounts Receivable written-off	1.54

(4) Accounts Receivable categorized by companies

Company Name	Amount	Aging	Percentage of total Amount (%)	Bad debt provision made
Hefei Midea Washing Machine Limited.	165,445,148.88	Within 1 year	26.13	8,272,257.44
Suning Procurement Centre of Suning Commerce Group Co., Ltd.	162,736,568.81	Within 1 year	25.70	8,136,828.44
Jiangsu Five-Star Appliance Limited.	11,508,942.33	Within 1 year	1.81	575,447.12
Xinjiang Gome Appliance Limited.	9,752,167.50	Within 1 year	1.54	487,608.38
Xi'an Gome Appliance Limited.	9,584,076.27	Within 1 year	1.51	479,203.81
<b>Total</b>	<b>359,026,903.79</b>		<b>56.69</b>	<b>17,951,345.19</b>

## II. Other Accounts Receivable

### (1) Disclosure of Other Accounts Receivable by Categories

Categories	Closing balance				
	Book balance		Bad debt provision		Book value
	Amount	(%)	Amount	(%)	
Other accounts receivable grouped by credit risks	93,916,411.78	100.00	77,754,119.49	82.79	16,162,292.29
<b>Total</b>	<b>93,916,411.78</b>	<b>100.00</b>	<b>77,754,119.49</b>	<b>82.79</b>	<b>16,162,292.29</b>

Categories	Closing Balance				
	Book balance		Bad Debt Provision		Book value
	Amount	(%)	Amount	(%)	
Other accounts receivable grouped by credit risks	99,500,342.25	100	80,748,141.42	81.15	18,752,200.83
<b>Total</b>	<b>99,500,342.25</b>	<b>100</b>	<b>80,748,141.42</b>	<b>81.15</b>	<b>18,752,200.83</b>

### Aging Analysis

Aging	Closing Balance		
	Other account receivable	Bad Debt Provision	(%)
Within 1 Year	6,810,288.16	340,514.41	5.00
1-2 Years	10,367,237.10	1,036,723.71	10.00
2-3 Years	338,714.50	101,614.35	30.00
3-5 Years	249,810.00	124,905.00	50.00
Over 5 Years	403,652.19	403,652.19	100.00
<b>Total</b>	<b>18,169,701.95</b>	<b>2,007,409.66</b>	<b>11.05</b>

- (1) Bad debt provision increase, reversed or recovered:
- (2) Bad debt provision are increased by 365,611.37 RMB yuan.
- (3) Illustration of Other Accounts Receivable Written-off in this reporting period

Items	Written-off amount
Other accounts receivable written-off	3,359,633.30

### Including: significant Other Accounts Receivable Written-off

Company Name	Nature of Other Accounts Receivable	Amount Written off	Reason	Approved by	Whether due from related party
--------------	-------------------------------------	--------------------	--------	-------------	--------------------------------

					transactions
Wuxi Little Swan washing Machine Limited.	Receivable	3,359,633.30	Insolvency	General manager's office meeting	Yes
Total	--		--		--

## (4) Other accounts receivable categorized by nature:

Nature	Closing Balance	Opening Balance
Guarantee and deposits	362,934.12	546,594.12
Advance payments	2,722,807.25	3,111,505.30
Energy efficiency rebates	9,738,261.10	10,152,391.10
Loans due from employees	3,645,699.48	3,666,395.18
Overdue bills receivable	1,700,000.00	2,873,117.90
Internal accounts receivable & payable	75,746,709.83	79,150,338.65
<b>Total</b>	<b>93,916,411.78</b>	<b>99,500,342.25</b>

## (5) Top 5 significant in value other Accounts Receivable categorized by due parties

Company name	Nature	Closing balance	Aging	Percentage of total Amount (%)	Closing balance of bad debt provision
Jiangsu Little Swan Marketing Limited	Accounts payable & receivable	74,638,546.88	2-3 years	79.47	22,391,564.06
Ministry of Industry and Information	Energy efficiency rebates	9,738,261.10	1-2 years	10.37	973,826.11
Wuxi China Resources Gas Limited.	Advanced payments for gas & guarantee deposits	1,360,961.80	With 4 years	1.45	193,848.09
Taizhou Huangyou Zhiwei Mould Limited.	guarantee deposits	269,230.76	Over 5 years	0.29	269,230.76
Changzhou Xinya Electric Limited.	guarantee deposits	249,810.00	4-5 years	0.26	124,905.00
<b>Total</b>	<b>--</b>	<b>86,256,810.54</b>	<b>--</b>	<b>91.84</b>	<b>23,953,374.02</b>



**III. Long-term equity investments**

Items	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Investments in subsidiaries	1,397,194,491.57	57,500,000.00	1,339,694,491.57	1,659,294,079.07	62,099,587.50	1,597,194,491.57
Investments in associates & joint-ventures	2,850,040.45	—	2,850,040.45	3,169,148.88	—	3,169,148.88
<b>Total</b>	<b>1,400,044,532.02</b>	<b>57,500,000.00</b>	<b>1,342,544,532.02</b>	<b>1,662,463,227.95</b>	<b>62,099,587.50</b>	<b>1,600,363,640.45</b>

## (1) Investments in subsidiaries

Investee	Opening balance	Increase	Decrease	Closing balance	Impairment provision of current period	Closing balance of impairment provision
Wuxi Little Swan Import & Export Co., Ltd.	57,500,000.00	—	—	57,500,000.00	57,500,000.00	57,500,000.00
Wuxi Little Swan Washing Machine Co., Ltd.	37,259,587.50	—	37,259,587.50	—	—	—
Wuxi Meitian Refrigerator Marketing Limited.	24,840,000.00	—	24,840,000.00	—	—	—
Jiangsu Little Swan Marketing and Sales Co., Ltd.	417,550,000.00	—	—	417,550,000.00	—	—
Wuxi Filin Electronics Co., Ltd.	25,660,308.10	—	—	25,660,308.10	—	—
Wuxi Little Swan General Electric Appliances Co., Ltd.	19,600,000.00	—	—	19,600,000.00	—	—
Little Swan (Jing	11,869,431.12	—	—	11,869,431.12	—	—

Zhou) Sanjin Electronic Appliances Limited.						
Little Swan International (Singapore) Limited.	34,052,500.00	—	—	34,052,500.00	—	—
Hefei Midea Washing Machine Limited.	830,962,252.35	—	—	830,962,252.35	—	—
Tianjin Little Swan Washing Machine Limited.	200,000,000.00	—	200,000,000.00	—	—	—
<b>Total</b>	<b>1,659,294,079.07</b>	<b>—</b>	<b>262,099,587.50</b>	<b>1,397,194,491.57</b>	<b>57,500,000.00</b>	<b>57,500,000.00</b>

## (2) Investments in associates and joint-ventures

Investee	Opening balance	Increase/ Decrease of current period				
		Increase in investment	Decrease in investment	Investment return under equity method	Adjustment from other comprehensive income	Other changes in equity
I. Associates						
Guangzhou Antaida Logistics Limited.	3,169,148.88	—	—	-319,108.43	—	—
Subtotal	<b>3,169,148.88</b>	—	—	<b>-319,108.43</b>	—	—
<b>Total</b>	<b>3,169,148.88</b>	—	—	<b>-319,108.43</b>	—	—

## Long-term equity investment (Continued)

Investee	Increase/Decrease			Closing Balance	Impairment provision as of Dec. 31, 2014
	Declaration of cash dividends or profit distribution	Impairment provision	Others		
I. Associates					
Guangzhou Antaida Logistics Limited.	—	—	—	2,850,040.45	—

Subtotal	—	—	—	<b>2,850,040.45</b>	—
<b>Total</b>	—	—	—	<b>2,850,040.45</b>	—

#### IV. Operating income and operating expenses

Items	2014		2013	
	Income	Expenses	Income	Expenses
Operating income	7,388,407,743.28	5,459,568,825.28	5,914,345,955.43	4,443,120,274.56
Other operating income	528,418,127.08	486,618,234.21	427,951,602.48	399,104,106.69
<b>Total</b>	<b>7,916,825,870.36</b>	<b>5,946,187,059.49</b>	<b>6,342,297,557.91</b>	<b>4,842,224,381.25</b>

#### V. Investment Income

Items	2014	2013
Long-term equity investment income measured at equity method	-319,108.43	-116,701.92
Investment Income from disposal of Long-term equity investment	-8,514,127.65	5,782,319.61
Investment income from tradable financial asset held for trading	4,651,580.00	11,916,730.00
Investment income from accumulated return of available-for-sale financial assets	50,000.00	173,405.12
Income from disposal of available-for-sale financial assets	7,600,256.00	—
Investment income from Financial Product in Bank	79,825,645.22	58,446,235.40
<b>Total</b>	<b>83,294,245.14</b>	<b>76,201,988.21</b>

#### XVI. Further information

##### I. Details of non-recurring gain/loss of current period

Items	2014	2013
Gain/loss from disposal of non-current assets	-3,482,781.03	-1,078,789.83
Tax Rebates and Exemptions under ultra vires or Official Approval	—	—
Government Grant into Current Profit and Loss (except for those government Grant closely related to the	19,316,074.38	23,748,858.49

Company's business, and received at national statutory standard and amount)		
Fund Using Fee into Current Profit & Loss from non-financial Organizations	—	—
Gain/loss from differences between the initial investment cost and fair value of net identifiable asset of the invested entities through acquisition of subsidiary, associate or joint venture	—	—
Gain/loss from exchange of non-monetary assets	—	—
Gain/loss from commissioned investment or assets	—	—
Asset impairment provisions provided under force-majeure such as natural disaster	—	—
Gain/loss from debt reconstruction	7,708,285.28	2,807,241.09
Corporate Reconstruction Costs, such as Employee Settlement Cost, integration Cost, etc.	—	—
Gain/loss from difference between Transaction price not at an arm's length and fair value	—	—
Net profit of subsidiary for current period from the beginning of the period to acquisition date under common control	—	—
Gain/loss from contingency of non-operating activities	—	—
Gain/loss from change of fair value of financial asset and liabilities held for trading, and investment income from disposal of financial asset and liabilities held for trading, financial asset held-for-sale, other than effective hedging related to operations of the company.	—	—
Impairment Loss for Account Receivable tested individually ready for reversal	—	733,146.16
Gain/loss from commissioned loans	—	—
Gain/loss from changes of fair value of investment property measured at fair value model in subsequent measurement	—	—
Effect of On-off Adjustment to current profit and loss according to taxation law and accounting regulations	7,701,506.00	308,469.59
Commission income	—	—
Other non-operating income and losses other than items above	7,821,536.57	9,283,944.96
Other Profit and loss qualified for non-recurring profit and loss	162,708,030.89	97,565,087.41

Expected liabilities	—	—
Termination benefits	-17,259,177.65	-5,944,610.29
<b>Total</b>	<b>184,513,474.44</b>	<b>127,423,347.58</b>
Less: Income Tax Effect	11,994,501.34	9,485,975.81
Less: Minority interest (after-tax)	24,060,495.30	14,848,388.66
<b>Total</b>	<b>148,458,477.80</b>	<b>103,088,983.11</b>

## II. ROE & EPS

Profit of the reporting period	Weighted Average ROE (Return on Shareholder's Equity) (%)	Earning per share	
		Basic EPS	Diluted EPS
Net profit attributable to ordinary shareholders of the Company	16.73%	1.10	1.10
Net profit attributable to ordinary shareholders of the Company after deducting Non-recurring profit and loss	13.18%	0.87	0.87

## III. Further information on changes in accounting policies

The Company make changes in its accounting policy according to changes in Accounting Standard for Business Enterprises No.2—Long-term equity Investments issued by State ministry of finance, and retrospectively restate its financial statements as follows;

Items	Jan. 1, 2013	Dec. 31, 2013	Dec. 31, 2014
Current assets:			
Monetary capital	1,404,291,094.65	1,617,373,088.50	3,059,914,956.21
Deposit reservation for balance			
Due from placements with banks and other financial Institutions			
Tradable financial assets	1,224,590.00	15,016,740.00	248,907.75
Derivative financial assets			
Bills receivable	2,262,814,443.87	2,449,770,225.41	3,147,153,535.61
Accounts receivable	722,198,904.66	777,744,132.32	856,343,229.70
Prepayments	97,188,434.21	140,841,924.06	142,977,522.28
Insurances receivable			

Reinsurances receivable			
Provisions of reinsurance contracts receivable			
Interests receivable			
Dividends receivable			
Other accounts receivable	16,984,517.49	26,163,524.13	34,611,969.22
Redemptory financial assets for Sale			
Inventories	952,747,860.68	798,141,838.58	605,616,993.25
Current assets classified as held for sale			
Non-current assets due within one year			
Other current assets	1,201,171,819.72	1,791,288,539.62	1,947,972,214.72
<b>Total current assets</b>	<b>6,658,621,665.28</b>	<b>7,616,340,012.62</b>	<b>9,794,839,328.74</b>
<b>Non-Current Assets</b>			
Loans and advances due from institutions			
Financial asset available for sale	2,696,944.00	1,722,816.00	200,000.00
Held-to-maturity investments			
Long-term accounts receivable			
Long-term equity investment	3,285,850.80	3,169,148.88	2,850,040.45
Investment properties	5,049,500.73	9,466,777.10	73,229,177.52
Fixed assets	1,297,298,526.31	1,194,244,286.86	1,065,820,898.65
Construction in progress			
Construction materials			
Disposal of fixed assets			
Productive biological assets			
Oil-and-gas assets			
Intangible assets	308,714,119.44	219,445,532.87	202,760,577.70
Capitalised development expenditures			
Goodwill			
Long-term deferred expenses	27,729,917.87	7,147,835.74	1,851,978.15

Deferred tax assets	100,308,918.86	170,990,970.67	235,241,927.50
Other non-current assets			
<b>Total non-current assets</b>	<b>1,745,083,778.01</b>	<b>1,606,187,368.12</b>	<b>1,581,954,599.97</b>
<b>Total assets</b>	<b>8,403,705,443.29</b>	<b>9,222,527,380.74</b>	<b>11,376,793,928.71</b>
<b>Current Liabilities</b>			
Short-term loans			
Borrowings from central bank			
Placements due to banks and other financial institutions			
Borrowings from banks and other financial institutions			
Financial liabilities measured at fair value through profit or loss for the current period			
Derivative financial liabilities			
Bills payable	1,003,090,693.95	385,673,110.34	1,173,851,127.31
Accounts payable	2,129,979,583.30	2,768,046,095.46	3,614,077,813.37
Advances from customers	804,441,642.84	1,057,952,597.52	851,592,826.03
Financial assets sold for repurchase			
Fees and commissions payable			
Payroll	125,902,663.09	207,323,619.92	250,377,809.92
Taxes payable	-3,821,048.41	199,203,856.56	273,648,854.64
Interests payable			
Dividends payable	3,710,206.21	3,740,152.33	4,088,128.36
Other accounts payable	71,726,352.37	50,021,093.66	48,540,416.84
Reinsurance fee payable			
Insurance contract provision			
Receivings from vicariously traded securities			
Receivings from vicariously sold Securities			
Current liabilities classified as held for sale			

Non-current liabilities due within one year			
Other current liabilities			
<b>Total current liabilities</b>	<b>4,135,030,093.35</b>	<b>4,671,960,525.79</b>	<b>6,216,176,976.47</b>
<b>Non-current Liabilities</b>			
Long-term loans			
Bonds payable			
Including: Preference shares			
Perpetual capital securities			
Long-term accounts payable			
Long-term payroll			
Special accounts payable	2,607,427.30	2,073,957.30	2,073,957.30
Expected liabilities	14,041,361.41	11,310,523.59	9,960,830.74
Deferred income	1,271,800.00	568,600.00	3,848,733.33
Deferred tax liabilities	211,685.10	2,284,388.40	37,336.16
Other non-current liabilities			
<b>Total non-current liabilities</b>	<b>18,132,273.81</b>	<b>16,237,469.29</b>	<b>15,920,857.53</b>
<b>Total liabilities</b>	<b>4,153,162,367.16</b>	<b>4,688,197,995.08</b>	<b>6,232,097,834.00</b>
<b>Shareholders' Equity</b>			
Share capital	632,487,764.00	632,487,764.00	632,487,764.00
Other equity instruments			
Including: Preference shares			
Perpetual capital securities			
Capital reserve	1,129,250,666.31	1,129,250,666.31	1,142,584,041.18
Less: Treasury share			
Other comprehensive income	-2,462,483.69	-3,379,075.16	-3,449,689.57
Special reserves			
Surplus reserves	270,617,248.93	290,958,368.49	332,594,722.29
Generic risk reserve			
Undistributed profit	1,656,317,300.32	1,859,579,931.10	2,326,392,979.58
<b>Total shareholders' equity attributable to parent company</b>	<b>3,686,210,495.87</b>	<b>3,908,897,654.74</b>	<b>4,427,982,112.33</b>



Minority interest	564,332,580.26	625,431,730.92	716,713,982.38
<b>Total shareholders' equity</b>	<b>4,250,543,076.13</b>	<b>4,534,329,385.66</b>	<b>5,144,696,094.71</b>
<b>Total liabilities &amp; shareholders' equity</b>	<b>8,403,705,443.29</b>	<b>9,222,527,380.74</b>	<b>11,376,793,928.71</b>

## **XI. Documents Available for Reference**

1. Text of the 2014 Annual Report with the signature of the Chairman of the Board of Directors.
2. Accounting statements with signatures and seals of the legal representative, the chief financial officer and the head of accounting.
3. Original copy of the Auditor's Report stamped by the accounting firm and signed and stamped by registered accountants
4. Originals of all documents and announcements of the Company ever disclosed on *Securities Times* and *Hong Kong Ta Kung Pao* in the reporting period.

**Wuxi Little Swan Co., Ltd.**

**Legal Representative: Fang Hongbo**

**20 Mar. 2015**